



# **Moray Council Annual Audit Report**

Financial year ending 31 March 2026

Prepared for those Charged with Governance and the  
Accounts Commission

30 September 2026



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

# **01 Executive summary**

# Executive summary

This table summarises the key findings and other matters arising from the external audit of Moray Council and its Group and the preparation of the financial statements for the year ended 31 March 2026 for those charged with governance (full Council) and the Accounts Commission.

## Financial statements

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

- The Group and Council financial statements give a true and fair view of the state of affairs of the Council and its group as at 31 March 2026 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 2025/26 CIPFA Code of Accounting Practice;
- the Group and Council's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

**We issued an unmodified opinion for Moray Council after the Council meeting on 30 September 2026.** We also issued an unmodified opinion 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 2026, with the Council authorising their financial statements on that date.

The draft version of the accounts presented for audit did not include updated Council Dwellings figures for 2025/26, as the valuation of these assets had not taken place. We agreed with the Council that once these valuations had been received, the draft accounts would be updated to include the final Council Dwellings figures. This version of the accounts was received on 30 August 2026.

## Target completion dates

The target completion dates for the 2025/26 audit was 30 September 2026.

Subject to the completion of the completion of the outstanding items it is anticipated that the target timeline can be achieved, with this Auditor's Annual Report planned to be presented to full Council and the audit opinion signed by the 30 September 2026 deadline.

# Executive summary (2)

## Financial statements

### Amendments to the primary financial statements

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

The impact upon the primary statements has been material, to decrease the balance sheet net assets by £234.666 million. The change meant that the Council went from reporting a comprehensive net expenditure of £195.507 million to a comprehensive net expenditure of £3.511 million.

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

- the accounts presented for audit did not include the Council Dwellings figures for 2025/26 as the information was not yet received. Once received, management revised the accounts, which resulted in the valuation of Council Dwellings at 31 March 2026 decreasing to £280.6 million. This was a decrease of £215 million from the prior period closing balance of £495.6 million. This impacted unusable reserves only.
- the closing balance of 2024/25 Council Dwellings has decreased by £194.2 million from £495.6 million to £301.4 million. The misstatement was identified from challenging management about the significant reduction in the 2025/26 revaluation of Council Dwellings. As a result, an error was identified in the methodology used in the Council's 2020/21 internal valuation, which failed to capitalise rental streams as required by applicable guidance. Therefore, the 2020/21 valuation had given an incorrect value for Council Dwellings which has continued to roll forward in future years. There was no impact on the 2025/26 figures as the valuation was correctly calculated by the VOA, however the prior period figures required to be amended to ensure the opening balances and impact on reserves were correct. This impacted unusable reserves only.

- the closing liability balance in relation to the Council's PFI schemes required to be updated due to an error processed in the calculation adjustment in 2024/25 as part of the transition adjustment to IFRS 16. The resulted in the overall liability decreasing by £6.035 million in 2025/26 and impacted unusable reserves only
- other land and buildings has increased by £6.040 million as a result of the Council recognising a provision for the ongoing monitoring of the Nether Dallachy landfill site, which closed in May 2025. The Council had previously only recognised a contingent liability for Nether Dallachy. The Council has correctly capitalised the provision and there was no impact on reserves.

### Council Dwellings Valuation

In line with the Council's five year valuation cycle, the Council were required to complete a full valuation of their Council Dwellings in 2025/26. The previous valuation took place in 2020/21 and was undertaken by the Council's own internal valuer. For the 2025/26 valuation, the Council commissioned the Valuation Office Agency (VOA) to undertake the valuation of their Council Dwellings.

Early in 2026, the Council made us aware that the final valuation figures would not be available for inclusion in the unaudited accounts approved by the Council in June 2026. As a result, the first set of accounts presented for audit included 2024/25 Council Dwelling figures.

The Council received their Council Dwellings valuations in mid-August, in line with the agreed timeframe, however as mentioned previously, the valuation was significantly lower than the previous valuation, with a final valuation for 2025/26 of £280.6 million.

# Executive summary (3)

## Financial statements

### Council Dwellings Valuation (continued)

Management challenged the VOA to understand the decrease in value, with VOA confirming they had followed a standard valuation approach. As a result of this challenge, we did not receive an updated version of the accounts including full Council Dwellings revaluation figures until 30 August 2026.

We confirmed that the methodology used in the 2025/26 valuation was appropriate. However, we identified that the previous full internal valuation completed in 2020/21 was calculated incorrectly due to an error in the EUV-SH adjustment factor methodology, which failed to capitalise rental streams as required by applicable guidance. Therefore, the 2020/21 valuation had given an incorrect value for Council Dwellings which has continued to roll forward in future years. As a result, we requested the Council reconstruct the 2020/21 adjustment factors on the correct basis.

The audit team have reviewed the updated valuation methodology and confirmed it is reasonable. As a result of the error, the Council posted a prior period adjustment, detail of which is disclosed at Note 2 of the accounts. The overall impact was that the 2024/25 closing balances for Council Dwellings decreased by £194 million.

### Application of Indexation and Fixed Asset Register reconciliation

The 2025/26 Code of Practice on Local Authority Accounting introduced a significant change to the accounting treatment of non-investment assets by permitting the use of indexation in intervening years between full asset revaluations. We assessed the Council application of indexation across the population of assets not revalued and confirmed the approach was reasonable,

with appropriate accounting entries made.

During our previous audits, we have encountered issues with the reconciliation processes in place for the compilation of the PPE Note and an audit recommendation was raised as a result. This issue re-occurred in 2025/26, and we confirmed that there were reconciling differences between the PPE Note, the Fixed Asset Register and the valuers report. This added time into our audit procedures, as we needed to understand the reasons behind all variances.

It should be standard practice that the Council ensure the Fixed Asset Register and indexation working paper 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 E.**

We had raised a recommendation in our previous audit that the Council should ensure there is early discussion with any new valuer to ensure the valuer is aware of the requirements and responsibility for audit. During 2025/26, the response rate to audit queries was slower than expected, however we received all required data in full to support our audit conclusions. The audit team needed to follow up a number of audit requests due to incomplete information, which resulted in delays to procedures and prevented us completing the valuations work in line with our anticipated workplan. We had aimed to complete the PPE valuations work in advance of the Council Dwellings procedures since this information was not included in the unaudited accounts.

# Executive summary (4)

## Financial statements

### Working papers

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

### 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. The decision to not amend for these issues does not impact the proposed audit opinion. Further detail is in Appendix A. We have raised one recommendation for management from our audit work on the financial statements. This is set out in Appendix B.

Our follow up of the financial statement recommendations made in the prior year audit are detailed in Appendix E. Of the seven recommendations made in previous audits, two have been cleared with two in progress and three still open.

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

### Audit fee

The audit team have been required to carry out significant additional audit work as part of our 2025/26 audit. During our financial statements audit work, we needed to complete additional work on non-current asset valuations. This was primarily a result of the late receipt of the Council Dwellings valuation in August 2026 and the resultant prior period amendment required. We needed to liaise with the VOA to understand their existing methodology and the differences from the old methodology. Once it was agreed the previous valuation had been completed incorrectly, we had to review the Council’s updated values and confirm they were input into the accounts correctly. To conclude on the work on the council house valuations we required consultation with our audit approach, financial reporting and valuation teams within Grant Thornton.

Our work around land and buildings valuations also took longer than planned due to the high level of engagement with the valuer to request further information. This required additional auditor time to work through the significant number of queries raised.

We were also required to undertake additional audit procedures over the provision relating to the decommissioned landfill site at Nether Dallachy. This work arose as a result of audit challenge and included a detailed review of management’s calculations supporting the new provision recognised in the 2025/26 financial statements.

A new auditing standard (ISA 600) and updated accounting standard (IFRS 16) were introduced during 2024/25. This has resulted in us completing additional audit testing during 2025/26, both during our planning and year end procedures.

# Executive summary (5)

## Financial statements

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### Audit fee (continued)

We identified in our audit plan that we would be required to follow up a number of previous audit recommendations made, both in our financial statements audit and in relation to our wider scope audit responsibilities. The wider scope audit has required increased levels of scrutiny and reporting, driven by historical issues and the number of significant areas of focus identified during the year.

Based on all of the above issues, we anticipate charging an additional audit fee for the issues identified during 2025/26, including for the additional work required due to the impact of the wider scope work. This has been set at £42,780. The Trust Fund audit is outside of the base audit fee, and this was set at the planning stage at £7,500. Therefore, the increase in audit fees from the base is £50,280. This is further set out in Appendix F.

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

# Executive summary – Wider Scope and Best Value

## Financial statements

### Wider Scope and Best Value

In our External Audit Plan for the year ended 31 March 2026, we documented our assessment of the wider scope risks and planned audit work. At the planning stage we identified one significant risk in respect of financial sustainability.

There remains a significant risk around financial sustainability due to the Council needing to identify a further £8.185 million of savings up to financial year 2028/29. The Council's Medium to Long Term Financial Strategy also confirms that further significant savings will be required to bridge the projected funding deficit over the longer term. The Council must identify ways to alleviate the significant budget gap over the life of the strategy.

Full details of the wider scope work undertaken are outlined on pages 35 to 65. We have raised no new wider scope recommendation for management as a result of our wider scope work in 2025/26.

The follow up of prior year wider scope and thematic recommendations is set out at Appendix E. There were thirteen in total and review of these recommendations have concluded that eleven are complete and two are in progress.

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

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

For 2025/26, the scope of Best Value work included conclusions on:

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

### Thematic Review – Asset Management

The key findings from the thematic review are summarised in this report at pages 76 - 79, with the separate thematic report presented to the 18 June 2026 Audit and Scrutiny Committee meeting.

An action plan within the thematic review report notes three recommendations, with the Council's agreed response to the actions suggested. This has been replicated at Appendix C. No follow up on the progress of actions has been carried out given the agreed timescale for the implementation of each recommendations, however we do note that the Council approved a revised Corporate Asset Management Plan at the Corporate Committee meeting held on 26 August 2026.

### Controller of Audit Best Value Report

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

We have included a follow up on the Controller of Audit recommendations at Appendix D. All nine recommendations from the review are now closed, however two have been superseded by further recommendations raised as a result of our wider scope work.

## **02 Introduction**

# Introduction

## Scope of our audit work

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

This report is addressed to the Council and the Accounts Commission and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

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

The core elements of our audit work in 2025/26 have been:

- An audit of the Council and Group's annual report and accounts for the financial year ended 31 March 2026 [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 2026.
- 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 2026, and work will commence in September 2026.
- Certification of the NDR return (Non- Domestic Rates). The audit deadline is 08 October 2026. To date, we have carried out sample testing over reliefs granted during 2025/26 and will complete the remaining certification work in September 2026.

## Responsibilities

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

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

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

## Audit approach

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

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

# Introduction (2)

## **Adding value through our audit work (continued)**

We aim to add value to the Council throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management, financial sustainability, risk management and performance monitoring. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources.

We have invited members of your financial reporting team to our annual Local Government Chief Accountants workshop and members of the Audit and Scrutiny Committee to a webinar on Audit Committee effectiveness, both of which were led by our internal financial reporting technical team.

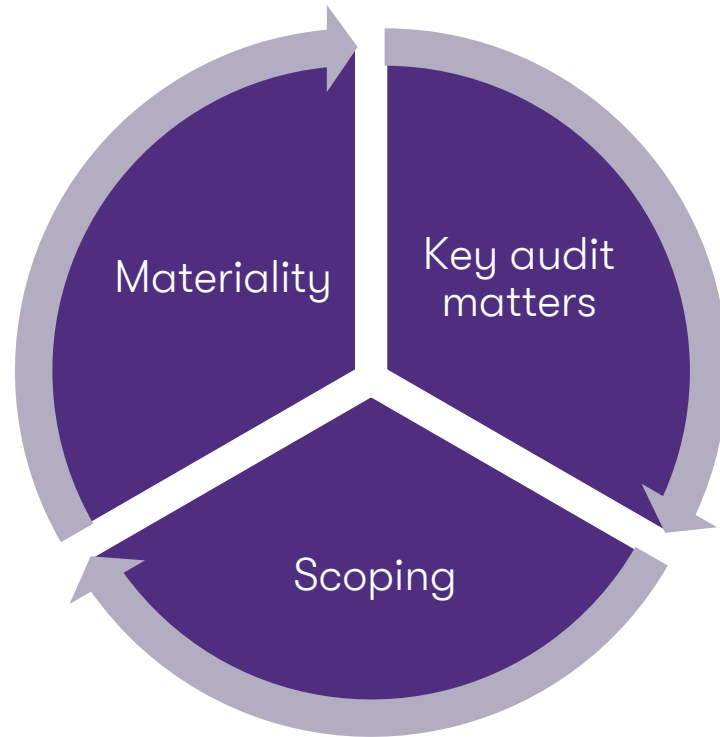
We provide the Council with relevant sector updates prepared by our financial reporting team throughout the year.

We also look to bring forward audit testing where possible by performing an interim audit which was delivered in March 2026. Early testing covered NDR reliefs and payroll for the first nine months of the financial year. This helped provide a smooth and efficient audit process to support delivery for the year end audit.

# **03 Audit of the annual report and accounts**

# Audit of the annual report and accounts

## Approach to the audit of financial statements



### Key audit matters and significant risks

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

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

### Internal control environment

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

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

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

We have not identified any changes in our approach since our Audit Plan was presented to the Audit and Scrutiny Committee on 25 March 2026. The risks identified remain the same.

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

# Our application of materiality

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

Our audit approach was set out in our audit plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2025/26 draft financial statements and concluded that materiality is £10.069 million for the Group (PY £8.104 million) and £9.566 million for the Council (PY £7.678 million), which equates to approximately 2.5% for the Group (PY 2%) and 2.35% for the Council (PY 1.9%) of your 2025/26 gross expenditure less IJB contributions of the Group and the Council.
- Performance materiality was set at £7.552 million (Group) (PY £5.673 million) and £7.175 million (the Council) (PY £5.374 million) representing 75% of our calculated materiality (PY 70%).
- We report to Officers (Management) any difference identified over £0.504 million (Group) and £0.478 million (the Council) representing 5% of our calculated materiality (PY £0.405 million and £0.384 million respectively).
- Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area of £25,000 (PY £25,000). We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus on the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

There is a change in materiality values since our final audit plan was communicated to you in March 2026 as final gross expenditure for 2025/26 was used as the basis of the calculation. The percentage chosen for higher materiality, performance materiality and triviality remains unchanged.

# Overview of the scope of our audit

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

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

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

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

## Identifying significant components

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

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

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

## Performance of our audit

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

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

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

## Changes in approach from the previous period

There are no additional components in the group compared to 2024/25. There are no changes from our approach noted in our Audit Plan from March 2026.

# Group audit approach

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

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

| Component                                                                                                               | Scope - Planning | Scope - Final | Auditor                                            | Status     | Comments                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------|------------------|---------------|----------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------|
| Moray Council                                                                                                           |                  |               | Grant Thornton UK                                  | ●<br>Green | Our findings are summarised on pages 20-48                                                                              |
| Other Trust Funds and Common Goods Funds                                                                                |                  |               | Grant Thornton UK                                  | ●<br>Green | The audit team performed audit procedures on material balances relating to PPE, reserves and cash and cash equivalents. |
| Connected Charitable Trust Funds, Grampian Valuation Joint Board, Moray Leisure Board and Moray Integration Joint Board |                  |               | Grant Thornton UK (except for Moray Leisure Board) | ●<br>Green | We have not identified any issues from our analytical procedures undertaken.                                            |

Moray Council

Full scope audit procedures will be performed to component materiality by the group audit team.

See above

Audit of specified financial statement line items to component materiality by the group audit team.

See above

Out of scope components are subject to analytical procedures performed by the group audit team to group materiality.

Green

Planned procedures are substantially complete with no significant issues outstanding.

Amber

Planned procedures are ongoing / subject to review with no known significant issues.

Red

Planned procedures are incomplete and / or significant issues have been identified that require resolution.

# Detecting irregularities, including fraud

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Moray Council and its Group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2025/26 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit and Scrutiny Committee, concerning the Council's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit and Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Council and its group financial statements to material misstatement, including how fraud might occur, by evaluating incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Council's financial performance for the year and potential management bias in determining accounting estimates in relation to the valuation of land and buildings and the estimations in respect of the Council's defined pension liability. Our audit procedures are documented within our response to the significant risk of management override of controls below.

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

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

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

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

# Overview of audit risks

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

| Risk title                               | Risk level  | Change in risk since audit plan | Fraud risk | Key audit matter | Level of judgment or estimation uncertainty | Testing approach | Status of work to date |
|------------------------------------------|-------------|---------------------------------|------------|------------------|---------------------------------------------|------------------|------------------------|
| Management override of controls          | Significant | ↔                               | ✓          | ✗                | Low                                         | Substantive      | ●<br>Green             |
| Valuation of land and buildings          | Significant | ↔                               | ✗          | ✓                | High                                        | Substantive      | ●<br>Green             |
| Defined benefit pension scheme valuation | Significant | ↔                               | ✗          | ✓                | High                                        | Substantive      | ●<br>Green             |

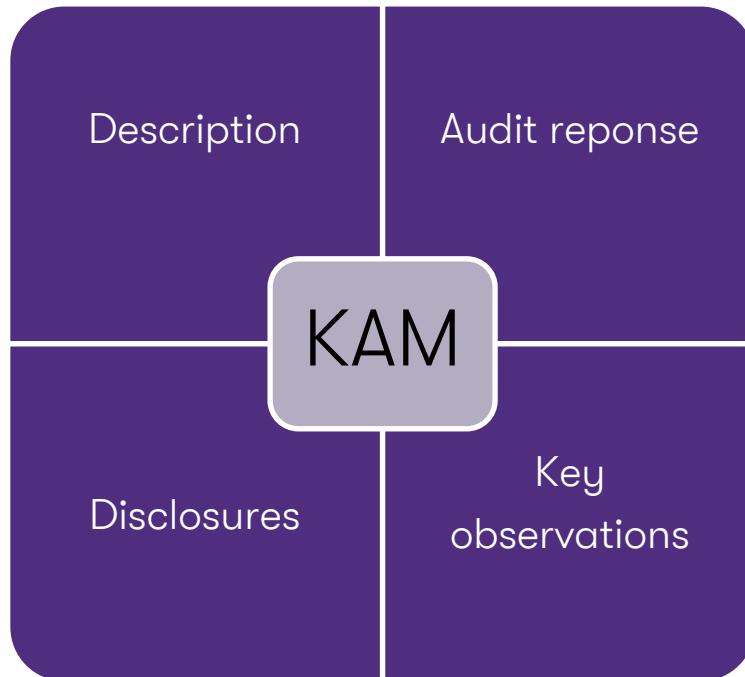
- ↑

Assessed risk increased since Audit Plan
- ↔

Assessed risk consistent with Audit Plan
- ↓

Assessed risk decreased since Audit Plan
- Not considered likely to result in material adjustment or change to disclosures within the financial statements (as material amendments have been made in the final financial statements for council dwellings)
- 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



## Responding to significant financial statement risks

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

## Key audit matters

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

These matters include those that had the greatest effect on:

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

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

## Other risks

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

# Significant risks and key audit matters (2)

| Significant risks identified in our Audit Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Risk relates to       | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>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.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.</p> | Group and the Council | <p>In response to the risk highlighted we carried out the following work:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of and evaluated the design effectiveness of managements' key controls over journals.</li> <li>• Analysed the full journal listing for the year and used this to determine our criteria for selecting high risk journals.</li> <li>• Tested the high-risk journals we have identified.</li> <li>• Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness</li> <li>• Gained an understanding of key accounting estimates made by management and carried out substantive testing on in scope estimates.</li> <li>• Evaluated the rational for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p><b>Conclusion</b></p> <p>2025/26 was the first financial year in which the Council's journal authorisation control was fully implemented and operating effectively, with evidence confirming that the control functioned as designed throughout the year.</p> <p>Our work did not identify any material issues in relation to management override of controls. We are satisfied from our work performed that there has been no identified instances of management override of controls that would result in a material misstatement of the financial statements.</p> |

# Significant risks and key audit matters (3)

| Significant risks identified in our Audit Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| <p><b>Valuation of land and buildings</b></p> <p>In accordance with the CIPFA/LASAAC Code of Practice, except for initial recognition, the Council is required to hold property and property, plant and equipment (PPE) on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs (DRC), as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value. Council dwellings are determined using the basis of existing use value for social housing.</p> <p>As at 31 March 2026, the Council held land and buildings of £428 million and council dwellings of £281 million. Given these significant values, 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 assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical cost, as a proxy of fair value. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and/or unusual approaches to their valuations. The risk will be pinpointed as part of our final accounts work, once review the population of assets revalued.</p> <p><b>Continued on next page.</b></p> | Moray Council   | <p>In response to the risk highlighted we carried out the following work:</p> <ul style="list-style-type: none"> <li>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;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>reviewed the response from the valuer confirming the basis on which valuations were carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>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;</li> <li>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;</li> <li>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</li> <li>for any assets not formally revalued, evaluated the judgement made by management or others in the determination of the current value of these assets.</li> </ul> <p><b>Continued on next page.</b></p> |

# Significant risks and key audit matters (4)

| Significant risks identified in our Audit Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <p><b>Valuation of land and buildings (continued)</b></p> <p>A substantial change has been made to the Code of Audit Practice for 2025/26. Local authorities are now required to complete a full valuation for all properties once every five years or alternatively on a five-year rolling basis and supported by indexation in intervening years. Note: Indexation does not apply to the valuation of Council Dwellings from 2025/26 onwards.</p> <p>We have confirmed that the Council employ an internal valuer to undertake a rolling programme of valuations across their asset base valuing land and buildings at least once every five years. In the intervening periods, Moray Council carries out an indexation exercise. For 2025/26, the Council will utilise an external valuer to carry out the valuations of Council Dwellings.</p> <p>We therefore consider this to be a significant risk to our audit and a key audit matter.</p> | Moray Council   | <p><b>Conclusion</b></p> <p><a href="#">Council Dwellings 2025/26 Valuation</a></p> <p>Council Dwellings were subject to a full revaluation during 2025/26. Due to the timing of the valuation, the updated valuation was unable to be included in the unaudited version of the accounts approved by Full Council in June 2026. The Council received the valuation figures from the Valuation Office Agency (VOA) in August 2026 and input the details into a second version of unaudited accounts which were submitted for audit. This confirmed the valuation of Council Dwellings at 31 March 2026 was £280.6 million. This was a decrease of £215 million from the prior period closing balance of £495.6 million which disclosed in the 2024/25 accounts.</p> <p><a href="#">Council Dwellings Prior Period Valuation</a></p> <p>As a result of the significant fall in value in the 2025/26 valuation, we challenged management about the basis of the previous full valuation which was carried out in 2020/21 and impacted the 2024/25 and prior year financials. The decrease in value was largely driven by an error in the EUV-SH adjustment factor methodology used in the Council's 2020/21 internal valuation, which failed to capitalise rental streams as required by applicable guidance. Therefore, the 2020/21 valuation had given an incorrect value for Council Dwellings which has continued to roll forward in future years. This is due to Council Dwellings only being subject to full valuation once every five years, meaning the full methodology was not assessed in intermittent years.</p> <p>We confirmed this is prior period error rather than a change in estimation technique and requested that the Council review the 2020/21 valuation using the applicable guidance.</p> <p>The Council's internal valuer provided relevant yield data for use in the valuation methodology, enabling management to reconstruct the 2020/21 adjustment factors on the correct basis. The audit team reviewed the updated valuation methodology and confirmed it was reasonable.</p> |

# Significant risks and key audit matters (5)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| Valuation of land and buildings (continued)    | Moray Council   | <p><b>Conclusion (continued)</b></p> <p>This resulted in the 2020/21 valuation being restated, with management rolling the updated values through subsequent years to derive a restated opening balance at 1 April 2024. A prior period adjustment was processed to the Council Dwellings opening and closing balances in 2024/25. The Council have added a prior period adjustment note into the accounts which confirms the restated 2024/25 closing balance for Council Dwellings is £301.4 million, a decrease in the valuation of £194.1 million. This has been reported as an adjusted error in Appendix A.</p> <p><u>Other Land and Buildings</u></p> <p>The 2025/26 Code of Practice on Local Authority Accounting introduced a significant change to the accounting treatment of non-investment assets by permitting the use of indexation in intervening years between full asset revaluations. We assessed the Council's application of indexation across the population of assets not revalued and confirmed the approach was reasonable, with appropriate accounting entries made. Due to timings of preparing the accounts, the Council used provisional index data for March 2026 in the calculation of indexation for DRC assets. Our recalculation identified that were the final index data used, the closing balance would have increased by £1.7 million. This has been reported as an unadjusted error in Appendix A.</p> <p>During our previous audits, we have encountered issues with the reconciliation processes in place for the compilation of the PPE Note and an audit recommendation was raised as a result. This issue re-occurred in 2025/26, and we confirmed that there were reconciling differences between the PPE Note, the Fixed Asset Register, the indexation calculations and the valuers report. 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. <b>We have rolled forward the recommendation raised in the prior year audit at Appendix E.</b></p> |

# Significant risks and key audit matters (6)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of land and buildings (continued)    | Moray Council   | <p><b>Conclusion (continued)</b></p> <p>We identified that the closing balance of Other Land and Buildings was overstated by £3.2 due to valuations in the valuers report not being correctly reflected in the Fixed Asset Register. The Council have agreed to amend £2.3 million of the error in the current year, with the remainder to be corrected next year. These have been reported as adjusted and unadjusted misstatements in Appendix A.</p> <p><u>Other items</u></p> <p>In the previous audit, we identified that the Council do not prepare a revaluation reserve working paper which shows the balance held in the revaluation reserve and the movement on the reserve during the year. While we were able to obtain the required revaluation reserve information, the Council should prepare a separate working paper which shows all required information. We raised a recommendation in the 2023/24 audit that the Council should implement a revaluation reserve working paper, however this was not addressed during 2025/26. <b>The recommendation remains valid, and our follow-up can be seen at Appendix E.</b></p> |

# Significant risks and key audit matters (7)

| Significant risks identified in our Audit Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <p><b>Defined benefit pension scheme valuation</b></p> <p>The Council participates in the North East Scotland Pension Fund (NESPF), a local government pension scheme. There is an established Pension Fund protocol in place with Pension Fund auditors to provide external auditors with relevant assurance.</p> <p>The local government pension scheme is a defined benefit pension scheme and in accordance with IAS 19: Employee Benefits, Moray Council is required to recognise its share of the scheme assets and liabilities in its Statement of Financial Position.</p> <p>In 2025/26, the Council applied the asset ceiling test as prescribed by IFRIC 14 which limited the measurement of a defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' The pension asset can be recognised as the lower of the net pension asset or the present value of any economic benefits available. The Council's actuaries undertook this assessment and the asset value in the accounts was reduced as the present value of the benefits available were lower than the pension asset. The net liability arising from the unfunded defined benefit obligation remained as there is no right to offset this.</p> <p><b>Continued on next page.</b></p> | Moray Council   | <p>In response to the risk highlighted we carried out the following work:</p> <ul style="list-style-type: none"> <li>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;</li> <li>evaluated the assumptions made by Hymans Robertson in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland;</li> <li>evaluated the data used by management's experts in the calculation of the estimates;</li> <li>performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations;</li> <li>assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements; and</li> <li>reviewed management's assessment of the application of IFRIC 14</li> <li>evaluated the response received from the NESPF auditor in line with the Audit Scotland Protocol for Auditor Assurances for Local Government Pension Schemes</li> </ul> <p><b>Continued on next page.</b></p> |

# Significant risks and key audit matters (8)

| Significant risks identified in our Audit Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Defined benefit pension scheme valuation</b></p> <p>The Council's actuary, Hymans Robertson, provide an annual IAS 19 actuarial valuation of Moray Council's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and future salary projections. Given the material value of the scheme's gross assets and gross liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme net liability could be materially misstated within the financial statements. This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these for the Council.</p> <p>We therefore consider this to be a significant risk to our audit and a key audit matter.</p> | Moray Council   | <p><b>Conclusion</b></p> <p>Our work has not identified any material issues in relation to the pension figures. Our procedures included a review over the information the Council provided to the actuary (and pension fund) on which the pension estimates were made. Furthermore, as part of our IAS 19 assurance protocol request, the auditor of the North East Scotland Pension Fund (NESPF) provided an evaluation of the design of the controls related to the accuracy and completeness of source data provided to the actuary, with no issues being raised.</p> <p>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 £308.042 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.</p> <p><b>Continued on next page.</b></p> |

# Significant risks and key audit matters (9)

| Significant risks identified in our Audit Plan       | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Defined benefit pension scheme valuation (continued) | Moray Council   | <p><b>Conclusion (continued)</b></p> <p>The Council requested an IFRIC14 assessment from the actuary as part of the calculation of the pension figures in 2025/26, and the application of the asset ceiling has reduced the pension asset to nil. The Council continue to have a pension liability related to the unfunded elements of pensions which results in a liability of £9.234 million being recognised on the Balance Sheet.</p> <p>To prepare the unaudited accounts, the Council used an initial version of the actuary report which was based on estimated data. Subsequently, the Council received an updated version of the actuary report which resulted in some non-material changes to the return of plan assets figure and the asset ceiling calculation. The Council have amended the accounts so that it reflects the final actuary report and this has been disclosed as an adjusted misstatement in Appendix A.</p> |

# Significant risks and key audit matters (10)

| Significant risks identified in our Audit Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Risk relates to | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Fraud in expenditure recognition</b></p> <p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition".</p> <p><b>(rebutted)</b></p> | Moray Council   | <p>Having considered the risk factors set out in ISA 240 and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is limited incentive for management to manipulate the outturn position as the Council maintains sufficient reserves to cover any overspend.</li> <li>• we consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems.</li> <li>• non-payroll costs are generally high volume / low value transactions which are recognised across a number of expenditure streams. This would require a significant proportion of transactions to be manipulated to result in a material error.</li> </ul> <p>As such, we believe there is less opportunity for a material misstatement as a result of fraud to occur in the recognition of expenditure.</p> <p>Therefore, we do not consider this to be a significant risk for Moray Council and the Group.</p> <p><b>Conclusion</b></p> <p>Our work has not identified any material issues in relation to completeness of expenditure and associated liabilities.</p> |

# Significant risks and key audit matters (11)

| Significant risks identified in our Audit Plan                                                                                                                                                                                                                                                                                                                     | Risk relates to       | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Fraud in revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p><b>(rebutted)</b></p> | Group and the Council | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and the Group, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition.</li> <li>• there is a low opportunity to manipulate other income since it is non-complex and there are sufficient controls in place to prevent and detect fraud from other income streams, we therefore believe that the risk of material fraud is low.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Council and the Group.</p> <p><b>Conclusion</b></p> <p>Our work has not identified any material issues in relation to revenue recognition.</p> |

# Other areas impacting the audit

| Issue                                                                                                                                                                      | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Nil net book value assets</b></p> <p>The Council's asset register includes £10.463 million of assets with a nil net book value (NBV) that are fully depreciated.</p> | <p>There are two risks in relation to this issue:</p> <ul style="list-style-type: none"> <li>• if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and</li> <li>• if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its plant and equipment assets.</li> </ul> <p>The potential impact of these risks is that the gross cost and accumulated depreciation disclosed Property, plant and equipment is overstated.</p> | <p>At 31 March 2026, there were 357 property, plant and equipment assets held on the Fixed Asset Register at Nil NBV. These assets have a gross book value of £10.4 million. This is an increase in the total number of assets from the previous year; however, the total gross book value of these assets has decreased.</p> <p>We note that £5.850 million of the assets held at Nil NBV relate to the Dallachy landfill site. The Council have a responsibility to maintain the site after it ceases use and therefore it is correct that this continues to be held on the fixed asset register beyond its useful life.</p> <p>Across the remaining population, we carried out sample testing over assets that continue to be held at Nil NBV, identifying two assets which management were unable to confirm were still in use. However, due to the total population of the remaining NBV assets being £4.55 million, there is no risk of material misstatement within the gross book value of assets held by the Council. Furthermore, 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.</p> <p>We raised a recommendation in our 2024/25 audit that an asset verification exercise should be implemented as a business-as-usual activity. The Council have a verification process in place and have confirmed that an accounting policy on assets at nil value is being drafted and will cover all asset classes. This is due to be in place for the 2026/27 financial year end.</p> <p>The previous recommendation will remain open until we confirm the policy is in place.</p> |

# Other areas impacting the audit (2)

| Issue                                                                                                                                                                                     | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <p><b>Nether Dallachy Landfill Monitoring Obligation</b></p> <p>The Council are required to maintain a landfill site at Nether Dallachy following it being decommissioned in May 2025</p> | <p>Landfill sites continue to pose an environmental risk long after they stop accepting waste and are capped. This is due to decomposing waste which generates methane and leachate that can migrate into groundwater and surrounding land if not properly managed.</p> <p>Under the Pollution Prevention and Control (Scotland) Regulations 2012 (formerly the Waste Management Licensing Regulations), the Council remains legally responsible for monitoring and managing these risks until the Scottish Environmental Protection Agency (SEPA) is satisfied the site no longer poses a pollution threat and agrees to surrender the environmental permit. As this obligation persists well beyond closure, the Council is required to recognise a provision under IAS 37 for the estimated future cost of aftercare and monitoring, discounted to present value and reassessed annually.</p> <p>Nether Dallachy landfill closed in May 2025, triggering an ongoing obligation to monitor and maintain the site (groundwater monitoring, leachate management, permit fees and inspections) until it no longer poses an environmental risk.</p> | <p>The Council included a contingent liability in the unaudited accounts for Nether Dallachy, stating that an estimated value of any future monitoring costs could not be reliably measured at the time of preparing the accounts.</p> <p>We challenged management on this conclusion, and requested that they obtain further detail on the expected future costs of maintaining the site and the duration of the monitoring period. This enabled management to prepare an estimate of the expected costs of the ongoing monitoring. Management have calculated an estimated cost per annum for the ongoing maintenance of the site and have discounted to present value. We have reviewed the calculation and confirmed:</p> <ul style="list-style-type: none"> <li>the discount rate used in the estimation is appropriate</li> <li>the length of term used in the calculation is appropriate</li> <li>the expected annual costs of monitoring are reasonable.</li> </ul> <p>This process has subsequently resulted in management recognising a £6.040 million provision for Nether Dallachy (under IAS 16 and IFRIC 1 for decommissioning/restoration obligations) and the removal of the contingent liability disclosure.</p> |

# Financial statements – key judgements and estimates

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

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

## Assessment

- - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated.
- - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic.
- - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious.
- - We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

# Financial statements – key judgements and estimates (3)

| Significant judgement or estimate                                                                   | Summary of management's approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Audit comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Assessment                                                                                             |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Property, Plant and Equipment: Depreciation including useful economic lives (UEL) - £39.526 million | <p>Note 15 outlines the Council's approach to depreciation.</p> <p>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).</p> <p>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.</p> <p>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.</p> | <p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> <li>appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>The first version of the unaudited accounts did not contain full depreciation totals due to the Council Dwellings valuation being delayed until August 2026. Once the Council received the updated valuation figures, the depreciation figures were input into the updated version of the accounts, which added £10.523 million to the depreciation cost in the financial statements.</p> <p>We were satisfied with the methodology for the calculation of the depreciation charge.</p> <p>Note the findings on page 31 regarding the number of nil net book value assets which the Council need to review in future years.</p> | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

# Financial statements – key judgements and estimates (4)

| Significant judgement or estimate                | Summary of management's approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Audit comments                                                                                                                                                                                                                                                                                                                                  | Assessment                                                                                             |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Provisions for debt impairment - £22.128 million | <p>The Council is responsible for calculating the allowance for impaired debt based upon the latest information about collectability of debt.</p> <p>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.</p> <p>The local taxation element of the allowance for impaired debt is £19.519 million as disclosed in Note 22.</p> | <p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> <li>appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>We were satisfied with the methodology for the calculation of the allowance.</p> | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

# Financial statements – key judgements and estimates (5)

| Significant judgement or estimate                                                                   | Summary of management's approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Audit comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Assessment                                                                                                    |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <p><b>Public Private Partnerships (PPP) and similar contracts</b></p> <p><b>£97.858 million</b></p> | <p>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.</p> <p>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.</p> | <p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> <li>• review of key assumptions input into the accounting models;</li> <li>• use of specialist software to gain assurance that the HUB model has been appropriately updated for the period ended 31 March 2026;</li> <li>• agreeing that accounting entries from the accounting model have been accurately recorded in Moray Council's accounts.</li> </ul> <p><b>Conclusion</b></p> <p>We identified that the Council's IFRS 16 transition adjustment processed in 2024/25 for both PPP schemes had been calculated incorrectly. Rather than calculating the indexed portion of the unitary charge inflation and applying it only to services and lifecycle (as required by IFRS 16), the Council has applied a blended unitary charge inflation rate. This has meant that the 2024/25 transition adjustment was understated, which has resulted in the 2025/26 closing liability being overstated.</p> <p>The Council have processed an amendment for the issue identified which has resulted in the closing liability for PFI decreasing by £6.035 million to £53.075 million. We are satisfied that the updated calculation and disclosure of the public private partnerships and similar contracts is correct.</p> <p>The financial statements at Note 41 disclose all the required information.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p> |

# Financial statements – key judgements and estimates (6)

| Significant judgement or estimate                    | Summary of management's approach                                                                                                                                                                                                                                                                                                                                                        | Audit comments                                                                                                                                                                                                                                                                                                                                                           | Assessment                                                                                                     |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <b>Annual Leave Accrual</b><br><b>£5.756 million</b> | <p>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.</p> <p>The Council base the estimate upon a sampled approach of outstanding leave in each department and extrapolate the findings across the whole population.</p> | <p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> <li>appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>We were satisfied with the methodology for the calculation of the annual leave accrual.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> |

# Financial statements – key judgements and estimates (7)

| Significant judgement or estimate                                                                                                                                   | Summary of management's approach                                                                                                                                 | Audit comments                                                                                                                                                                                                                                                                                                                                                                                                                  | Assessment                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <p>Fair value of assets and liabilities (financial instruments)</p> <p>Financial assets:<br/>£36.634 million</p> <p>Financial liabilities:<br/>£426.331 million</p> | <p>Financial liabilities and financial assets represented by current and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.</p> | <p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> <li>• ISA (UK) 540 requirements; and</li> <li>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.</li> </ul> <p><b>Conclusion</b></p> <p>We are satisfied with the methodology for the calculation of the financial assets and liabilities.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> |

# Financial statements – key judgements and estimates (8)

| Significant judgement or estimate                                                                                                           | Summary of management's approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Audit comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Assessment                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <p>IFRS 16 right of use Asset / Lease Liability:</p> <p>Financial assets: £99.454 million</p> <p>Financial liabilities: £59.274 million</p> | <p>The Council's approach is set out in the accounting policies:</p> <p>The Council applies IFRS 16 Leases in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26. IFRS 16 requires the majority of leases where the Council acts as lessee to be recognised on the Balance Sheet as right-of-use assets and corresponding lease liabilities. Lessor accounting remains largely unchanged.</p> <p>Under IFRS 16, the Council recognises a right-of-use asset and a corresponding lease liability at the commencement of each lease, except for leases that meet the exemption criteria. These include short-term leases (with a term of 12 months or less) and leases of low value assets (£6,000 or less). The Council has elected to apply these recognition exemptions.</p> <p>As a lessee, the Council previously classified leases as operating or finance leases based on whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. Under IFRS 16, assets previously classified as operating leases are now recognised as right-of-use assets on the Balance Sheet, together with corresponding lease liabilities.</p> | <p>Our testing over right of use assets and the lease liabilities included a review over new lease agreements entered into during 2025/26, confirming it was appropriate these lease arrangements were classified as right of use assets.</p> <p><b>Conclusion</b></p> <p>We have not identified any material issues in relation to our work performed in this area.</p> <p>Our work performed during the year confirmed that the five right of use assets which were excluded in error in the previous year were correctly included as right of use assets in the 2025/26 accounts.</p> | <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> |

# Other key elements of the financial statements

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

| Issue                                                | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Matters in relation to fraud and irregularity</b> | 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 inquiries 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. |
| <b>Accounting practices</b>                          | <p>We have evaluated the appropriateness of Moray Council's accounting policies, accounting estimates and financial statement disclosures. We requested that the Council update their disclosures relating to the critical judgement in the valuation of PPE assets. This now reflects the updated CIPA guidance which allows assets held at current value to be revalued on a rolling basis over a five-year cycle, with annual indexation applied to assets where appropriate during the intervening years. The accounts also now disclose the basis for all indices used in the application of indexation.</p> <p>We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix A.</p>                                                                                                   |
| <b>Matters in relation to related parties</b>        | The Council discloses its related party transactions at Note 37 of the accounts. We confirmed that the related party disclosure included within the accounts were appropriate and are not aware of any other related parties or related party transactions which have not been disclosed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Matters in relation to laws and regulations</b>   | We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at the Council.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Other information</b>                             | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor amendments have been made to the Management Commentary, and we are satisfied that there are no unadjusted material inconsistencies to report.                                                                                                                                                                                                                                                                                                                                                                                  |

# Other key elements of the financial statements (2)

| Issue                                          | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Governance statement</b>                    | <p>CIPFA and SOLACE updated the Delivering Good Governance in Local Government in May 2025 through an addendum to the 2016 Framework, introducing revised guidance on annual governance reviews and Annual Governance Statements for application from 2025/26 onwards.</p> <p>The Council have not updated its Local Code of Corporate Governance to align with the revised CIPFA/SOLACE Delivering Good Governance in Local Government guidance, which places greater emphasis on robust governance reviews, the use of assurance evidence, and a forward-looking assessment of governance arrangements. We recommend that the Council incorporate the requirements and expectations of the revised CIPFA/SOLACE guidance, ensuring that governance arrangements remain current, effective and fully aligned with the requirements applicable from 2025/26 onwards. <b>We have included a recommendation at Appendix B.</b></p> <p>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 identified that the Council had not included all required information in line with framework. The Council subsequently amended the Annual Governance Statement to ensure it included all the required detail outlined in the framework.</p> <p>No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect.</p> |
| <b>Matters on which we report by exception</b> | <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Written representations</b>                 | <p>A letter of representation has been requested from the Council as required by auditing standards. The unadjusted misstatements at Appendix A will be appended to the letter of representation</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

# Other responsibilities under the Code

| Issue                                   | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Going concern</b></p>             | <p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> |
| <p><b>National fraud initiative</b></p> | <p>The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including Moray Council, receive matches for investigation.</p> <p>The Council has put processes and arrangements in place to investigate matches and appropriate personnel are involved in the process.</p> <p>The Council received their NFI matches for the 2024/25 exercise in December 2024. The total number of matches identified for investigation was 3,322.</p> <p>The Council have followed these up during 2025 and cleared 1,083 of the matches. The Council identified 27 errors during the review, however this did not require the recovery of any funds. The Council also identified co-estimated savings of £21,438 from the process. The next NFI exercise is scheduled for 2026/27 and the Council expect to receive the matches for investigation towards the end of 2026.</p>                                                                                                                                                                                                                                                                                                                                                                                                            |

# Other responsibilities under the Code (2)

| Issue                           | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| WGA Return                      | <p>For local government audits we are required to complete Whole of Government Accounts (WGA) work and provide an assurance statement on Moray Council's WGA return as mandated by National Audit Office. The audit guidance outlines that the deadline for submission of data is 29 August 2026 however this was not be met by the Council. Based upon previous years, it is not expected that Moray Council would exceed Audit Scotland's prescribed testing threshold. We will complete the relevant specified procedures and prepare and submit a partial assurance statement once we have completed all our work on your financial statements, and when the final guidance is received.</p> |
| Other returns to Audit Scotland | <p>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.</p>                                                                                                                                                                                                                                                                                                                        |
| Grants                          | <p>In accordance with Audit Scotland planning guidance, as appointed auditors we undertake grant certification work on behalf of the Council. For 2025/26 we are required to provide the following certifications:</p> <ul style="list-style-type: none"> <li>• National Non-Domestic Rates Income Return (NDR) and</li> <li>• Housing Benefit certification</li> </ul> <p>We anticipate that our work on the grant claims will be concluded by the 30 November 2026 deadline for Housing benefits, with work starting in September 2026. We anticipate work on NDR will be complete by the 8 October 2026, with work carried out in September 2026.</p>                                         |

# Other responsibilities under the Code (3)

| Issue                        | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Section 106 Charities</b> | <p>The 2006 Regulations require charities to prepare Annual Accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.</p> <p>Our audit appointment as the Council's auditor includes the audit of any trust funds falling within Section 106 of the Local Government ((Scotland) Act 1973 that are registered charities. For Moray Council we have therefore been appointed as auditors of the connected charitable trust funds. The Council acts as sole trustee for eight Connected Charity Trust Funds listed below which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR):</p> <ul style="list-style-type: none"> <li>• Moray and Nairn Educational Trust</li> <li>• Keith Poor Householders Fund (Keith Nursing Trust Fund)</li> <li>• Castlehill Trust</li> <li>• Grant Park Trust</li> <li>• George Boyd Anderson Bequest</li> <li>• Mr &amp; Mrs William J Watt Dufftown Food Fund</li> <li>• Robert Young Trust</li> <li>• The Moray Council Charitable Trust</li> </ul> <p>Due to the number of transactions in the Connected Charity we carry out 100% verification. There are no matters arising that we need to bring to your attention. The financial statements were presented on time, to a good quality level with referenced supported working papers. Work is complete, and we anticipate issuing an unmodified opinion after approval expected at the Council meeting on 30 September 2026. We did not require any additional representation in the Letter of Representation for the Charity.</p> <p>The audit fee for this work is outside of the main fee and is £7,500, which is the same fee as set out in our Audit Plan presented to the ASC meeting in March 2026.</p> |

# Other findings – other matters

| Other Matter                 | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Conclusion                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Infrastructure Assets</b> | <p>In accordance with the temporary relief offered by Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets, and extended by Finance circular 8/2024, the 2025/26 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.</p> <p>The Statutory Override is temporary, and whilst it will continue to apply in 2026/27, 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.</p> <p>Note: The statutory override has been extended in Scotland until 31 March 2027. We have previously raised a recommendation that the Council should review their accounting for Infrastructure Assets, on the expectation the override would end in 2024/25. Whilst this is no longer the case, the recommendation raised remains valid and the Council must ensure it has adequate processes in place to account for its Infrastructure Assets when the statutory override is no longer in place.</p> | <p>Whilst there will be no requirement to include this information in the 2026/27 accounts, as part of the look ahead process, the Council must ensure it has adequate processes in place to account for its Infrastructure Assets when the statutory override is no longer in place.</p>                                                                                                                          |
| <b>Control deficiencies</b>  | <p>Our audit work has identified the following control deficiencies:</p> <ul style="list-style-type: none"> <li>• The code of conduct policies have not been updated for several years, creating a risk that they are no longer fit for purpose</li> <li>• The declarations of interests for several councillors are out of date, with some not reviewed since 2022, resulting in a number of undisclosed interests. This increases the risk of conflicts of interest not being identified or managed appropriately. Management should ensure declarations are regularly reviewed and updated.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>The Council should strengthen its governance arrangements by reviewing and updating its code of conduct policies and implementing robust processes to ensure declarations of interests are regularly reviewed and kept up to date. This will help ensure policies remain fit for purpose, promote transparency, and support the effective identification and management of potential conflicts of interest.</p> |

# Other findings – information technology

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

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

## Assessment

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

# Other findings – information technology (2)

## IT control deficiencies

As part of our audit work, we obtained an understanding of the IT environment related to all key business processes, identified any risks from the use of IT relevant to our audit and assessed the relevant ITGCs in place to mitigate these risks. We reviewed all four IT systems referred to on the previous page.

We have identified control deficiencies in the general ledger and non-domestic rates/council tax systems. We have provided details of these issues and our recommendations on how these issues could be resolved. The Council provided a response to each recommendation and assigned an action owner and timeline for the issues to be addressed.

The Council have confirmed they will take further action to address each control recommendation made and we will follow-up the recommendations made as part of next year's audit planning work.

## **04 Wider scope and best value conclusions**

# Wider scope and best value arrangements

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four audit areas that frame wider scope into specified reporting criteria. These are as set out below:



## Financial management

Has the body got sound budgetary process, financial capacity and the control environment and internal controls are operating effectively.



## Financial Sustainability

How the body looks forward to the medium and longer term to consider whether the body is planning effectively to deliver its services or the way in which they should be delivered.



## Vision, Leadership and Governance

How effective are the body's scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



## Use of Resources to Improve Outcomes

How the body makes best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources and reporting performance against outcomes.

# Wider scope conclusions

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

| Wider scope area                     | Our risk considerations and focus                                                                                                                                                                                                      | Significant risk identified - final stage | Wider scope conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial Management                 | The arrangements in place at the Council to ensure sound financial management, accountability and the arrangements to prevent and detect fraud, error and other irregularities                                                         | No                                        | The Council delivered the 2025/26 budget through effective monitoring and reporting of its finances, resulting in a final overspend against budget of £0.230 million. The Council are yet to achieve the Scottish Government target that 1% of a local authority's budget is allocated via Participatory Budgeting. The Council made significant amendments to the Capital Plan during 2025/26 due to re-profiling of capital expenditure into future years. Whilst we recognise external factors can impact planned timelines, the Council must ensure that the capital budget set at the start of the year is realistic, which will avoid significant re-profiling of budget during the year.                                                                        |
| Financial Sustainability             | The projected financial position of the Council in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the council to effectively deliver services in the future | Yes                                       | The Council approved the 2026/27 revenue budget without using any general reserves, supported by savings plans of £4.446 million. Current forecasts indicate that while majority of savings planned will be achieved, a few are unlikely to be realised, meaning continued effective monitoring, reporting and cost focus will be required to deliver a balanced outturn. Looking ahead, the Council need to identify a further £8.185 million of savings up to financial year 2028/29. The Council's Medium to Long Term Financial Strategy confirms that significant savings will be required to bridge the projected funding deficit over the longer term and the Council must identify ways to alleviate the significant budget gap over the life of the strategy. |
| Vision, Leadership and Governance    | The effectiveness of the Council's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the council                                                                             | No                                        | The Council have implemented changes to the management structure and recruited into key posts within the new structure. The next phase of the restructure programme will focus on cultural change across the Council. Addressing recruitment challenges will be key to achieving the long-term objectives of the restructure. The Council has made improvements to its governance arrangements and suitable arrangements are in place. The Council have implemented self-evaluation, with a process in place to ensure all services are considered on an ongoing basis.                                                                                                                                                                                                |
| Use of Resources to Improve Outcomes | How the Council demonstrates economy, efficiency and effectiveness through its use of financial and other resources                                                                                                                    | No                                        | The Council has appropriate arrangements to report outcomes against Council priorities. Overall LGBF performance has been relatively static across the previous twelve months, but there has been a general decline in recent years, with less indicators in the top two quartiles of LGBF performance data than in previous years. The Council's own internal performance indicators show mixed overall performance, with some indicators showing improvement, but others declining overall performance.                                                                                                                                                                                                                                                              |

# Wider scope audit – financial management

| Wider scope area                                              | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion     |                |                |                |                |             |                              |         |         |         |         |         |                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|-------------|------------------------------|---------|---------|---------|---------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Financial management</b></p> <p>No risk identified.</p> | <p><b><u>2025/26 Financial Performance - Revenue</u></b></p> <p>The Council approved the revenue budget for 2025/26 and the financial plan for 2025-2028 at the Council meeting on 26 February 2025. This was the first time in several years the Council presented a balanced budget without the planned use of any general reserves. The Council also set indicative budgets for 2026/27 and 2027/28 as part of the budget approval.</p> <p>The Council approved revenue expenditure of £302.085 million and confirmed funding of £294.196 million, resulting in a savings requirement of £7.889 million. All savings requirements for 2025/26 were approved by members as part of the budget setting process.</p> <p>Throughout the year, the budget and projected outturn have been reported to Members and updated for known changes. The changes to the budget during the year are reflected in the table below:</p> <table><tr><th></th><th>Quarter 1 (£m)</th><th>Quarter 2 (£m)</th><th>Quarter 3 (£m)</th><th>Quarter 4 (£m)</th><th>Actual (£m)</th></tr><tr><td>General Services Expenditure</td><td>296,443</td><td>299,804</td><td>300,387</td><td>302,277</td><td>302,507</td></tr></table> <p>The details of over and underspends against the quarterly budget are set out in the financial monitoring reports, with details on budget movements provided across two appendices to the monitoring report. These appendices set out budget movements, changes in provisions, details on changes in savings and any additional costs, with cross references to the Committee/Council meeting where the change in budget was approved. We have noted that appendix three is now produced as part of the final outturn reporting, confirming the changes in budget for the last quarter of the financial year.</p> |                | Quarter 1 (£m) | Quarter 2 (£m) | Quarter 3 (£m) | Quarter 4 (£m) | Actual (£m) | General Services Expenditure | 296,443 | 299,804 | 300,387 | 302,277 | 302,507 | <p>2025/26 budget processes followed appropriate governance processes.</p> <p>Budget monitoring throughout the year showed that the Council's budgets were accurate, with actual spend in line with the projected outturn reported during 2025/26.</p> |
|                                                               | Quarter 1 (£m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Quarter 2 (£m) | Quarter 3 (£m) | Quarter 4 (£m) | Actual (£m)    |                |             |                              |         |         |         |         |         |                                                                                                                                                                                                                                                        |
| General Services Expenditure                                  | 296,443                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 299,804        | 300,387        | 302,277        | 302,507        |                |             |                              |         |         |         |         |         |                                                                                                                                                                                                                                                        |

# Wider scope audit – financial management (2)

## Wider scope area

## Wider scope audit response and findings

## Conclusion

### Financial management (continued)

The table below shows the Council's outturn position for 2025/26. The Council had total expenditure of £302.507 million against a final budget of £302.277 million, resulting in an overspend against budget of £0.230 million, equivalent to a 0.08% variance. The Council were transparent about the financial position throughout the year and delivered the budget through effective monitoring and reporting of its finances.

The Council delivered an overspend of £0.230 million against its 2025/26 revised budget.

The Council have utilised some earmarked reserves balances during 2025/26 and this was included within the revised budget.

| 2025/26 Financial Outturn              | Initial Budget (£m) | Revised Budget (£m) | Actual (£m)       |
|----------------------------------------|---------------------|---------------------|-------------------|
| Departmental expenditure               | 265.988             | 277.220             | 275.385           |
| Loans Fund expenditure                 | 17.207              | 24.660              | 24.519            |
| Additional provisions                  | 11.002              | £0.397              | -                 |
| Transfer to earmarked reserves         | -                   | -                   | 2.603             |
| <b>Total expenditure</b>               | <b>294.197</b>      | <b>£302.277</b>     | <b>£302.507</b>   |
| Scottish Government Grant income       | (236.877)           | (£241.125)          | (£241.191)        |
| Council Tax income                     | (57.320)            | (£57.470)           | (£57.148)         |
| <b>Total income</b>                    | <b>(294.197)</b>    | <b>(£298.595)</b>   | <b>(£298.339)</b> |
| Use of earmarked reserves              |                     | (£3.682)            | (£4.168)          |
| <b>Total income including reserves</b> |                     | <b>(£302.277)</b>   | <b>(£302.507)</b> |

# Wider scope audit – financial management (3)

| Wider scope area                 | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Conclusion |             |                           |       |                          |       |                             |       |       |       |                                                                                                                                                                                                                                                                                                        |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------|---------------------------|-------|--------------------------|-------|-----------------------------|-------|-------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial management (continued) | <p>On the 15 April 2025, the Council approved a management restructure, which resulted in service budgets being realigned to new Executive Director and portfolio groupings. As a result, the report formatting for revenue monitoring updates was adjusted during 2025/26. From quarter 4 onwards, the financial monitoring reports have been presented in accordance with the new structure to ensure consistency between operational and financial reporting. The Council have been transparent in the reasoning for the change and there is clear cross over between the old structure and new structure.</p> <p><b>Financial Performance - Savings</b></p> <p>To balance the 2025/26 budget, recurring savings of £7.889 million were approved at the time of budget setting. As the year progressed, amendments were made to the total savings requirement, with details of these changes presented as part of the revenue monitoring reports. Overall, the final approved savings for 2025/26 totalled £7.102 million.</p> <p>The year-end outturn report, presented to Council on 30 June 2026, provides an overview on the savings delivered during 2025/26:</p> <table><tr><th></th><th>Actual (£m)</th></tr><tr><td>Savings Delivered (Green)</td><td>5.361</td></tr><tr><td>Savings Deferred (Amber)</td><td>0.334</td></tr><tr><td>Savings Not Delivered (Red)</td><td>1.407</td></tr><tr><td>Total</td><td>7.102</td></tr></table> <p>Achieved savings during 2025/26 totalled £5.361 million, of which £5.183 million were deemed to be recurring in nature.</p> <p>The year-end outturn report provides a breakdown of each individual saving across services. This level of reporting can also be seen during the year, with a breakdown of savings progress presented as part of the revenue monitoring reports presented to Council. Throughout 2025/26, the Council were transparent in the reporting of savings progress, and made it clear that all savings would not be delivered during the year. The year-end savings analysis provides a succinct overview of the Council’s overall delivery of each saving during the year.</p> |            | Actual (£m) | Savings Delivered (Green) | 5.361 | Savings Deferred (Amber) | 0.334 | Savings Not Delivered (Red) | 1.407 | Total | 7.102 | <p>The Council delivered a significant portion of planned savings, but not the full target.</p> <p>The reporting to members during the year made it clear that all planned savings would not be delivered, with reports confirming the alternative options that were being utilised by management.</p> |
|                                  | Actual (£m)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |            |             |                           |       |                          |       |                             |       |       |       |                                                                                                                                                                                                                                                                                                        |
| Savings Delivered (Green)        | 5.361                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |            |             |                           |       |                          |       |                             |       |       |       |                                                                                                                                                                                                                                                                                                        |
| Savings Deferred (Amber)         | 0.334                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |            |             |                           |       |                          |       |                             |       |       |       |                                                                                                                                                                                                                                                                                                        |
| Savings Not Delivered (Red)      | 1.407                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |            |             |                           |       |                          |       |                             |       |       |       |                                                                                                                                                                                                                                                                                                        |
| Total                            | 7.102                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |            |             |                           |       |                          |       |                             |       |       |       |                                                                                                                                                                                                                                                                                                        |

# Wider scope audit – financial management (4)

| Wider scope area                   | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Conclusion   |                                   |                  |                   |                  |               |  |    |    |    |    |    |                              |         |        |        |        |        |                                    |   |        |        |        |        |          |   |       |       |        |        |                                                                                                                                                                                                                           |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------|------------------|-------------------|------------------|---------------|--|----|----|----|----|----|------------------------------|---------|--------|--------|--------|--------|------------------------------------|---|--------|--------|--------|--------|----------|---|-------|-------|--------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial management (continued)   | <p><b>Financial performance – Capital</b></p> <p>The Council approved the Capital Plan for 2025/26 on 21 January 2025. This is the first year the Council have prepared a three-year capital budget, following feedback from budget managers that a single year capital plan was too restrictive and created a reluctance to commit to preliminary spend. The change to three-year planning is aimed at providing more certainty to budget managers in terms of multi-year funding, and more realistic spend profiles.</p> <p>The Council initially approved a 2025/26 Capital Plan of £64.045 million. Following approval, the capital budget increased to £73.336 million as a result of carry-forward budgets from 2024/25. A further review in August 2025 led to a significant re-profiling of expenditure associated with the Moray Growth Deal and Levelling Up Fund, resulting in a £22.280 million reduction and a revised capital budget of £51.056 million, which was approved by the Corporate Committee in August 2025. Minor amendments to budget were made thereafter, and the final approved budget totalled £50.564 million.</p> <p>The capital monitoring position has been reported to members on three separate occasions during 2025/26 to date. The position reported to members is reflected in Table 1 below:</p> <table><tr><th></th><th>Budget – Including carry forwards</th><th>30 June 2025</th><th>31 September 2025</th><th>31 December 2025</th><th>31 March 2026</th></tr><tr><th></th><th>£m</th><th>£m</th><th>£m</th><th>£m</th><th>£m</th></tr><tr><td>Capital Plan – Agreed Budget</td><td>£73.336</td><td>51.056</td><td>51.056</td><td>50.564</td><td>50.564</td></tr><tr><td>Capital Plan – Planned Expenditure</td><td>-</td><td>51.030</td><td>46.995</td><td>37.730</td><td>32.596</td></tr><tr><td>Variance</td><td>-</td><td>0.026</td><td>4.061</td><td>12.834</td><td>17.968</td></tr></table> <p>The final year-end actual outturn was £32.596 million, an underspend of £17.968 million compared to the amended capital plan at 31 December 2025. This represented a delivery rate of 65% of the amended capital plan.</p> |              | Budget – Including carry forwards | 30 June 2025     | 31 September 2025 | 31 December 2025 | 31 March 2026 |  | £m | £m | £m | £m | £m | Capital Plan – Agreed Budget | £73.336 | 51.056 | 51.056 | 50.564 | 50.564 | Capital Plan – Planned Expenditure | - | 51.030 | 46.995 | 37.730 | 32.596 | Variance | - | 0.026 | 4.061 | 12.834 | 17.968 | <p>The Council made significant amendments to the Capital Plan during 2025/26 due to re-profiling of capital expenditure to future years.</p> <p>The change to a three-year approach to budgeting is a positive step.</p> |
|                                    | Budget – Including carry forwards                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 30 June 2025 | 31 September 2025                 | 31 December 2025 | 31 March 2026     |                  |               |  |    |    |    |    |    |                              |         |        |        |        |        |                                    |   |        |        |        |        |          |   |       |       |        |        |                                                                                                                                                                                                                           |
|                                    | £m                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | £m           | £m                                | £m               | £m                |                  |               |  |    |    |    |    |    |                              |         |        |        |        |        |                                    |   |        |        |        |        |          |   |       |       |        |        |                                                                                                                                                                                                                           |
| Capital Plan – Agreed Budget       | £73.336                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 51.056       | 51.056                            | 50.564           | 50.564            |                  |               |  |    |    |    |    |    |                              |         |        |        |        |        |                                    |   |        |        |        |        |          |   |       |       |        |        |                                                                                                                                                                                                                           |
| Capital Plan – Planned Expenditure | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 51.030       | 46.995                            | 37.730           | 32.596            |                  |               |  |    |    |    |    |    |                              |         |        |        |        |        |                                    |   |        |        |        |        |          |   |       |       |        |        |                                                                                                                                                                                                                           |
| Variance                           | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 0.026        | 4.061                             | 12.834           | 17.968            |                  |               |  |    |    |    |    |    |                              |         |        |        |        |        |                                    |   |        |        |        |        |          |   |       |       |        |        |                                                                                                                                                                                                                           |

# Wider scope audit – financial management (5)

| Wider scope area                 | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Conclusion                                                                                                                                                                                   |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial management (continued) | <p><b>Financial performance – capital (continued)</b></p> <p>Changes to the capital plan during the year reduced the Council's borrowing requirement from £19.437 million in the original Capital Plan to £11.907 million at year-end. The year-end outturn report identified project scope changes, staffing constraints, supply chain issues and third-party dependencies as the main causes of capital slippage. The Council see three-year planning as the mechanism to reduce the significant level of slippage in capital but acknowledge this will take time. We will continue to monitor delivery of the capital programme in future years and our previous recommendation raised on capital slippage remains valid.</p> <p>The Council have a history of re-profiling capital expenditure during the financial year due to capital plans being overly ambitious at the start of the year. The table below shows a comparison between the approved capital plan and the year-end capital outturn in recent years.</p> | The Council have continued to experience significant levels of capital slippage during 2025/26 and must ensure that the capital budget agreed in advance of the financial year is realistic. |

|         | Budgeted Capital Expenditure<br>£m | Actual Capital Expenditure<br>£m |
|---------|------------------------------------|----------------------------------|
| 2022/23 | 51.430                             | 28.360                           |
| 2023/24 | 59.200                             | 30.270                           |
| 2024/25 | 49.662                             | 27.219                           |
| 2025/26 | 64.045                             | 32.596                           |

# Wider scope audit – financial management (6)

| Wider scope area                 | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Conclusion                                                                                                                                                                                                                                                       |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial management (continued) | <p><b><u>Financial Management Arrangements</u></b></p> <p>The Council has a suite of financial monitoring reports that are presented to Members throughout the year. The outturn against the revenue budget is reported on a quarterly basis, with a final outturn report delivered following the end of the financial year. All in-year financial information is reported on a regular and timely basis and there several supporting appendices to the monitoring reports which provide detail on a service level basis, changes made to budget during the year and progress against the savings delivery plans.</p> <p>We have previously reported that the Council has experienced issues in recruiting finance staff. The Council continues to carry vacancies within the finance team, which places additional pressure on existing resources and reduces the capacity within the service. During the audit, the finance team experienced shortages due to staff absence which led to some delays in audit evidence being received. The Council should continue its recruitment efforts to ensure the finance team has adequate resource. This will be achieved through the creation of two new senior assistant posts, and the recruitment of a new Senior Accountant which is ongoing.</p> <p><b><u>Participatory Budgeting</u></b></p> <p>The Scottish Government have a set target that 1% of a local authority's budget should be allocated via Participatory Budgeting. As part of its key performance reporting, the Council have set a target to achieve 100% of the Scottish Government target. For 2025/26, the Council has reported that 38.5% of the target has been achieved. Whilst this is significantly below target, it is an improvement in performance compared to the previous year, when 13.8% was achieved.</p> <p>The Council have confirmed that the Moray Engage has been launched and used for consultation and work is underway to review all areas of engagement and consultation that Moray Council lead on. The Council are aiming to develop a Community Consultation and Engagement Strategy which will lay the foundations for moving forward with the 1% Participatory Budgeting target. The Council are also forming an officer group which will aim to progress the delivery of the seven pillars of the Participatory Budgeting Charter. As a result, our previous audit recommendation on achieving this target remains valid and the Council are undertaking work to ensure key stakeholders including partners and individuals are involved in the participatory budgeting exercise.</p> | <p>The Council are actively recruiting finance staff to add capacity within the finance team.</p> <p>The Council have not yet achieved the Scottish Government target that 1% of a local authority's budget should be allocated via Participatory Budgeting.</p> |

# Wider scope audit – financial sustainability

## Wider scope area

## Wider scope audit response and findings

## Conclusion

### Financial sustainability

Significant risk: The Council continue to face significant financial pressures. Efficiency savings totalling £14.700 million are required in 2026/27 – 2028/29 to achieve financial balance. £8.185 million of these savings need to be identified.

### Short Term Financial Planning – Budget Setting 2026/27

The 2026/27 budget was approved by the Council on 26 February 2026. The Council set a balanced budget, with the only planned use of earmarked reserves for investment activities related to the Transformation Strategy. The Council also set indicative budgets for 2027/28 and 2028/29 as part of the budget approval.

The Council approved revenue expenditure of £316.123 million and have confirmed funding of £311.677 million, resulting in a savings requirement of £4.446 million. All savings requirements for 2026/27 have been approved by members as part of the budget setting process. The table below outlines the cumulative funding gap over the three-year period:

|                             | 2026/27   | 2027/28   | 2028/29   |
|-----------------------------|-----------|-----------|-----------|
|                             | £m        | £m        | £m        |
| Planned revenue expenditure | 316.123   | 321.479   | 332.485   |
| Planned revenue funding     | (311.677) | (318.579) | (325.131) |
| Savings required            | (4.446)   | (2.900)   | (7.354)   |
| Savings agreed              | 4.446     | 1.764     | 0.305     |

To achieve financial balance, efficiency savings totalling £14.700 million are required over the next three years (2026/27 – 2028/29). As part of the budget setting process, the Council have approved £4.446 million of savings for 2026/27 and £2.069 million for financial years 2027/28 and 2028/29. The Council aim to identify the remaining savings for 2027/28 and 2028/29 to ensure balanced budgets can continue to be achieved going forward.

The vast majority (97%) of the agreed savings are recurring in nature.

The Council agreed the 2026/27 budget without the planned use of any general reserve balances to balance the budget.

# Wider scope audit – financial sustainability (2)

| Wider scope area                     | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Conclusion                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial sustainability (continued) | <p><b><u>Short Term Financial Planning – Budget Monitoring 2026/27</u></b></p> <p>The Council presented the Quarter 1 revenue monitoring report to the Corporate Committee on 25 August 2026. The report provides an update on the Council's performance against the 2026/27 budget. The report also confirms movements in the total budget position and confirms the revised budget for 2026/27 is £314.745 million, an increase of £3.068 million from the approved budget.</p> <p>The budget position at the end of June 2026 is an overspend against budget to date of £2.299 million. Approximately 74% of the overspend relates to services provided by the Moray Integration Joint Board (IJB), totalling £1.707 million. The Council has made net provision in its budget of £4.300m to cover an element of Moray IJB overspend, made up of £0.900 million passported to the service and £3.400m held as a central provision. The current projected overspend is within that parameter.</p> <p>As outlined previously, savings of £4.446 million were approved when the budget was set. The monitoring report provides an update on progress towards achievement of savings and outlines:</p> <ul style="list-style-type: none"> <li>• £0.168 million of savings are assessed as red and are highly unlikely to be achieved</li> <li>• A number of other savings are currently assessed as amber as they are dependent on implementation later in the financial year or are subject to expenditure profiling.</li> </ul> <p>Whilst the Council has identified other in year savings, such as insurance premium reductions, if projected overspends within the IJB continue to arise, the Council may need to utilise existing general reserves balances to fund any overspends at year end. As such, the Council should aim to identify further savings options which will enable it to achieve financial balance in 2026/27, to avoid the use of finite reserves balances.</p> | <p>The Council may not deliver all required savings in 2026/27 and if possible, they should look for alternative options to help achieve a balanced budget.</p> <p>The projected overspends noted in the report, including those relating to the IJB, places additional financial pressure on the Council and increases the risk of needing to identify further savings to mitigate overspends.</p> |

# Wider scope audit – financial sustainability (3)

## Wider scope area

## Wider scope audit response and findings

## Conclusion

### Financial sustainability (continued)

#### Medium to Long Term Financial Strategy

The Medium to Long Term Financial Strategy (MTLFS) was approved by Council on 25 February 2026 and incorporates the most recent economic and fiscal forecasts from the Scottish Fiscal Commission (SFC) and Office for Budget Responsibility (OBR).

The MTLFS includes a scenario analysis which indicates the areas of pressure for the Council should certain scenarios develop over time. Below, we have detailed the mid-range assumptions reflected in the MTLFS should these materialise. This is reflected in the table below:

|                              | 2026/27   | 2027/28   | 2028/29   | 2029/30–<br>2035/36 | Total      |
|------------------------------|-----------|-----------|-----------|---------------------|------------|
| Total Additional Income      | (£6.630m) | (£4.740m) | (£2.980m) | (£24.510m)          | (£38.860m) |
| Total Additional Expenditure | £9.220m   | £9.720m   | £12.690m  | £68.640m            | £100.270m  |
| Budget Gap                   | £2.590m   | £4.980m   | £9.710m   | £44.130m            | £61.410m   |

The MTLFS confirms the Council's overall budget gap to financial year 2035/36 is projected to be £61.410 million. This reflects the wider financial sustainability risk to the Council and the need to continue to identify new ways to deliver services via approaches to transformation.

We note that the MTLFS includes a 10% increase in Council Tax for 2026/27 (subsequently approved) and a 6% increase for 2027/28. However, the current funding gap for 2028/29 has not assumed any increase in Council Tax. Were the Council to approve an increase in Council Tax rates for 2028/29, this would lower the expected funding gap.

The council is using transformation to assess and identify new and innovative ways to alleviate the significant budget gap identified over the life of the MTLFS.

As funding pressures continue and opportunities for efficiencies become more limited, delivering sustainable savings and transformational change will become increasingly important to secure the Council's long-term financial sustainability.

The Council's scenario analysis contains a wide range of factors that could impact the financial sustainability of the Council in the long term.

# Wider scope audit – financial sustainability (4)

| Wider scope area                     | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Conclusion                                                                                                                                                                                      |
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| Financial sustainability (continued) | <p><b><u>Reserves</u></b></p> <p>Historically, the Council has relied on general reserves balances to balance the budget, which was not sustainable in the longer term. At the end of 2025/26, the Council held general fund reserves totalling £27.604 million, with £21.604 million earmarked for specific purposes. The Council's updated reserves policy, which was approved by Council in September 2024, is to hold £6 million as free general reserves.</p> <p>The Council have not utilised any general reserves balances during 2025/26 to balance the budget. The only reserves balances utilised during the year related to earmarked reserves for specific projects.</p> <p>We have previously reported that the Council must ensure that transformation is the key driver for addressing identified budget gaps over the longer term and the Council should not revert to the use of general reserves as the method of balancing the budget. The MTLFS includes a section on the Transformation Strategy, with specific reference made to individual projects, which the Council see as the primary long-term lever for achieving financial sustainability. We note that there is no planned use of general reserves as part of the 2026/27 budget or the MTLFS.</p> | <p>The Council have set a balanced budget for 2026/27 without the planned use of general reserves balances. Furthermore, there is no planned use of general reserves outlined in the MTLFS.</p> |

# Wider scope audit – financial sustainability (5)

| Wider scope area                     | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Conclusion                                                                                                                                                                                                 |
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| Financial sustainability (continued) | <p><b><u>Capital and Long-Term Borrowing</u></b></p> <p>The Council approved the Capital Plan for 2026/27 – 2028/29 at the Council meeting held on 28 January 2026. The Council also approved an indicative 10-year Capital Plan at the same meeting.</p> <p>Total funding required over the life of the three-year plan is projected to be £221.607 million. Approximately 67% of the three-year capital programme is expected to be funded by borrowing, with the remaining 33% from grants and other receipts.</p> <p>The Council have an approved a methodology for keeping capital expenditure within affordable limits (known as the cap). The Council established an affordability ceiling of 10%, in line with CIPFA guidance, and have considered the cap in producing the 2026/27 – 2028/29 Capital Plan. This ensures the Council’s capital plan is affordable.</p> <p>The Council also approved the indicative ten-year Capital plan at the meeting in January 2026. The total planned expenditure over the ten-year period is £427.600 million and the Council has projected that total anticipated borrowing over the length of the plan will be £253.380 million. This means that borrowing will finance 59.3% of the plan over the ten-year period. The anticipated borrowing significantly reduces over the later years of the plan, with 58.6% of borrowing (£146.611million) expected in first three years of the 10-year plan.</p> | <p>The Council’s Capital Plan requires a significant level of borrowing in the early years of the plan.</p> <p>The Council has considered the affordability cap as part of the capital budget setting.</p> |

# Wider scope audit – vision, leadership and governance

| Wider scope area                                                           | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Conclusion                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <p><b>Vision, leadership and governance</b></p> <p>No risk identified.</p> | <p><b><u>Council Governance</u></b></p> <p>During 2025, the Council undertook a review of its corporate management structure to strengthen capacity in key areas. This is intended to support the delivery of the Council’s strategic priorities and help secure a sustainable financial position for the future. The new management structure went live on 1 September 2025.</p> <p>Within the new structure, there are three Executive Directors, plus the Chief Officer of the Moray Integration Joint Board, who report directly to the Chief Executive. The new management structure is detailed on the Council’s website and includes the remit and team members for each Executive Director. The new structure is outlined below:</p> <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• Executive Director Finance, Strategy &amp; Transformation</li> <li>• Executive Director Education, Housing &amp; Communities</li> <li>• Executive Director Economy, Enterprise &amp; Operations</li> <li>• Chief Officer Moray Integrated Joint Board</li> </ul> <p>The only new appointment to the Corporate Leadership Team during 2025/26 was the Executive Director of Finance, Strategy &amp; Transformation, who has also taken over the role of the Section 95 Officer. To ensure an effective handover, the incoming Section 95 Officer and new Chief Finance Officer worked alongside the outgoing Chief Finance Officer to gain an understanding of the operations of the Council. The key recruitment for the revised corporate management structure is complete, with all Executive Directors and Heads of Service now appointed. In 2026/27, the Council’s focus will be on the future workforce, with the Council noting this will include forward planning and training delivered to staff, as well as cultural improvements across the council.</p> <p>Continued active leadership will be essential to help the Council navigate a period of organisational, financial and service transformation, ensuring it is positioned to deliver its strategic objectives and respond effectively to future challenges.</p> | <p>The Council have implemented changes to the management structure and have recruited into key posts within the new structure.</p> <p>The Chief Executive’s current active leadership, has led to the successful implementation of Phase 1 of the restructure.</p> <p>Continued active leadership will be essential to ensure the Council navigates the future restructure and transformation of the Council.</p> |

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

| Wider scope area                              | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Conclusion                                                                                                                                                                                                                                                                                                                                                        |
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| Vision, leadership and governance (continued) | <p>Following the management restructure, the Council have revised the Scheme of Delegation which was approved at the Council meeting held in December 2025. The Councils Financial Regulations were also updated and approved at the May 2026 Council meeting to reflect the revised finance structure.</p> <p>The Council have begun preparations for Phase 2 of the restructure process, which will review service and team area development aligned to the new operating model. A key focus of Phase 2 will be strengthening organisational culture and leadership capability. To support this, the Council has engaged external partners to help design and deliver a cultural change programme, which will commence in July 2026.</p> <p>The cultural change review is due to commence in July 2026, with work ongoing to finalise arrangements and ensure that leadership development is co-designed with participants. The Council expects to have a detailed implementation plan in place in the coming months, with the programme substantially completed by the end of 2026. The Council has also established performance indicators to measure the success of the restructuring programme and the associated cultural transformation. The baseline collection for these indicators took place in April 2026 and reporting will be to a future Council meeting as soon as practicable and annually thereafter.</p> <p>Progress has also been made in recruitment, with four previously vacant lawyer positions now filled, although vacancies remain within the finance team. Alongside this, the Council is developing a succession planning framework to identify potential workforce risks arising from future retirements and to support the development of emerging talent across the organisation.</p> <p>As part of its wider workforce strategy, the Council is enhancing engagement with neighbouring authorities to explore opportunities for collaborative working and shared services. Discussions have taken place with other local authorities to assess opportunities in areas such as procurement and payroll, whilst the Council have also had early discussions with the Improvement Service to identify further opportunities to work more collaboratively with partners.</p> | <p>The scheme of delegation has been updated to reflect the new management structure.</p> <p>The Council is making progress in implementing its restructuring programme, although the successful delivery of the planned cultural change programme and remaining recruitment challenges will be key to achieving the long-term objectives of the restructure.</p> |

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

| Wider scope area                              | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Conclusion                                                                                                                                                                                                                                                                                                                                                 |
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| Vision, leadership and governance (continued) | <p><b><u>Governance Arrangements</u></b></p> <p>The Council’s governance arrangements are detailed within the Annual Governance Statement (AGS), which forms part of the Annual Accounts. We have reviewed the disclosures contained within the AGS and are satisfied that they are appropriate and consistent with our understanding of the Council’s governance framework. Based on our review, we have concluded that the Council has effective governance arrangements in place to support the achievement of its objectives and the proper stewardship of public resources.</p> <p>Through our attendance at Audit and Scrutiny Committee meetings, we observed that papers were comprehensive, of a high standard, and circulated sufficiently in advance to support informed consideration by members. Meetings allow adequate time for discussion of agenda items, enabling the Committee to challenge effectively, scrutinise key issues, and fulfil its governance responsibilities. We also note that the Council have changed the lead in time for the preparation of reports being presented to Committee, which enables members more time to scrutinise reports in advance of meetings.</p> <p><b><u>Approach to Self-Evaluation</u></b></p> <p>The Council are utilising the Public Service Improvement Framework (PSIF) to carry out self-evaluations across the Council. There is an agreed programme of reviews in place, with nine reviews completed during 2025/26, including reviews across HR, ICT, Organisational Development, Economic Development. Information on the Council’s approach to self-evaluation can be found via the interchange section of the Council website.</p> <p>Following each self evaluation process, an Improvement Plan is drafted, with the findings from each review developed into a list of improvement actions for implementation in future months. The implementation of actions is monitored through the Service Planning performance monitoring framework. The findings from reviews to date have identified some key themes which the Council are aiming to take forward, including findings around communication and culture.</p> <p>The Audit &amp; Scrutiny Committee have requested feedback on the findings from the PSIF exercise, and a report is expected to be taken to a future Committee meeting.</p> | <p>The Council has effective governance and scrutiny arrangements in place, with committees providing appropriate oversight and challenge to support good decision-making and accountability.</p> <p>The Council have now implemented self-evaluation, with an agreed process in place to ensure all service areas are considered on an ongoing basis.</p> |

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

| Wider scope area                              | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Conclusion                                                                                                                                                         |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vision, leadership and governance (continued) | <p><b><u>Internal Audit</u></b></p> <p>The council has its own internal audit function which is led by the Audit and Risk Manager. The year-end internal audit opinion was presented to the Audit and Scrutiny Committee on 18 June 2026. The Internal Audit opinion for 2025/26 was “reasonable assurance can be placed on the adequacy and effectiveness of the Council’s internal control system for the year ending 31 March 2026.” This statement was included in the 2025/26 Annual Governance Statement.</p>                                                                                                                                                                                                         | <p>Internal Audit provided a reasonable assurance opinion over the adequacy and effectiveness of the internal control system for the year ended 31 March 2026.</p> |
|                                               | <p>Internal audit provide update reports to each Audit and Risk Committee meeting, including the results of follow-up reviews to evidence the implementation of recommendations to the Audit and Scrutiny Committee. The appendix to the update report provides an explanation from the service of progress against each recommendation and revised timescales. The 2025/26 Internal Audit Report confirmed that for the majority of follow-up reviews completed, most recommendations had been implemented. Some recommendations remain outstanding, and as a result the senior management have introduced enhanced monitoring to support services in implementing audit recommendations within the agreed timescales.</p> | <p>Internal Audit delivered the majority of planned activity during 2025/26 and no significant alterations were made to planned activity.</p>                      |
|                                               | <p>We have noted additional capacity has been added to the internal audit team during 2025/26, with the Audit and Risk Manager confirming that current staffing levels are considered sufficient to meet the auditing needs of the Council and its partner organisations. The Internal Audit function has also previously received a positive PSIAS external peer review during 2024.</p>                                                                                                                                                                                                                                                                                                                                   | <p>There is effective follow up by management, with progress against audit recommendations being followed up at each Audit and Scrutiny Committee meeting.</p>     |

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

| Wider scope area                              | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Conclusion                                                                                                                                                                                                                                        |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vision, leadership and governance (continued) | <p><b><u>Risk Management</u></b></p> <p>The Council has a risk management policy designed to support the identification, evaluation and mitigation of risks. The Council maintain a Corporate Risk Register, which considers risk themes and the principal risks facing the Council. Service Risk Register's are also in place which evaluate and manage potential impediments to the delivery of services. The registers describe how risks are managed and controlled.</p> <p>The latest iteration of the Corporate Risk Register was considered at the Corporate Committee on 26 May 2026. All corporate risks are assigned risk ratings, scored between 1 – 25. Any risk with a score greater than 15 is considered a “very high” risk to the Council. Three risks are currently rated as very high risks:</p> <ul style="list-style-type: none"> <li>• Financial: There is an on-going risk of financial failure with demand for services outstripping available budget</li> <li>• HR: Effect of staffing reductions on services</li> <li>• IT: Major disruption in continuity of ICT operations</li> </ul> <p>The risk register includes the rationale for each identified risk, the Council's current risk appetite and the current and proposed mitigations in place. Each risk is also assigned a risk owner who has overall responsibility for management of the risk.</p> | <p>The Council need to continue to take appropriate action to mitigate the high risks in the risk register</p> <p>The very high level risks are consistent with previous years and continue to be assessed and reported at regular intervals.</p> |

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

| Wider scope area                              | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion                                                                                                |
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| Vision, leadership and governance (continued) | <p><b>Partnership Working</b></p> <p>The council, alongside NHS Grampian, is a key partner of the Moray IJB and therefore has an interest in the governance arrangements of the IJB. The Chief Officer of the IJB regularly attends Council and Audit and Scrutiny Committee meetings and provides reports summarising details of the Board’s activities.</p> <p>The Moray Growth Deal is a regional deal designed to boost economic growth across Moray. It is a long-term plan centred around eight strategic specific projects, with an aim of improving economic growth across the region. Total investment in the deal exceeds £100 million and brings together both the Scottish and UK governments, the Council, partners from across the public and third sectors and private businesses. Governance of the Growth Deal is through the Moray Growth Deal Programme Board.</p> <p>The Moray Growth Deal Annual Report was presented to the Council in June 2026 and covers the period up to 31 December 2025. Key achievements during 2025 included:</p> <ul style="list-style-type: none"><li>• Bus Revolution Phase 2 launched for northern coastal communities, expanding rural public transport services</li><li>• Construction began on the Elgin Town Hall redevelopment as part of the Cultural Quarter project</li><li>• The new Early Years Science, Technology, Engineering and Maths (STEM) Hub in Elgin was completed and service launched.</li></ul> <p>The Council have a Local Outcomes Improvement Plan (LOIP) which outlines the creation and implementation of a vision for the local area, including expected outcomes for the community. The LOIP is a partnership plan, and its strategic delivery is overseen by a Community Planning Board, which meets quarterly. The Board comprises representatives from a broad range of organisations.</p> <p>Looking ahead, the Council is pursuing a pan-Grampian approach alongside Aberdeenshire Council, Aberdeen City Council, NHS Grampian and the Integration Joint Boards (IJBs), as part of its wider transformation agenda to support the savings programmes of the Council, IJBs and NHS Grampian. Through regular engagement between the Chief Executives and Chief Officers, the Council intends to shape shared approaches to service delivery, with an aim across region to deliver more effective, sustainable services in the future.</p> | The Council have appropriate arrangements in place to ensure oversight of the operations of its partners. |

# Wider scope audit – use of resources

| Wider scope area                                                      | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Conclusion                                                                                                                                   |
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| <p>Use of resources to improve outcomes</p> <p>No risk identified</p> | <p><b><u>Moray Council Corporate Plan 2024-2029</u></b></p> <p>The Corporate Plan 2024-2029 was approved by the Council on 28 February 2024. The Corporate Plan is well set out, and links clearly to other plans across the Council. Performance metrics are included along with a timetable for monitoring achievements under the plan.</p> <p>The Corporate Plan includes a clear set of priorities:</p> <ul style="list-style-type: none"> <li>• Tackle poverty and inequalities</li> <li>• Build stronger, greener, vibrant economy</li> <li>• Build thriving, resilient, empowered communities</li> </ul> <p>Progress towards achievement of the Council’s priorities are monitored via the Performance Management Framework (PMF). The PMF identifies actions, separated into Strategic level actions (which sit within the Corporate Plan) and Service level actions (which sit within service plans). Both Strategic and Service level actions are included in six-monthly service performance reports which are reported through service committees. To make the actions in the plan more flexible, these are expressed as actions for 2024-2026, with actions subject to review at the end of that period.</p> <p><b><u>Performance Reporting</u></b></p> <p>The Council revised its Performance Management Framework (PMF) which was approved by the Corporate Committee in February 2026. The PMF explains that the Council reports performance through a structured hierarchy of plans, indicators and governance reports, with performance information being reviewed regularly by managers, senior officers and elected members.</p> | <p>The Council have an approved Corporate Plan, and the achievement of priorities is monitored via the Performance Management Framework.</p> |

# Wider scope audit – use of resources (2)

| Wider scope area                                        | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Conclusion                                                                                                                                                                                                                                                                                                                 |
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| <p>Use of resources to improve outcomes (continued)</p> | <p><b><u>Performance Reporting (continued)</u></b></p> <p>The Council publishes performance information through an online reporting framework on its website, providing public access to the Council's performance data. The system has a suite of published data which includes key LGBF indicators alongside the council's own performance indicators which are linked to the priorities in the Corporate Plan. The LGBF data is presented in a separate page, split across the Council's strategic priorities. The performance information is designed to be more accessible to users, who can access up-to-date performance data.</p> <p>The Annual Performance Report for 2025/26 is now published through the Council's website, as opposed to a formal report. The Council still prepare a Public Performance Report paper, which will be presented to full Council in September 2026 and references where the performance information can be found on the Council's website.</p> <p>The Council publish performance information for both actions and performance indicators for the Corporate Plan, Local Outcomes Improvement Plan (LOIP) and Service Plans. These are updated at the end of each quarter. The 'Actions' report provides a status update on the progress of actions, whilst the 'Indicators' report provides performance data for key indicators, both on a RAG basis. Reports also provide historic data to show the performance trend for all data. The Council report progress on the actions in the Corporate Plan to full Council.</p> <p>In the year to March 2026, 25 Corporate Plan actions were due for completion. Eleven actions were completed as planned, however 14 actions have not been delivered by the planned deadline and will continue to progress out with their original due date. Overall, 80% of planned work was completed. The Council have also made progress against actions due to be completed in future years, in relation to the Council's digital approach and strengthening capital monitoring.</p> <p>Based on the current 41 defined actions, the Plan is 49% complete. There were 68 corporate plan performance indicators, of which 43 indicators have targets. 21 indicators were achieved or were within tolerance levels of target, whilst 18 indicators did not meet expected levels of performance. In terms of short-term trend, when compared to the previous year's result, 53% of indicators show an improving trend, 19% a worsening trend, results remain unchanged for 7% and data is not available for the final 21%.</p> | <p>The Council are publishing performance information in a timely manner.</p> <p>Appropriate arrangements are in place for the monitoring and reporting of key performance indicators and actions.</p> <p>The Council must ensure the actions set out in the Corporate Plan remain achievable by the planned deadline.</p> |

# Wider scope audit – use of resources (3)

| Wider scope area                                 | Wider scope audit response and findings                                                                                                                                                                                                                                       |           |                                |         |         |         | Conclusion                                                                                                                         |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------|---------|---------|---------|------------------------------------------------------------------------------------------------------------------------------------|
| Use of resources to improve outcomes (continued) | <b>Overview of Performance Indicators</b><br>The table below provides detail on the Council’s performance across several key indicators. These indicators have been chosen to show performance across the Council’s different priorities. Note: N/A = data not yet available. |           |                                |         |         |         | The Councils Key Performance Indicators show a mixed level of performance, with areas of both improving and worsening performance. |
|                                                  | Key Performance Indicators                                                                                                                                                                                                                                                    | Target    | Benchmarking – Comparator Avg. | 2023/24 | 2024/25 | 2025/26 | Trend                                                                                                                              |
|                                                  | Percentage of pupils gaining 5+ awards at Level 5                                                                                                                                                                                                                             | 72%       | 66%                            | 62%     | 64%     | N/A     | ↑                                                                                                                                  |
|                                                  | Percentage of pupils achieving expected level in Numeracy (P1,4,7 Combined)                                                                                                                                                                                                   | 83.4%     | 79.4%                          | 76.5%   | 76.9%   | N/A     | ↑                                                                                                                                  |
|                                                  | Percentage of pupils entering Positive Destinations                                                                                                                                                                                                                           | 95.2%     | 95.3%                          | 93.8%   | 93.5%   | N/A     | ↓                                                                                                                                  |
|                                                  | Moray median weekly earnings – by place of work                                                                                                                                                                                                                               | Data only | £773.80 (Scotland)             | £667.10 | £698.70 | £658.80 | ↓                                                                                                                                  |
|                                                  | Proportion of people earning less than the living wage                                                                                                                                                                                                                        | 11.4%     | 9.4%                           | 14.4%   | 16.2%   | N/A     | ↓                                                                                                                                  |
|                                                  | Gender Pay Gap – Moray being place of work                                                                                                                                                                                                                                    | Data only | 9.4% (Scotland)                | 12.5%   | 16.3%   | 9.9%    | ↑                                                                                                                                  |
|                                                  | Town Vacancy Rates                                                                                                                                                                                                                                                            | 9.0%      | 13.1%                          | 14.1%   | 14.0    | N/A     | ↑                                                                                                                                  |
|                                                  | Number of affordable housing completions at end of current financial year                                                                                                                                                                                                     | Data only | N/A                            | 97      | 110     | 91      | ↓                                                                                                                                  |
|                                                  | Percentage of schools that are rated B or better for suitability                                                                                                                                                                                                              | 100%      | N/A                            | 100%    | 100%    | 100%    | ↔                                                                                                                                  |

# Wider scope audit – use of resources (4)

| Wider scope area                                 | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Conclusion                                                                                       |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Use of resources to improve outcomes (continued) | As outlined in the table above, in recent years the Council have been below the national average for exam related performance. Following the release of the 2026 exam results, we note that the Council recorded the lowest percentage of Higher passes of any Scottish council in the 2026 results. At the September Education, Children's and Leisure Services Committee, the committee agreed that an independent review should be commissioned to assess the factors impacting attainment in Moray and identify strategic responses to support sustained improvement. This review is anticipated to commence in the near future. | The independent review of issues impacting the Council's exam performance will commence shortly. |

# Wider scope audit – use of resources (5)

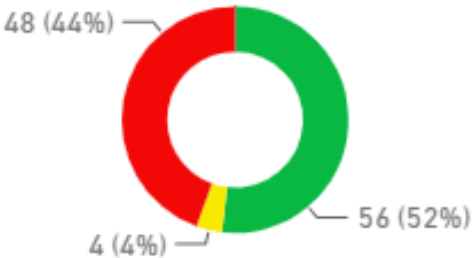
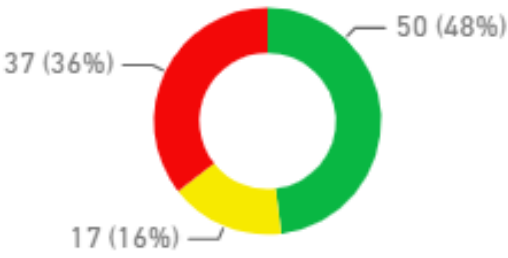
| Wider scope area                                 | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Conclusion                                                                                                                                                      |
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| Use of resources to improve outcomes (continued) | <p><b><u>National Benchmarking Data</u></b></p> <p>The Council participates 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 2024/25, was published in March 2026.</p> <p>The Council presented the 2024/25 LGBF results to the Corporate Committee in May 2026 (and Audit and Scrutiny Committee in June 2026). The information presented included the 2024/25 results data, as well as the 2023/24 data (and earlier years if available) to allow further trend comparisons over time. LGBF shows the proportion of indicators which have either improved, deteriorated or stayed the same over time. 48% of Moray's LGBF indicators have improved during the previous year, with 36% seeing declining performance.</p> <p>An assessment of relative performance in recent years showed an improving trend up to 2020/21, followed by a drop off in 2021/22. Thereafter the pace of recovery has slowed. The charts below show that for the indicators currently published for 2024/25, there has been a slight drop in performance with indicator result values worsening to a greater margin (53%) than those that have improved (41%). The Council outlined that assuming there is no significant change in rankings for the twenty-three indicators yet to be updated, the overall position in terms of relative performance will remain similar to 2023/24.</p> <p>In the year-end report, the Council provides an understanding of indicator in the lowest quartile (4th), with the indicator number, the challenges, the actions to improve and expected outcomes noted. This allows scrutiny and assessment of each indicator. The report also includes the detail of each performance indicator and the trend data for the four preceding years. The Corporate Performance section of the Council’s website provides the LGBF reports for the last five years.</p> | <p>The Council’s performance has been mixed. More performance indicators are lower when compared to the previous period despite an increase in expenditure.</p> |

# Wider scope audit – use of resources (6)

| Wider scope area                                 | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Conclusion   |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|-----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|------|--------------|--------------|--------------|--------------|-----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|---------|-----|-----|-----|-----|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of resources to improve outcomes (continued) | <p>Further detail from Moray’s LGBF Report for 2024/25 reported in May 2026 is set out in the tables below. It should be noted that a small percentage of indicators (highlighted in purple) are not yet published which impacts the quartile calculations.</p> <div><p><b>LGBF relative performance - national</b></p><table><tr><th>Year</th><th>1st quartile</th><th>2nd quartile</th><th>3rd quartile</th><th>4th quartile</th><th>N/A</th></tr><tr><td>2019/20</td><td>28%</td><td>19%</td><td>24%</td><td>29%</td><td>0%</td></tr><tr><td>2020/21</td><td>28%</td><td>24%</td><td>27%</td><td>20%</td><td>0%</td></tr><tr><td>2021/22</td><td>18%</td><td>34%</td><td>24%</td><td>24%</td><td>0%</td></tr><tr><td>2022/23</td><td>23%</td><td>22%</td><td>28%</td><td>27%</td><td>0%</td></tr><tr><td>2023/24</td><td>23%</td><td>21%</td><td>26%</td><td>30%</td><td>0%</td></tr><tr><td>2024/25</td><td>24%</td><td>19%</td><td>24%</td><td>28%</td><td>5%</td></tr></table><p><b>LGBF relative performance - family</b></p><table><tr><th>Year</th><th>1st quartile</th><th>2nd quartile</th><th>3rd quartile</th><th>4th quartile</th><th>N/A</th></tr><tr><td>2019/20</td><td>30%</td><td>10%</td><td>22%</td><td>39%</td><td>0%</td></tr><tr><td>2020/21</td><td>34%</td><td>18%</td><td>18%</td><td>30%</td><td>0%</td></tr><tr><td>2021/22</td><td>22%</td><td>32%</td><td>18%</td><td>28%</td><td>0%</td></tr><tr><td>2022/23</td><td>23%</td><td>21%</td><td>29%</td><td>27%</td><td>0%</td></tr><tr><td>2023/24</td><td>25%</td><td>18%</td><td>27%</td><td>30%</td><td>0%</td></tr><tr><td>2024/25</td><td>23%</td><td>19%</td><td>29%</td><td>24%</td><td>5%</td></tr></table></div> | Year         | 1st quartile | 2nd quartile | 3rd quartile | 4th quartile | N/A | 2019/20 | 28% | 19% | 24% | 29% | 0% | 2020/21 | 28% | 24% | 27% | 20% | 0% | 2021/22 | 18% | 34% | 24% | 24% | 0% | 2022/23 | 23% | 22% | 28% | 27% | 0% | 2023/24 | 23% | 21% | 26% | 30% | 0% | 2024/25 | 24% | 19% | 24% | 28% | 5% | Year | 1st quartile | 2nd quartile | 3rd quartile | 4th quartile | N/A | 2019/20 | 30% | 10% | 22% | 39% | 0% | 2020/21 | 34% | 18% | 18% | 30% | 0% | 2021/22 | 22% | 32% | 18% | 28% | 0% | 2022/23 | 23% | 21% | 29% | 27% | 0% | 2023/24 | 25% | 18% | 27% | 30% | 0% | 2024/25 | 23% | 19% | 29% | 24% | 5% | <p>For indicators currently published, the Council’s performance against its national and family comparators has remained fairly static during the reporting period, with the percentages across quartiles remaining similar to the previous year.</p> |
| Year                                             | 1st quartile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2nd quartile | 3rd quartile | 4th quartile | N/A          |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2019/20                                          | 28%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 19%          | 24%          | 29%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2020/21                                          | 28%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 24%          | 27%          | 20%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2021/22                                          | 18%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 34%          | 24%          | 24%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2022/23                                          | 23%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 22%          | 28%          | 27%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2023/24                                          | 23%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 21%          | 26%          | 30%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2024/25                                          | 24%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 19%          | 24%          | 28%          | 5%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| Year                                             | 1st quartile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2nd quartile | 3rd quartile | 4th quartile | N/A          |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2019/20                                          | 30%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 10%          | 22%          | 39%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2020/21                                          | 34%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 18%          | 18%          | 30%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2021/22                                          | 22%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 32%          | 18%          | 28%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2022/23                                          | 23%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 21%          | 29%          | 27%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2023/24                                          | 25%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 18%          | 27%          | 30%          | 0%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |
| 2024/25                                          | 23%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 19%          | 29%          | 24%          | 5%           |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |      |              |              |              |              |     |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |         |     |     |     |     |    |                                                                                                                                                                                                                                                        |

Data source: Improvement Service

# Wider scope audit – use of resources (7)

| Wider scope area                                 | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Conclusion |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------|------------|----------|----|-----|------------|----|-----|-----------|---|----|----------|-------|------------|----------|----|-----|------------|----|-----|-----------|----|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of resources to improve outcomes (continued) | <p>The data for LGBF is live and is available for any member of the public to review for their council area. As the LGBF reporting was carried out in May 2026, a summary at July 2026 was obtained from the Improvement Service website to note any further trends since May.</p> <p>Overall, since the base year of collection, the Council has improved performance for 52% of the indicators, with 44% of indicators showing diminished performance.</p> <p>When comparing performance to the data collected in the previous year, 48% of indicators have improved, whilst 36% indicators seen a decrease in performance.</p> <div><div><p><u>Change in indicators since base year collection</u></p><p><b>Overall</b></p><table border="1"><thead><tr><th>Category</th><th>Count</th><th>Percentage</th></tr></thead><tbody><tr><td>Improved</td><td>56</td><td>52%</td></tr><tr><td>Diminished</td><td>48</td><td>44%</td></tr><tr><td>No change</td><td>4</td><td>4%</td></tr></tbody></table></div><div><p><u>Change in indicators since prior year (2023/24)</u></p><p><b>Overall</b></p><table border="1"><thead><tr><th>Category</th><th>Count</th><th>Percentage</th></tr></thead><tbody><tr><td>Improved</td><td>50</td><td>48%</td></tr><tr><td>Diminished</td><td>37</td><td>36%</td></tr><tr><td>No change</td><td>17</td><td>16%</td></tr></tbody></table></div></div> <p>Data source: Improvement Service</p> | Category   | Count | Percentage | Improved | 56 | 52% | Diminished | 48 | 44% | No change | 4 | 4% | Category | Count | Percentage | Improved | 50 | 48% | Diminished | 37 | 36% | No change | 17 | 16% | The Council’s progress in improving indicators increased compared to the base year, with performance over the previous 12 months showing improvement for 48% of LGBF indicators. |
| Category                                         | Count                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Percentage |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
| Improved                                         | 56                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 52%        |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
| Diminished                                       | 48                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 44%        |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
| No change                                        | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 4%         |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
| Category                                         | Count                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Percentage |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
| Improved                                         | 50                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 48%        |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
| Diminished                                       | 37                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 36%        |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |
| No change                                        | 17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 16%        |       |            |          |    |     |            |    |     |           |   |    |          |       |            |          |    |     |            |    |     |           |    |     |                                                                                                                                                                                  |

# Wider scope audit – use of resources (8)

| Wider scope area                                        | Wider scope audit response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Conclusion                                                                                                                                                                                                                                             |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Use of resources to improve outcomes (continued)</p> | <p><b><u>National Performance Audits:</u></b></p> <p>The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports that provide insight into key risks, challenges and areas of good practice across local government. Many of the issues highlighted are directly relevant to the Council and can support Members and officers in considering current and future service delivery, financial sustainability and strategic planning.</p> <p>During the year, reports of relevance included:</p> <ul style="list-style-type: none"> <li>• Local Government Budgets 2025/26, which examined the significant financial pressures facing councils and the challenges of delivering balanced budgets;</li> <li>• Local Government Performance: Spotlight on Culture and Leisure Services, which considered the sustainability, demand and future delivery of culture and leisure services;</li> <li>• Local Government in Scotland: Financial Bulletin 2024/25, which provided an overview of the financial position of Scottish local authorities and highlighted the continuing need for transformation and long-term financial planning.</li> <li>• Integration Joint Boards: Finance Bulletin 2024/25, which reviewed the financial performance of Scotland's Integration Joint Boards and highlighted ongoing pressures within health and social care services</li> </ul> <p>The Council should continue to consider the findings and recommendations of these reports when assessing its own financial and operational arrangements, as many of the findings are in line with the challenges currently being faced by the Council.</p> <p><b><u>Public Sector Reform</u></b></p> <p>Scotland's Public Service Reform Strategy commits to a fundamental shift in how public services are designed and delivered, moving towards a system that is preventative, better joined up, and more efficient in meeting people's needs. Under the Programme for Government 2026-31, this translates into a broader modernisation agenda: cutting bureaucracy, restructuring health boards, and reviewing how social care is governed and delivered. For local authorities, the reform agenda encourages greater service sharing, reduced duplication and waste, and a stronger role for local communities in shaping the services that affect them. The Council has confirmed that, at this stage, the specific financial and operational impact of these reforms has not yet been determined.</p> | <p>The Council is facing the same type of financial challenge as seen across the local government sector in Scotland</p> <p>The reform agenda presents both opportunity and uncertainty, and its impact for local government is currently unknown.</p> |

# Best value conclusions

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors and their teams. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value and community planning duties. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.

The audit work performed on the arrangements the council has in place for securing Best Value and its community planning arrangements found these were effective and appropriate. The work we have complete to support this conclusion is outlined below:

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 – Asset Management

In 2025/26, the Accounts Commission has directed auditors to report on how well are councils managing their assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change? Our report, setting out our findings and improvement recommendations was presented to Members in June 2026. Our conclusions, based on a series of questions posed by the Accounts Commission are set out below.

### To what extent does the council have a clear asset management strategy and plans that are affordable, align with its corporate objectives, the changing needs of its population, and net zero commitments?

The Council have a Corporate Asset Management Plan (CAMP), which was last updated in December 2024, and included actions which covered 2024/25. Whilst the plan aligns with the Council's priorities and the changing needs of its population, it is now considered to be out of date. The Council must ensure that the CAMP is refreshed and that the arrangements in place for asset management are up-to-date. The Council have applied the CIPFA "cap" confirming that their Capital Plans are affordable. The Council has noted that due to many years of below-inflationary funding, current plans are not sufficient to deliver the level of investment required across the estate, which means the Council is required to continually prioritise and rationalise its asset base.

The Council should ensure that actions detailed in the plan are followed up and that existing governance arrangements are accurately reflected in the CAMP. The Council have approved a ten-year Capital Plan which confirms a borrowing requirement of £253 million over the period. The Council have a range of documents which highlight net zero considerations, including a route map to net zero.

# Best value conclusions (2)

## To what extent do the council's governance and accountability arrangements support effective asset management?

The Council's governance and accountability arrangements provide a clear framework that supports effective asset management and provide assurance that asset management decisions are transparent and aligned with the Council's priorities. The Council has changed to a three-year planning approach for capital due to significant levels of slippage in recent years. The Council's LGBF performance for asset management is below the Scottish average, and significant investment has been made by the Council in these areas. The investment is having an impact and performance trends are improving from a low base.

## To what extent does the council have a robust approach to working with partners and communities in managing its assets?

The Council works well with its partners and communities in the management of its assets; however arrangements could be strengthened by setting out how this works in practice in a policy document. The Council has mechanisms in place to engage with stakeholders, support community involvement, and work collaboratively with partners to maximise asset use and value. The council has a clear and transparent approach to supporting and assessing community asset transfer requests.

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

- Corporate Asset Management Plan (CAMP)
- Service Asset Management Plans
- Community Asset Transfer Policy

These recommendations have been replicated at Appendix C of this report. As the timescale for implementation of each recommendation is approximately 18 months, and there are no major updates in asset management since our report in June 2026, we have not included a follow-up on progress of agreed actions in this report. We will follow up these recommendations and provide a progress update as part of our 2026/27 Annual Audit Report.

## Controller of Audit Report

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

Nine recommendations were made across a number areas and as part of our 2025/26 audit work, we have performed a follow-up review for the remaining recommendations raised in the Controller of Audit report. This can be found at Appendix E.

# Best value conclusions (3)

## Controller of Audit Report (continued)

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

The Council refreshed the BVAP on 26 August 2025, which was approved by the Corporate Committee. The review aimed to update the BVAP to reflect progress made, identify remaining improvement priorities, and support the Council's ongoing transformation and sustainability agenda. The refresh resulted in four new actions being included within the BVAP, and several actions from the previous BVAP were either completed and removed or moved into business as usual.

An update on the refreshed BVAP was presented to the Corporate Committee on 26 May 2026. Overall, the Council has made good progress across most Best Value themes, with several actions completed and others well advanced. The focus has been on strengthening governance, progressing transformation, improving resilience, and embedding community engagement.

The Council have made good progress in actioning the recommendations made by the Controller of Audit. All recommendations are now closed, however two have been superseded by recommendations raised as part of our own wider scope work. These are in relation to participatory budgeting and capital slippage, and we have provided details of current progress and the actions the Council needs to take to address the recommendations. The Council have undertaken a robust self challenge and improvement journey with many actions finalised and now business as usual. The Council still have action to take in some areas, including a review of culture and transformational change activities which will take time to implement. However, there is a more positive trajectory overall owing to direct leadership and ownership and scrutiny of the actions and recommendations.

# Best value conclusions (4)

## Council service performance improvement

The Accounts Commission's Statutory Performance Information (SPI) Direction 2024 is the latest statutory requirement that tells Scottish Councils the performance information they must publish and report to the public. It came into effect from 1 April 2025 and applies for the period 2025/26 to 2027/28. The SPI Direction requires the council to publish information that will:

- enable comparisons of performance between councils and over time
- show how well it is improving local outcomes with community planning partners in their area.

Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing SPI in accordance with the Direction and report a conclusion in the Annual Audit Report.

The arrangements the council has in place for preparing and publishing SPI were assessed by considering:

- whether information reported allowed comparison of performance between councils and over time
- the indicators it uses for reporting and whether it maximises use of the Local Government Benchmarking Framework (LGBF) indicators
- whether information reported was balanced, timely, and accessible
- whether information reported covered the four key areas set out in the Schedule to the Direction.

Audit work on the arrangements the council has in place for preparing and publishing SPI concluded the arrangements in place were effective and appropriate. More detail on the overall approach to performance reporting can be found at page 68.

The Council reports performance through a structured framework that links corporate priorities to service objectives. Performance data is collected and monitored through the Pentana system and subsequent reporting includes details on achievements, challenges and improvement actions. Performance is reported and scrutinised at various levels, including via Departmental Management Teams, the Corporate Leadership Team and Committee. Performance Reports are produced quarterly, half-yearly or annually depending on the area being monitored.

The 2025/26 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 Annual Governance Statement also includes details of the Best Value self-assessment exercise completed by council managers which identified priority areas for improvement.

# Appendices

# A. Audit adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement (CIES), the balance sheet, and the reported net expenditure of the Council for the year ending 31 March 2026.

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

| Detail                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000                                              | Impact on total gross expenditure £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------|
| <b>Council Dwellings</b><br><br>The Council Dwellings valuation for 2025/26 was not available for inclusion in the unaudited accounts, due to the valuation being completed in August 2026. The Council have subsequently input the valuation into the accounts once details were received from the valuer, which has resulted in the closing value of Council Dwellings and the amounts recorded in the Revaluation Reserve decreasing in 2025/26.<br><br>The overall impact on the financial statements was a decrease to the closing balance in for PPE – Council Dwellings of £236.9 million and a decrease to the Revaluation Reserve of £236.9 million. |                                               | Dr Revaluation Reserve<br>£236,875<br><br>Cr PPE – Council Dwellings<br>(£236,875) | Nil                                     |

# A. Audit adjustments (2)

## Impact of adjusted misstatements

| Detail                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000                                                         | Impact on total gross expenditure £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------|
| <b>PPE – Other Land and Buildings</b><br><br>We identified that valuations included in the Valuers Report had been incorrectly input into the Fixed Asset Register and subsequently the PPE – Other Land and Buildings balance. This resulted in PPE – Other Land and Building being overstated. The overall impact on the financial statements was a decrease to PPE – Other Land and Buildings of £2.261 million and a decrease to the Revaluation Reserve of £2.261 million.<br><br>The impact is through the CIES but mitigated through the MIRS.                                                               |                                               | Dr Revaluation Reserve<br><br>£2,261<br><br>Cr PPE – Other Land and Buildings<br><br>(£2,261) | Nil                                     |
| <b>Pension Figures</b><br><br>We identified that the fair value of plan assets calculated in the second version of the actuary's report was different to the value disclosed in the annual accounts. This was a result of the actuary providing an updated report based on actual data for the year.<br><br>Due to the application of the asset ceiling under IFRIC 14, the overall impact on the financial statements was nil, however within the pensions disclosure was updated to reflect an decrease in the fair value of plan assets of £1.939 million and a decrease in the asset ceiling of £1.939 million. |                                               | Dr Asset Ceiling adjustment<br>£1,939<br><br>Cr Fair Value of Plan assets<br>(£1,939)         | Nil                                     |

# A. Audit adjustments (3)

## Impact of adjusted misstatements

| Detail                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Statement of Changes in<br>Net Expenditure £'000 | Statement of Financial Position<br>£'000                                                                                                            | Impact on total gross<br>expenditure £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| <b>PFI Schemes</b><br><br>We identified that the closing balance for PFI schemes was incorrect. This was a result of an error processed in the calculation adjustment in 2024/25 as part of the transition adjustment to IFRS 16.<br><br>This resulted in the PFI Liability being overstated. The overall impact on the financial statements was a decrease to the Right of Use asset of £6.035 million and a decrease to the Lease Liability of £6.035 million.                |                                                  | Dr ST ROU Liability £3<br><br>Dr LT ROU Liability £11,453<br><br>Cr ROU GBV (£11,456)<br><br><br>Dr ROU GBV £5,418<br><br>Cr ROU Liability (£5,418) | Nil                                        |
| <b>Provision for Nether Dallachy</b><br><br>We identified that the Council should have created a provision for the ongoing monitoring of the Nether Dallachy landfill site, which closed in May 2025. This resulted in the closing value of provisions and expenditure in the CIES being understated.<br><br>The overall impact on the financial statements was an increase to provisions of £6.040 million and an increase to the other service expenditure of £6.040 million. |                                                  | Dr PPE – Other Land and<br>Buildings<br>£6,040<br><br>Cr Provisions<br>(£6,040)                                                                     | Nil                                        |

# A. Audit adjustments

## Impact of adjusted misstatements – prior period error

| Detail                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000                                                       | Impact on total gross expenditure £'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------|
| <p><b>Prior Period Amendment – Council Dwellings 2024/25</b></p> <p>We identified that the revaluation of Council Dwellings during 2020/21 was calculated using an incorrect methodology, resulting in the 2020/21 closing balance being misstated. Due to Council Dwellings only being subject to full valuation once every five years, future years closing balances were also incorrect due to being rolled forward. This resulted in the closing value of Council Dwellings and the amounts recorded in the Revaluation Reserve being overstated in 2024/25.</p> <p>The overall impact on the financial statements was a decrease to the closing balance in 2024/25 for PPE – Council Dwellings of £194.2 million and a decrease to the Revaluation Reserve of £194.2 million.</p> |                                               | <p>Dr Revaluation Reserve<br/>£194,200</p> <p>Cr PPE – Council Dwellings<br/>(£194,200)</p> | <p>Nil</p>                              |

# A. Audit adjustments (4)

## Misclassification and disclosure changes

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

| Disclosure                     | Auditor recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Adjusted? |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| General                        | There were minor changes noted to grammar and to correct spelling and other consistency issues. The Council has corrected these in the final version of the financial statements. Such changes are expected and do not warrant detailed explanation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Yes       |
| Annual Governance Statement    | We requested additional disclosure was added to the Annual Governance Statement to ensure the statement complied with the Delivering Good Governance in Local Government Framework and addendum.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Yes       |
| Remuneration and Staff Report  | <p>We identified that PILON payments had not been included within the settlement agreement amounts in the exit packages table of the remuneration report. There were two settlement agreements for 2025/26 and the PILON payments total £30,855 and have been added into the disclosure.</p> <p>We identified that three Councillors' salaries incorrectly disclosed in Table 1 of the Remuneration Report as they disclosed the full-time equivalent totals as opposed to the actual totals for the year. The disclosure was updated to include the correct totals.</p> <p>We identified that the full time equivalent salary information for the Interim Chief Executive incorrectly included employer's national insurance contributions in the calculation. This has now been removed.</p> | Yes       |
| Note 2 Prior Period Amendments | The comparative figures in the 2025/26 accounts were restated as a result of a management restructure during the year. We requested that management add a disclosure note to the accounts which showed how figures shown in the previous structure were represented in the 2025/26 annual accounts.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Yes       |

# A. Audit adjustments (5)

## Misclassification and disclosure changes (continued)

| Disclosure                                                 | Auditor recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Adjusted? |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Note 5 Critical Judgements in Applying Accounting Policies | We identified that the critical judgement in relation to the valuation of PPE assets should be updated to reflect the updated CIPA guidance which now allows assets held at current value to be revalued on a rolling basis over a five-year cycle, with annual indexation applied to assets where appropriate during the four intervening years.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Yes       |
| Note 15 – Property, Plant & Equipment                      | <p>We identified that the PPE table required to be amended to show the full Council Dwellings valuations totals which has been unavailable for the first version of unaudited accounts. The PPE table also incorrectly excluded the accumulated depreciation row for the derecognition of disposals, however the totals on the table were correct.</p> <p>We identified that the depreciation total for infrastructure assets was incorrect and was updated from £7.512 million to £8.054 million. The prior period comparative also required to be amended to show the correct depreciation figure of £7.512 million.</p> <p>We identified that there were assets being depreciated outwith the useful life policy and therefore the Council amended the policy to provide an accurate reflection of the useful life for different categories of assets.</p> | Yes       |
| Note 19 - Financial Instruments                            | <p>We identified that the amount for short term borrowings incorrectly included the PWLB balance of £19.159 million. The note was amended to reflect the correct value of £120.285 million.</p> <p>We identified that the finance lease liabilities only included the long-term element of the liability and excluded £1.745 million of the short-term element of the liability. This has been amended by the Council.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                    | Yes       |
| Note 26 – Provisions                                       | The Council included a new provision on the Balance Sheet in 2025/26 for the Council's share of the estimated costs associated with restoring the Energy from Waste site to its original condition at the end of facility's operational life. We identified that the provision note did not include details of the provision and requested this detail was included within the note.                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Yes       |

# A. Audit adjustments (6)

## Misclassification and disclosure changes (continued)

| Disclosure                                              | Auditor recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                | Adjusted? |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Note 29 - Capital Grants and Receipts Unapplied Account | We requested that the presentation of the note be updated to clearly show what the applied capital grants balance of £1.417 million related too.                                                                                                                                                                                                                                                                                                                       | Yes       |
| Note 34 – External Audit Costs                          | The external audit costs note was amended to include details of the final agreed audit fee for the 2025/26 audit                                                                                                                                                                                                                                                                                                                                                       | Yes       |
| Note 36 - Grant Income and Contributions                | We identified that the split of this note did not agree to Note 9 and other areas of the annual accounts and requested the Council review and update the disclosure to provide an accurate reflection of the grant income received.                                                                                                                                                                                                                                    | Yes       |
| Note 40 – Leases (Council as a Lessor)                  | <p>We identified that the operating lease table was excluded from the first version of the accounts and requested this was re-instated.</p> <p>We identified that the right of use asset table did not agree to the PPE Note 15, and it did not cast correctly. We also identified that the opening balance for 2025/26 was incorrectly disclosed as recognition of right of use assets, as opposed to an opening balance. This has been corrected by the Council.</p> | Yes       |
| Note 43 – Defined Benefit Pension Schemes (continued)   | We identified that additional disclosure was required to an update on the legal judgement on the Virgin Media case, confirming that there remains uncertainty as to whether the case will apply to the Local Government Pension Schemes.                                                                                                                                                                                                                               | Yes       |
| Note 44 – Contingent Liabilities                        | We identified that additional disclosure was required in relation to the Energy from Waste Project to disclose that an arbitration process is underway, and the Council considers that any potential financial exposure is uncertain.                                                                                                                                                                                                                                  | Yes       |

# A. Audit adjustments (7)

## Impact of unadjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2025/26 audit which management decided not to amend within the final set of financial statements. The unadjusted misstatements will be included in the Letter of Representation.

| Detail                                                                                                                                                                                                                                                                                                                                                                                                                                          | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000                                                                | Impact on total gross expenditure £'000 | Reason for not adjusting   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
| <p><b>Indexation – PPE - Other Land and Buildings</b></p> <p>We identified that the index used to calculated the indexation applied to DRC assets within Other Land and Buildings was based on provisional index data and not final index data. If final index data had been used, this would result in an increase in PPE and the revaluation reserve of £1.720 million.</p> <p>The Council have not adjusted the accounts for this issue.</p> |                                               | <p>Dr PPE – Other Land and Buildings</p> <p>£1,720</p> <p>Cr Revaluation Reserve</p> <p>(£1,720)</p> | <p>Nil</p>                              | <p>Non-material error.</p> |

# A. Audit adjustments (8)

## Impact of unadjusted misstatements

| Detail                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000                                         | Impact on total gross expenditure £'000 | Reason for not adjusting |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------|--------------------------|
| <b>PPE – Other Land and Buildings</b><br>We identified that valuations included in the Valuers Report had been incorrectly input into the Fixed Asset Register and subsequently the PPE – Other Land and Buildings balance. This resulted in PPE – Other Land and Building being overstated. If these were corrected, the overall impact would be a decrease to PPE – Other Land and Buildings of £0.905 million and a decrease to the Revaluation Reserve of £0.905 million.<br>The impact is through the CIES but mitigated through the MIRS. |                                               | Dr Revaluation Reserve<br>£905<br>Cr PPE – Other Land and Buildings<br>(£905) | Nil                                     | Non-material error.      |
| <b>PPE – Other Land and Buildings</b><br>We identified errors in the calculations of PPE valuations, due to incorrect input data being used by the valuer. If these valuations were corrected, the overall impact would be an increase to PPE – Other Land and Buildings of £0.591 million and an increase to the Revaluation Reserve of £0.591 million.<br>The impact is through the CIES but mitigated through the MIRS.                                                                                                                      |                                               | Dr PPE – Other Land and Buildings<br>£591<br>Cr Revaluation Reserve<br>£591   | Nil                                     | Non-material error.      |

# A. Audit adjustments (9)

## Impact of unadjusted misstatements in the prior year

The table below provides details of all unadjusted misstatements brought forward from the 2024/25 audit. Management did not amend the financial statements for these errors, as they were not material. The impact for 2025/26 is not material and therefore management did not amend the current financial statements for these prior period unadjusted errors.

| Detail                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000                                                  | Impact on total net expenditure £'000 | Reason for not adjusting |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------|--------------------------|
| <b>Cash and Cash Equivalents (relates to 2023/24)</b><br>The cash and cash equivalents figure in the 2023/24 accounts was incorrect due to funds held on behalf of the Trust Funds being included as a cash and cash equivalent in the Balance Sheet when it should have been removed on consolidation. The 2024/25 closing balance was correct.<br>Note: This does not impact 2025/26. The issue related to 2023/24 and was corrected in 2024/25.                          |                                               | Dr Creditors<br>£2,252<br>CR Cash and Cash Equivalents<br>(£2,252)                     | Nil                                   | Non-material error.      |
| <b>Right of use asset and associated liability</b><br>Five leases were not included as a right of use asset. If these asset were included, the impact would be an increase in the opening right of use asset figure of £1.123 million and an increase to the opening lease liability figure of £0.866 million. The Council have not adjusted the accounts for this issue.<br>This has been adjusted in 2025/26 with the five leases now correctly disclosed in the accounts |                                               | Dr Right of Use Assets<br>£1,123<br>CR Lease Liability<br>£866<br>CR Creditors<br>£257 | Nil                                   | Non-material error.      |

Note: In not amending the items identified on pages 89 and 90 for the in year unadjusted misstatements and assessing the cumulative misstatements brought forward in 2025/26, the amounts combined are not material to the 2025/26 accounts.

## B. Action plan and recommendations – financial statements audit

We have identified one financial statement recommendation for Moray Council and the group during our audit of the financial statements for the year ended 31 March 2026. We have agreed our recommendations with management and will report on progress on these recommendations during our 2026/27 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being report to you in accordance with auditing standards.

| Assessment | Issue and Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management Response                                                                                                                                                                                                                                   |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Medium     | <p><b>1. Local Code of Corporate Governance</b></p> <p>The Council have not updated its Local Code of Corporate Governance to align with the revised CIPFA/SOLACE Delivering Good Governance in Local Government guidance, which places greater emphasis on robust governance reviews, the use of assurance evidence, and a forward-looking assessment of governance arrangements.</p> <p><b>Recommendation:</b></p> <p>We recommend that the Council incorporate the requirements and expectations of the revised CIPFA/SOLACE guidance, ensuring that governance arrangements remain current, effective and fully aligned with the requirements applicable from 2025/26 onwards.</p> | <p>Management agrees to establish the Code as a primary Council governance document which informs the Annual Governance Statement.</p> <p><b>Action Owner:</b> Chief Governance Officer</p> <p><b>Timescale for implementation:</b> 31 March 2027</p> |

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

# C. Action plan and recommendations – best value thematic 2025/26

Based on the audit work performed in 2025/26, the three recommendations arising from the best value thematic review are set out below. Given the timing for implementation of each recommendations, no follow up on recommendations has been made at this time.

| Issue / risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Agreed management response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1. Corporate Asset Management Plan (CAMP)</b></p> <p>The CAMP has not been reviewed since December 2024 and is out of date. The current version of the CAMP only covers a single year and does not consider the longer term. Furthermore, the Council have not reported on the outcomes of the existing CAMP and therefore it is unclear what actions were achieved.</p> <p>Our review of the existing CAMP confirmed that there was minimal detail on the performance of the Council's estate and no information around the current condition of assets or occupancy rates. We also identified that there was limited consideration around how the Council, its services and the community is changing.</p> <p>The current version of the CAMP does not include any detail around the governance arrangements and how progress towards actions identified will be monitored, nor how outcomes will be reported on conclusion.</p> <p>The Council works alongside partners and its communities in the management of assets, and there is clear evidence that this works well in practice. However, we have noted that the arrangements for partnership working are not set out. It is important that the roles and responsibilities of both the Council and its partners are clearly defined, which will ensure there is transparency in the overall approach.</p> | <p>The Council should update the Corporate Asset Management Plan and present the final version to members for approval.</p> <p>The Corporate Asset Management Plan should confirm how the Council's plan to manage its assets over the longer term.</p> <p>In updating the Corporate Asset Management Plan, we recommend the following is considered:</p> <ul style="list-style-type: none"> <li>the Council include key information on the performance of its estate, including consideration on how service delivery and its communities are changing</li> <li>confirm how progress towards the actions identified within the plan will be monitored</li> <li>actions identified are included within an Action Plan, complete with an action owner and timeframe for completion.</li> <li>set out a clear approach on how the Council will work alongside its partners and communities to deliver effective management of the Council's assets.</li> </ul> <p>The Council should ensure that the outcomes from the CAMP are reported annually.</p> | <p>The Corporate Asset Management Plan will be updated to reflect the current year (2026/27) and structural changes since it was last reviewed in December 2024. This will be presented to members for approval in August 2026 at Corporate Committee.</p> <p>A holistic review of the strategic asset management will be conducted by the new Section 95 Officer and that is planned over the next 12-18 months, with the outturn of that exercise being incorporated into the updated Corporate Asset Management Plan. This review will also incorporate the recommendations of this Best Value Thematic.</p> <p><b>Action Owner:</b> Executive Director Finance Strategy and Transformation</p> <p><b>Timescale for implementation:</b> 30 November 2027</p> |

## C. Action plan and recommendations – best value thematic 2025/26 (2)

| Issue / risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Recommendation                                                                                                                                    | Agreed management response                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>2. Service Asset Management Plans</b></p> <p>The Council maintain Service Level Asset Management Plans (SLAMP) for ten service areas, which set out the plans in place for managing assets within that operational service. Of the ten services where a SLAMP should be prepared, the Council consider three as fully up-to-date, six in need of review and one service where there is no SLAMP in place.</p> <p>It is important that services have up-to-date asset management plans to ensure that the assets which fall under that services remit are understood and managed effectively, therefore reducing the risk of failure and unexpected costs.</p> | <p>The Council should carry out a review of all service level asset management plans and ensure that they are up-to-date and fit for purpose.</p> | <p>Service Level Asset Management Plans (SLAMP) will be updated to compliment the revised Corporate Asset Management Plan. The SLAMPs will reflect the requirement for the Council to effectively manage the decline of its asset base due to unsustainable funding to maintain its entire estate.</p> <p><b>Action Owner:</b> Each Head of Service</p> <p><b>Timescale for implementation:</b> 30 November 2027</p> |
| <p><b>3. Community Asset Transfer Policy</b></p> <p>The Council maintain a Community Asset Transfer Policy, which was last approved by the Policy and Resources Committee in May 2014. Due to the length of time that has passed since the policy was last reviewed, the Council should confirm it remains fit for purpose.</p>                                                                                                                                                                                                                                                                                                                                     | <p>The Council should review the Community Asset Transfer Policy and confirm it remains fit for purpose.</p>                                      | <p>The Community Asset Transfer Policy will be reviewed to confirm it remains fit for purpose</p> <p><b>Action Owner:</b> Executive Director Finance, Strategy and Transformation</p> <p><b>Timescale for implementation:</b> 30 November 2027</p>                                                                                                                                                                   |

## D. Progress against Controller of Audit recommendations

Our follow up of the recommendations made by the Controller of Audit in her report of March 2024 is set out below. This include the previous update position in September 2025 and a progress update at September 2026. All nine recommendations raised in the report have been closed; however, two recommendations have been superseded as similar recommendations have been raised in our wider scope work.

| Assessment             | Recommendation                                                                                                                            | Position at September 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed<br>(Superseded) | The council should undertake further consultation and engagement to ensure local communities are more involved in participatory budgeting | <p><b>Management Response:</b> The Council is launching the new Moray Engage tool to expand and improve online engagement. This will incorporate the capturing of views from the community to influence the decisions the council makes across its financial planning. This will be applied to specific exercises and to the whole council financial planning. A citizens panel-type approach will be developed later this year.</p> <p>Examples of the significant range of community engagement work that the council has undertaken include: library user groups; leisure user groups; school estate planning; bus revolution</p> <p>Embedded as business as usual.</p> <p><b>Audit Team Conclusion:</b> The Council have taken steps to address the recommendation and further developments are planned later in the year to ensure communities have their opinion on how the Council spends its money. This is still a work in progress and the Council need to continue to develop overall approach to Participatory Budgeting.</p> | <p><b>Management Response:</b> The Council has embedded the use of Moray Engage to help capture the views of the community to influence decisions the Council makes in relation to financial management. A current live consultation is on-going in relation to Moray Music Centre. This is driven by the need for the centre to achieve full cost recovery. Other examples include the introduction of a visitor levy.</p> <p><b>Audit Team Conclusion:</b> The Scottish Government have a set target that 1% of a local authority's budget should be allocated via Participatory Budgeting. The Council have yet to achieve this target. As part of its key performance reporting, the Council are aiming to achieve 100% of the Scottish Government target. For 2025/26, the Council has reported that 38.5% of the target has been achieved. This remains below target levels.</p> <p>Note – We have a further recommendation on participatory budgeting, which has been followed up in year at Appendix F. Based on the fact both recommendations are around Participatory Budgeting, this recommendation will be closed. Further follow-up to confirm implementation of Participatory Budgeting will be carried out via the other recommendation.</p> <p><b>Recommendation closed.</b></p> |

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

| Assessment | Recommendation                                                                                                                                                                                     | Position at September 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed.    | 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 | <p><b>Management Response:</b> The PSIF programme has been re-established with the support of the IS - HR, ICT&amp;OD completed in June and an ongoing programme is in place. Performance reporting format has been refined to give improved insight to progress monitoring.</p> <p><b>Audit Team Conclusion:</b> The Council continue to work towards a completion date of March 2026 for the implementation of an approach to self-evaluation, in line with the agreed timescales in the BVAP. A programme to re-activate PSIF has been agreed by ECLT for services that do not currently use PSIF or an alternative improvement tool. The first service (HR, ICT&amp;OD) is being supported by the Improvement Service with council officers attending to learn from the process to support further roll out across the Council. The planned programme will be reviewed and refined as experience builds.</p> <p>A workshop was scheduled for 3 June 2025 to undertake the annual self-assessment (the second self assessment the Council have carried out). This included consultation with the Chair/Depute of ECLS and work with ECLT ahead of the workshop session.</p> <p>The Council are still aiming to introduce service scorecards and need to confirm whether current systems are designed to meet the scorecard expectations. This remains a work-in progress.</p> <p>The Council's journey to self-evaluation remains ongoing.</p> | <p><b>Management Response:</b> This has now been embedded, and the PSIF programme is underway.</p> <p>The programme for 2025/26 included: HR, ICT, Organisational Development, Economic Development. The review of Finance is currently underway.</p> <p>Further detail on programme can be found via the interchange section of the Council website.</p> <p><b>Audit Team Conclusion:</b> The Council have now implemented the approach to self-evaluation, with nine service areas reviewed between September 2025 and May 2026.</p> <p>Following each exercise, an Improvement Plan is drafted, with the findings from each review developed into a list of improvement actions for implementation in future months.</p> <p>Implementation of actions is monitored through the Service Planning performance monitoring framework.</p> <p><b>Recommendation closed</b></p> |

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

| Assessment             | Recommendation                                                          | Position at September 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed<br>(Superseded) | The council should continue to monitor any slippage of the capital plan | <p><b>Management Response:</b> Work with capital budget managers appears to be giving results with slippage considerably less than has been the case previously. Spend at 31 March 2025 90% of budget (2023/24 - 71%) This is part of our normal monitoring process.</p> <p><b>Audit Team Conclusion:</b> The Council's initial capital budget for 2024/25 was £49.662 million. During the year, significant alterations were made to the plan, resulting in a revised budget for the year totalling £30.268 million. The year-end outturn for capital was £27.219 million, meaning that capital slippage for 2024/25 was approximately 90% of the final capital budget. However, the year-end slippage of 90% was only as a result of the changes made in year to the budget - the year end outturn was significantly different to the initial planned budget.</p> <p>From 2025/26 onwards, the Council are changing to a three-year planning approach for capital. The Council anticipate budget managers will be more realistic in terms of spend profiles and it should also encourage budget managers to lengthen the period over which capital is spent. Annual revisions to the capital programme will be carried out to reflect any additional funding or other changes to the capital programme.</p> | <p><b>Management Response:</b> The Capital Plan is reviewed annually and prepared with the best available information at the time (in November/December). The Capital Plan for 2025/26 was set at £50.5 million. Q1 saw a rephasing to both the Moray Growth Deal and Levelling Up Fund (£20 million) - both large economic development projects which are impacted by external forces often outside the control of the Council.</p> <p>Greater scrutiny of capital spend has been embedded in the capital monitoring reports, included a RAG status and requirement for budget managers to provide mitigating measures to recover from slippage where appropriate. Capital Monitoring is also programmed to be available via FMS for 2026/27, with a pilot scheme in 2025/26 as proof of concept. Initial feedback is the increased reporting tools are useful.</p> <p><b>Audit Team Conclusion:</b></p> <p>The three-year capital planning approach is in its infancy, and change will take time. However, the Council must take appropriate steps to limit the level of slippage in future years.</p> <p>Note – We have a further recommendation on capital planning which has been followed up in year at Appendix F. Based on the fact both recommendations are on the same topic, this recommendation will be closed.</p> <p><b>Recommendation closed.</b></p> |

## E. Follow up of prior year recommendations

We identified the following issues in our prior year audits of Moray Council's financial statements, which resulted in seven recommendations being reported in our 2024/25 Annual Audit Report. We have performed additional work in year to obtain assurance whether the recommendations from prior years have been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress. Two out of seven recommendations have been cleared with two in progress and three still open.

### Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management update on actions taken to address the issue                                                                                                                                                                          | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Open       | <p><b>Working Papers</b></p> <p>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.</p> <p><b>Recommendation</b></p> <p>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,</p> | <p>On-going.</p> <p>The Council will soon be moving to Sharepoint Online. It is anticipated this should allow for better linking to working. Current Sharepoint can at times break linkages, as such has often been avoided.</p> | <p>The working papers presented for audit were largely in the same format as previous years. There continued to be instances where "hard coded" information was included in the working papers.</p> <p>The finance team have confirmed they intend to review working papers being prepared and presented to audit.</p> <p><b>Recommendations remains valid.</b></p> <p><b>Revised Target Date:</b> 31 March 2027</p> |

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

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

## Recommendations from the financial statements audit

| Assessment  | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                             | Management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| In progress | <p><b>Finance Team Capacity</b></p> <p>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.</p> <p><b>Recommendation</b></p> <p>The Council should ensure the finance team has a sufficient level of staff to cope with the demands of audit.</p> | <p>The Council had a recruitment freeze during Phase 1 management restructure. The finance team are now progressing with a Change Management Plan under the Phase 2 restructure. There are currently two vacancies within team.</p> <p>Despite the vacancies, the Accountancy team still met all statutory deadlines, return deadlines as well as presenting a balanced budget before the new financial year. This demonstrates an element of resilience within the team, with the expected capacity and capability in the team to meet audit demands.</p> | <p>The Council continues to experience vacancies within the finance team, which places additional pressure on existing resources and reduces the capacity within the service. During the audit, the finance team experienced shortages due to staff absence which led to some delays in audit evidence being received.</p> <p>The Council should continue its recruitment efforts to ensure the finance team has adequate resource. This will be achieved through the creation of two new Finance Partner posts, and the recruitment of a new Senior Accountant which is ongoing.</p> <p><b>Recommendation remains valid.</b></p> <p><b>Revised Target Date:</b> 31 March 2027</p> |

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

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Management update on actions taken to address the issue                                                                                                                                                       | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Open       | <p><b>Accounting for Infrastructure Assets</b></p> <p>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.</p> <p>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.</p> <p><b>Recommendation</b></p> <p>The Council should review its accounting records for Infrastructure Assets and ensure they are up-to-date and have all required information.</p> | <p>The accountancy team prioritises needs and reviews around resources/capacity. The statutory override has been extended until 31 March 2027 and Moray will take advantage of that override for 2026/27.</p> | <p>The statutory override has been extended in Scotland until 31 March 2027. The Statutory Override is temporary, and whilst it will continue to apply in 2025/26, the Council need to ensure their records are up-to-date and in a position where they could disclose the correct information in the accounts if required.</p> <p>Whilst there will be no requirement to include this information in the 2026/27 accounts, as part of the look ahead process, the Council must ensure it has adequate processes in place to account for its Infrastructure Assets when the statutory override is no longer in place.</p> <p><b>Recommendation remains valid.</b></p> <p><b>Revised Target Date:</b> 31 March 2027</p> |

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

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                       | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Open       | <p><b>Revaluation Reserve Working Paper</b></p> <p>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.</p> <p><b>Recommendation</b></p> <p>The Council should prepare a working paper which details the revaluation reserve movements during the year.</p> | <p>The accountancy team are currently in dialogue with the provider of its asset management system to remedy an anomaly with the reports it produces. The system is accurately able to show movements in the year, however, has issues with opening and closing balances which requires manual adjustment.</p> <p>Working Paper to be uploaded to Inflo as part of duplicate audit query.</p> | <p>The Council has not introduced a revaluation reserve working paper during 2025/26. As was the case in the previous year, we were able to obtain the information required to complete our audit testing, however this was on an asset-by-asset basis. The Council should maintain a revaluation reserve working paper as a matter of course.</p> <p><b>Recommendation remains valid.</b></p> <p><b>Revised Target Date:</b> 31 March 2027</p> |

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

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                   | Management update on actions taken to address the issue | Auditor conclusion                                                                                                                                           |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Recommendation – Group Reserves</b></p> <p>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.</p> | <p>This has been addressed.</p>                         | <p>Terminology has been updated and reflects the revenue reserves held on behalf of the Trust Funds and Common Good</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Asset Revaluation</b></p> <p>The audit team met challenges when completing work on the significant risk area relating to valuations of land and buildings and council dwellings. We identified several errors in the valuation reports provided to audit and instances where data had not been updated from the previous year.</p> <p>We have been made aware that the valuer will be changing in 2025/26 and the Council will need to ensure the requirements of the audit are understood and factored into the work programme to allow timely and comprehensive response to audit queries.</p> <p><b>Recommendation</b></p> <p>The Council should ensure there is early discussion with the new valuer and external auditors and ensure capacity is built into the future work program to deal with audit responses and queries timely and comprehensively.</p> | <p>The Service Manager, Property, Estates &amp; Assets met with the auditor in September 2025 to receive feedback on the process and expectations.</p> <p>For 25/26 housing valuations an external consultant will be brought in to ensure information is prepared on time. This will result in a secondary set of draft accounts needing to be issued (if there are material changes from first version) and auditors have been made aware of our intentions. The Audit and Scrutiny Committee were advised and approved this approach on 25 March 2026.</p> | <p>Overall, while the response rate to audit queries was slower than expected, we received all required data in full to support our audit conclusions. The audit team required to follow up a number of our audit requests due to incomplete information, which resulted in delays to procedures and prevented us completing the valuations work in line with our anticipated workplan. We had aimed to complete the PPE valuations work in advance of the Council Dwellings procedures following the Council making us aware early in the year that the Council Dwellings valuation would not be available in time for the unaudited accounts.</p> <p>The receipt of the Council Dwellings valuations data was partially delayed, however this was a direct result of the management's challenge over the significant change in the Council Dwellings valuations, which subsequently resulted in a prior period amendment being processed in the accounts. The VOA provided this data in line with their confirmed timeframe.</p> <p>The recommendation has been closed as it relates to discussion with the new valuer, however management must ensure the estates team and internal valuer have sufficient time to deal with audit request in future years.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the financial statements audit

| Assessment  | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Management update on actions taken to address the issue                                                                                                           | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| In progress | <p><b>Asset Verification Exercise</b></p> <p>From our review of the Fixed Asset Register, the Council has approximately £6.329 million of assets held at Nil NBV. To confirm these assets remain operational, the Council should complete an asset verification exercise. The asset verification exercise should be implemented as business-as-usual going forward, therefore ensuring that assets are removed from the Fixed Asset Register as they are disposed.</p> <p><b>Recommendation</b></p> <p>The Council should ensure that the asset verification exercise is implemented as a business-as-usual activity in future years.</p> | <p>An accounting policy on assets at nil value is being drafted and due to be in place for the 2026/27 financial year end. This will cover all asset classes.</p> | <p>The Council have a verification process in place and have confirmed that an accounting policy on assets at nil value is being drafted and will cover all asset classes. This is due to be in place for the 2026/27 financial year end.</p> <p>Recommendation remains in progress until we have viewed the updated policy and confirmed it is appropriate.</p> <p><b>Recommendation remains valid.</b></p> <p><b>Revised Target Date:</b> 31 March 2027</p> |

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

We identified the following issues in our prior year wider scope work, which resulted in 13 recommendations being reported in our 2024/25 Annual Audit Report. We have performed additional work in year to obtain assurance whether the recommendations have been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress. Ten out of 13 recommendations have been cleared with three remaining in progress.

### Recommendations from the wider scope audit

| Assessment  | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| In progress | <p><b>Capital Planning</b></p> <p>The Council have a history of processing significant changes to capital budgets during the financial year. In 2024/25, the capital budget planned expenditure of £49.662 million, however following several significant amendments, the final agreed budget was £30.268 million. The Council have implemented a new three year planning approach to capital in order to manage expenditure over a wider period. We have reviewed an advance copy of the 2025/26 Quarter 1 Capital Monitoring report. Despite the changes to capital planning, the issues have continued to arise during 2025/26, with significant changes being made to the capital budget.</p> <p><b>Recommendation:</b></p> <p>The Council must ensure that the capital budget set in advance of the financial year is realistic, reducing the need for significant budget amendments in the first months of the financial year.</p> | <p>There has been greater emphasis on the delivery of capital plan within committee reports to ensure Members are provided with sufficient information to scrutinise underspend. This include the use of a RAG progress marker and expectation that budget managers provide a narrative on what has caused the delay, alongside detail on what actions are being taken to recover from and mitigate further slippage. There have also been fewer amendments to the Capital Plan in 2025/26.</p> <p>The budget is drafted on best available information as at that time. An analysis of major slippage reasons are primarily concerned with strategic decision creating (member's decision/court of sessions etc/external partner actions) resulting in project pauses or delays.</p> <p>As an example, the Moray Growth Deal and Levelling Up Fund projects are approximately two thirds of the capital budget in 2025/26. Both programme of works have tool gates on funding and spend which can lead to significant capital reprofiling should their assumptions made at budget setting later change.</p> | <p>The 2025/26 capital budget was significantly revised during 2025/26. At its maximum, the budget totalled £73.336 million, however the final year end outturn was £32.596 million. While there are mitigating reasons for the variance; including changes in project scope and supply chain issues, the Council must ensure that the capital budget set in advance of the financial year is realistic, reducing the need for significant budget amendments.</p> <p>We note that the Council have implemented a change in how capital budgets are monitored, enabling budget holders' access to real time information and the ability to drill down into specific project codes, a tool which was not previously available within capital.</p> <p>The three-year capital planning approach is in its infancy, and change will take time. However, the Council must take appropriate steps to limit the level of slippage in future years.</p> <p><b>Recommendation remains valid.</b></p> <p><b>Revised Target Date:</b> 31 March 2027</p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Auditor conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Management restructure</b></p> <p>During 2025, the Council have undertaken a review of the corporate management structure with a view to adding capacity to key areas. The new management structure went live on 1 September 2025 and recruitment to the vacant posts is underway.</p> <p>Successful recruitment to vacant posts will be key in embedding the revised management structure. In recent years, the Council have had recruitment issues and there is a risk that vacant posts may not be filled which could impact the level of change the Council are seeking from the change in structure.</p> <p><b>Recommendation:</b></p> <p>The Council must ensure that whilst it is actively recruiting suitable candidates, that plans are in place should they fail to recruit to key posts.</p> <p>The Council should review the legal structures that underpin the changes in the management structure, including the scheme of delegations and standing orders.</p> <p>Following implementation of the new structure, the Council should also perform a standback evaluation to assess whether the objectives of the new approach were achieved.</p> | <p>The key recruitment for the revised corporate management structure is complete (directors and heads of service). A suite of recruitments have now been completed, alongside a corporate induction programme. In 2026/27 work will continue on the future workforce which will include planning and training as well as cultural improvements across the council.</p> <p>Service level plans and corporate plans are measured for success to address performance targets.</p> <p>The updated Scheme of Delegation was approved at Full Council on 3 December 2025. The Scheme of Administration and Standing Orders were unaffected by the management structure change and are due for their annual review in December 2026.</p> <p>The Councils Financial Regulations were approved at Full Council on 6 May 2026 to reflect the revised management structure.</p> | <p>The Council have completed the recruitment process for the revised structure and have begun preparations for Phase 2, which will focus on service and team area development aligned with the new operating model. Following the restructure the Council have reviewed the governance arrangements and updated governing documents where appropriate.</p> <p>The Council have developed a suite of performance indicators to ensure the outcomes of the management restructure are being met, with progress reporting to Council on an annual basis. These indicators will be used as a measure of the restructure's success going forward.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment  | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| In progress | <p><b>Use of resources – participatory budgeting</b><br/>Given the financial challenges that lie ahead for the Council, decisions will need to be made regarding available financial resource and how it is allocated and prioritised, which has the potential to have a knock-on impact on service delivery.</p> <p><b>Recommendation</b><br/>It is important that the Council undertake more work around participatory budgeting and ensure key stakeholders including partners and individuals are involved within participatory budgeting exercises to ensure that financial resources are distributed to priority areas and is reflecting of priority areas for the local population</p> <p><b>Original Target Date:</b> 31 March 2024</p> | <p>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.</p> <p>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.</p> <p>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.</p> | <p><b>Management Response:</b> Moray Engage has been launched and used for some consultation. Work is underway to review all areas of engagement and consultation that Moray Council lead on. Work will commence on developing a community consultation and engagement strategy which will lay the foundations for moving forward with the 1% participatory budgeting. An officer group will be formed to look at budgets and to move forward in delivery of the 7 pillars of the Participatory Budgeting Charter.</p> <p><b>Audit Team Conclusion:</b> The Scottish Government have a set target that 1% of a local authority’s budget should be allocated via Participatory Budgeting. The Council have yet to achieve this target. As part of its key performance reporting, the Council are aiming to achieve 100% of the Scottish Government target. For 2025/26, the Council has reported that 38.5% of the target has been achieved. This remains below target levels.</p> <p><b>Recommendation remains valid.</b></p> <p><b>Revised Target Date:</b> 31 March 2027</p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Best Value – Workforce analysis reporting</b></p> <p>Workforce dashboard data is currently manually cleansed and uploaded to the dashboard on a quarterly basis, meaning that there is room for human error in cleansing and that data is potentially out of date on publication. The equality and diversity data included in current workforce reporting is very limited. Workforce data analysis reports are not shared with Member committees, who ultimately have to make decisions on the workforce plan, without understanding the workforce base.</p> <p><b>Recommendation</b></p> <ol style="list-style-type: none"> <li>1. The council should consider the cost and benefit of having real time workforce data in dashboards.</li> <li>2. An initiative to collect and collate diversity data across the council should be considered to ensure the council has the best and most appropriate data on the workforce.</li> <li>3. Consideration should be given as to whether workforce analysis reporting should be extended to Member committees.</li> </ol> <p><b>Original Target Date:</b> 31 July 2025</p> | <ol style="list-style-type: none"> <li>1. Review planned to take account of feedback from 12 months of operation of current system. Further developments required within iTrent, i.e. implementation of People Manager needed to support real time reporting. Early work to enable future development is part of HR/Payroll project due to commence in early summer and conclude by end of 2025. <b>Action:</b> Revisit use of real time data following exploration of required development work in iTrent (HR/Payroll system).</li> <li>2. Engagement ongoing and promoted on regular basis to raise awareness of the importance of diversity data and ensure employees are provided with information as to how to update their details in an easily accessible way. Reference to providing personal data has been added to induction to help encourage new employees to share their personal data during the onboarding period. Further communications to be included in annual communications plan. <b>Action:</b> Completed</li> <li>3. Further to reporting in August 2024, Interim Workforce Report presented to Corporate Committee on 22 April 2025 with Annual Report due along with Workforce Strategy and Plan in August 2025. This frequency will form the regular reporting cycle going forwards. <b>Action:</b> Completed</li> </ol> | <p><b>Management Response:</b></p> <p>The PSIP continues to be updated. A review of what workforce data that CLT requires is being carried out. Live data dashboards is not possible with the current software, however data will reviewed more frequently and presented to CLT quarterly.</p> <p>Workforce Plan – Progress has focused on strengthening workforce planning and resourcing arrangements to support the delivery of key projects within timescales and budgets. Recruitment activity has progressed across priority areas, including the Improving Attendance project, senior HR and OD roles, and payroll, helping to build organisational capacity and resilience. People Management Services has continued to support services in managing workload and aligning resource deployment to priority programmes, ensuring that project delivery is informed by operational realities.</p> <p><b>Audit Team Conclusion:</b> The Council have confirmed that workforce data is being reviewed by CLT on a quarterly basis. All actions have been addressed.</p> <p><b>Recommendation closed</b></p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Best Value – Council-wide reporting framework</b></p> <p>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.</p> <p><b>Recommendation</b></p> <p>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.</p> <p><b>Original Target Date:</b> 31 August 2025</p> | <p>The Council's performance management framework is under review to ensure that the frequency of reporting and appropriate committee for reporting are clear. Service performance reports follow the themes in the Council's Corporate Plan. The Council's committee calendar is being remodelled to ensure that lead in times are consistent. Workforce data relevant to each service is incorporated into their services plans. The Council's public performance report has been remodelled to be more focused around the Council's Corporate Priorities. A programme for PSIF has been reinstated with agreement on the services which will carry out this review process.</p> | <p><b>Management Response:</b> Updated Performance Management Framework approved at Corporate Committee 17 Feb 2026. The update reflects the revised management structure and gives greater focus to the national and local context. The Council have service level reports with quarterly and annual updates in place.</p> <p>The Council have also developed a Transformation Board and have other Project Boards in place. A saving tracker has also been developed which is shared at Corporate Leadership Team meetings on a quarterly basis (and also as part of each revenue budget monitoring report. The Public Service Improvement Framework programme is also on track.</p> <p>The Committee diary has been revised for the 2026 calendar year, with the Committee diary updated to allow more lead in time for reporting.</p> <p><b>Audit Team Conclusion:</b> The Council have updated the Performance Management framework and there is a clear approach in place to monitor performance across the Council. This includes LGBF indicators, corporate performance indicators and service indicators which are reported on an ongoing basis.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                      | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Transformation - Project monitoring</b></p> <p>Quarterly reports are provided to committee for formal reporting and provide an update of progress on the specific project areas. The monitoring reports presented to Committee could be improved by clearly identifying how each project links to the Corporate priorities of the Council. Furthermore, providing additional information relating to the quantified costs and the projected benefits of each project would allow for greater scrutiny. In the current format, the monitoring report does not provide any context in relation to the direction of travel of each project or contain benchmarks on what differentiates a project between green, amber or red.</p> <p>Adding this information to the monitoring reports will provide members with fuller detail and the ability to provide greater scrutiny over the projects within the Transformation Strategy.</p> <p><b>Recommendation</b></p> <p>The Council should review the content of the reporting provided to members on the Transformation Strategy. The Council should ensure the reporting includes an appropriate level of detail which will provide members with sufficient detail in order to scrutinise progress and make effective decisions.</p> | <p>The committee reporting format will be reviewed to ensure that the appropriate level of detail is available to committee</p> <p><b>Action Owner:</b> Depute Chief Executive (Education, Communities and Organisational Development)</p> <p><b>Timescale for implementation:</b> September 2025</p> | <p><b>Management Response:</b> Embedded. Most recent update to Corporate Committee 26 May 2026</p> <p><b>Audit Team Conclusion:</b> The Council have updated the monitoring report so that it clearly indicates:</p> <ul style="list-style-type: none"> <li>- The corporate priority each project relates to</li> <li>- The target date for completion</li> <li>- The total expected benefit for each project</li> <li>- The direction of travel for each project</li> <li>- The overall RAG status</li> </ul> <p>The body of the report also contains a good level of detail the current status of each project, alongside next steps to be taken.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Transformation - Future budget plan</b><br/>Looking ahead into future years, the Council must ensure that the Transformation Strategy is the key driver for addressing identified budget gaps over the longer term. The Council should not revert to the use of reserves for balancing the budget.</p> <p><b>Recommendation</b><br/>The Council should ensure that the MTFS is linked to the overall Transformation Strategy and is the catalyst for identifying future efficiencies</p> | <p>The latest iteration of the MTFS includes linkages to the Transformation Strategy. The MTFS indicates that the main drivers for reducing the budget gap are to be found in the Transformation Strategy, however it does not specifically state that these drivers are embedded in the Transformation Strategy. This will be clarified in the next iteration of the Medium to Long Term Financial Strategy.</p> <p><b>Action Owner:</b> Chief Finance Officer</p> <p><b>Timescale for implementation:</b> February 2026</p> | <p><b>Management Response:</b> Embedded. The MTLFS reported to Council on 25 Feb 2026 includes a section on Transformation Strategy (Section 6. Supporting Change Programmes). Specific reference is made to individual projects within the Transformation Strategy.</p> <p><b>Audit Team Conclusion:</b> The MTLFS contains clear links to the Transformation Strategy, with transformation noted as a key change programme within the MTLTS. The MTLFS notes that the Transformation Strategy will be used to deliver structural change through service redesign, digital improvement and reduction of the Council's asset base.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Transformation - Annual report on transformation</b></p> <p>There are a number of transformational projects ongoing outwith the regular reporting cycle for the Transformation Strategy. For assurance purposes, the Council should review its overall reporting on transformation and produce an annual report which brings all projects the Council consider as transformational into one document to members.</p> <p><b>Recommendation</b></p> <p>The Council should prepare an annual report which provides a progress update on all transformation projects.</p> | <p>All transformation work is now captured within the Transformation Strategy and the Moray Growth Deal programme. Both are extensive programmes of work that would be very large within a single annual report.</p> <p>Annual reporting for the Transformation Strategy will be aligned with the annual reporting for MGD from 2026 forward.</p> <p><b>Action Owner:</b> Executive Director (Finance, Strategy &amp; Transformation)</p> <p><b>Timescale for implementation:</b> June 2026</p> | <p><b>Management Response:</b> Embedded. Best value action progress is reported quarterly to Corporate Committee (last meeting 17 Feb 2026) and interim strategy development update reported 26 May 2026, with end of year report expected to be presented to Corporate Committee Aug 2026. Moray Growth Deal Annual Report to Corporate Committee Aug 2026. All transformation reports considered in unity.</p> <p>Major strands currently underway include: Future Workforce Planning, Smarter Working (Phase 3), Depots and Stores Review, Just Transition, Moray Growth Deal, Update of Customer Records Management software, Digital Transformation.</p> <p><b>Audit Team Conclusion:</b> The reporting to the August 2026 Corporate Committee provides a status overview of all transformation projects, including a detailed progress updated, current issues impacting project delivery and next steps.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Transformation - Delivery timetable from transformation projects</b></p> <p>Updates on the progress of the projects included within the Transformation Strategy are reported quarterly to the Corporate Committee. The most recent update confirmed that there are several projects which are now behind schedule and the Council will need to consider whether the initial timetable for these projects is still attainable.</p> <p><b>Recommendation</b></p> <p>The Council should put in place a rolling schedule of timetable review for projects to confirm they remain achievable, ensuring that when delays occur, the Council is sighted on the delay and can put in place appropriate actions</p> | <p>The report to the Corporate Committee on 10 June 2025 noted the reasons for projects being behind timescale and the remedies proposed. The last overall review of all projects within the programme was undertaken as part of the refresh and refocus of the programme reported to the Council on 13 August 2024. Consideration will be given to the timing and continuation of the current set of projects as Stage 3 of the Transformation Strategy is prepared for reporting in the autumn of 2025.</p> <p><b>Action Owner:</b> Depute Chief Executive (Education, Communities and Organisational Development)</p> <p><b>Timescale for implementation:</b> December 2025</p> | <p><b>Management Response:</b> Stage 3 of the Transformation Strategy was approved at Council 24 September 2025.</p> <p>All updates to Transform board set out where projects are on schedule and focus is on projects rated amber and red on how to return to green status.</p> <p><b>Audit Team Conclusion:</b> The reporting to the August 2026 Corporate Committee provides a status overview of all transformation projects, including a detailed progress updated, current issues impacting project delivery and next steps.</p> <p>Each project is given a RAG rating to confirm whether it is still meeting objectives, if it is on budget and on schedule.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Previous management update on actions taken to address the issue                                                                                                                                                          | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Reporting of outcomes</b></p> <p>The Council prepare End of Project reports which provides full detail on the outcome of projects. These reports are comprehensive and provide context on the outcomes of projects, including whether the project has achieved predicted financial or service delivery benefits. These reports are not currently presented to members for oversight.</p> <p><b>Recommendation</b></p> <p>The Council should report the high-level outcomes of completed transformation projects to members.</p> | <p>Outcomes from end of project reports and interim project learning reports will be reported to committee</p> <p><b>Action Owner:</b> Project Owner</p> <p><b>Timescale for implementation:</b> As projects conclude</p> | <p><b>Management Response:</b></p> <p>Transform Board information is shared with members rather than only giving a short narrative in the report to Committee. Examples include Energy from Waste, Out of House Project and Smarter Working closing reports.</p> <p>Councillor briefings sessions provide additional project information, which are collaborative sessions where elected members can ask more detailed questions to the project management team.</p> <p><b>Audit Team Conclusion:</b> The End of Project reports are now presented in private to members at Council meetings. Furthermore, members are well sighted on outcomes via the member briefing sessions which enables time for challenge and scrutiny.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Previous management update on actions taken to address the issue                                                                                                | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Workforce capacity</b></p> <p>The Council recognise capacity is a significant barrier, and the rural nature of Moray adds to complexity when recruiting. The Council are undertaking a corporate management review which will consider how to ensure the Council is appropriately resourced moving forward, with a view to implementation of approved changes by August 2025.</p> <p><b>Recommendation</b></p> <p>The Council should implement the agreed changes to the corporate management structure and commit to reviewing and refreshing as appropriate in future years.</p> <p>The Council should ensure it has appropriate capacity at senior levels, ensuring the Council has the correct mix of skill and experience, to support the Council in its transformation journey.</p> | <p>Management structure changes will be implemented.</p> <p><b>Action Owner:</b> Chief Executive</p> <p><b>Timescale for implementation:</b> September 2025</p> | <p><b>Management Response:</b></p> <p>Management structure Phase 1 has been completed September 2025. All first and second tier posts now successfully appointed as of 31 March 2026. The Council had good completion of the Phase 1 recruitment which included an agile approach for working at Moray Council attracting top talent from a wider talent pool.</p> <p><b>Audit Team Conclusion:</b> The Council have implemented the agreed changes to the corporate management structure and have completed a successful recruitment process to ensure roles all are filled.</p> <p>Phase 2 of the restructure will begin shortly, which will focus on middle-management recruitment.</p> <p><b>Recommendation closed.</b></p> |

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

## Recommendations from the wider scope audit

| Assessment  | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Previous management update on actions taken to address the issue                                                                                                                           | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| In progress | <p><b>Delivery of transformation programme</b></p> <p>An officer group is refreshing programme governance to ensure that while all necessary due diligence is completed, this is done in an effective and efficient manner. The Council have several transformation projects in development, however there is a risk that too much time is being spent on developing plans which is taking away focus from implementation. As part of the governance refresh, the Council need to ensure there is an appropriate balance between planning and delivery to ensure transformation of services can be delivered at the correct pace.</p> <p><b>Recommendation</b></p> <p>The Council need to find the correct balance between planning and delivery to ensure transformation of services can be delivered at the correct pace.</p> | <p>Project governance will be reviewed.</p> <p><b>Action Owner:</b> Executive Director (Finance, Strategy &amp; Transformation)</p> <p><b>Timescale for implementation:</b> March 2026</p> | <p><b>Management Response:</b></p> <p>Underway. Best value action progress is reported quarterly to the Corporate Committee.</p> <p>A light touch review was completed during 2025/26, and a revised Programme and Project Board Roles and Responsibilities schedule was approved. Key role of the Transformation Board is 'Ensure programme delivers outcomes, tracking progress; cost/organisational impact/change is embedded/benefits realised'.</p> <p><b>Audit Team Conclusion:</b> The Council has started its transformation journey and has taken steps to establish the foundations required for change. However, the programme remains ongoing, and continued focus will be needed to strike the right balance between planning and delivery. Maintaining this balance will be critical to ensuring that service transformation is implemented at an appropriate pace, delivers intended benefits, and remains responsive to emerging challenges and opportunities.</p> <p><b>Recommendation remains valid.</b></p> <p><b>Revised Target Date:</b> 31 October 2027 (however the Council consider this ongoing work)</p> |

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

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Previous management update on actions taken to address the issue                                                                                                                                                                                                                                                                                | Update at September 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Closed     | <p><b>Approach to digital</b></p> <p>The Council recognise that the scale and extent of digital development that is required to support transformation as well as digital maturity is extensive. There are a range of IT systems and integration, and the current ICT architecture presents challenge due to a lack of integrated systems. The Council is monitoring work being undertaken through the Improvement Service and COSLA to identify key lessons and points for local development. The Council understand that digital will be an integral part of transformation in future years.</p> <p><b>Recommendation</b></p> <p>The Council should formalise the approach to digital and set this out in a Digital Strategy for presentation to members. The Digital Strategy should be linked to transformation and be one of the Council's key policies</p> | <p>Digital services is included within the Transformation Strategy and work is well progressed towards reporting the Digital Strategy to committee in September 2025.</p> <p><b>Action Owner:</b> Depute Chief Executive (Education, Communities and Organisational Development)</p> <p><b>Timescale for implementation:</b> September 2025</p> | <p><b>Management Response:</b></p> <p>The Digital Strategy was approved by the Corporate Committee in August 2025.</p> <p>Plan in place to bring digital solutions for an organisation wide sharepoint online solution. The Council are looking at a new Electronic Document and Records Management System (EDRMS), a Care Records Management (CRM) replacement, a website rebuild, as well as improvements in the use of iTrent (payroll system) and programme of works to update FMS (ledger system). All of which move us towards our digital strategy, particularly allowing for improvements through the use of AI / Microsoft Co-Pilot.</p> <p><b>Audit Team Conclusion:</b> The Council have formalised the approach to digital and approved the Digital Strategy. The Digital Strategy has clear links to the Transformation Strategy, and success measures relating to digital transformation projects will be monitored through the Transform Board as part of the Transformation Strategy.</p> <p><b>Recommendation closed.</b></p> |

# F. Audit fees, ethics and independence

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are 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 Board's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

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

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

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

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

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

### Fees and non-audit services

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

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

The final audit fee includes additional audit fee of £42,780, which has been agreed with the Executive Director Finance, Strategy & Transformation. The following additional audit procedures were carried out as part of our 2025/26 audit:

- Non-current asset valuations: additional work was needed following the late receipt of the Council Dwellings valuation in August 2026 and the resulting prior period amendment. This required liaison with the VOA to understand their methodology and its differences from the Council's previous approach, confirmation that the previous valuation had been incorrect, review of the Council's updated values to confirm correct input into the accounts, and consultation with GT's audit approach, financial reporting and valuation teams to conclude the work.
- Land and buildings valuations: took longer than planned due to a high level of engagement with the valuer, requiring additional auditor time to work through a significant number of queries.
- Nether Dallachy landfill provision: additional audit procedures were required following audit challenge, including detailed review of management's calculations supporting the new provision recognised in the 2025/26 financial statements.
- Auditing standards and Accounting standards: the previous introduction of ISA 600 and updated IFRS 16 requirements resulted in additional audit testing during both planning and year-end procedures for 2025/26.
- Follow-up of prior recommendations: the audit plan identified the need to follow up previous audit recommendations across both the financial statements audit and wider scope responsibilities, with the wider scope audit requiring increased scrutiny and reporting due to historical issues and the number of significant areas of focus identified during the year.

The Annual Audit Report was considered by the Council on 30 September 2026 including agreement of audit fees.

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

## Fees and non-audit services

### External audit fee

| Service                                             | Planned Fees    | Final Fees      |
|-----------------------------------------------------|-----------------|-----------------|
| External Auditor Remuneration                       | £253,050        | £295,830        |
| Pooled Costs                                        | £8,730          | £8,730          |
| Contribution to Performance Audit and Best Value    | £59,470         | £59,470         |
| Sectoral cap adjustment                             | (£2,440)        | (£2,440)        |
| 2025/26 Initial Fee (informed by Audit Scotland)    | £318,810        | £361,590        |
| Trust Fund Charity (not covered in the initial fee) | £7,500          | £7,500          |
| <b>2025/26 Audit Fee</b>                            | <b>£326,310</b> | <b>£369,090</b> |

\* This includes the additional fee of £42,780 with the reasons as already noted set out on page 118.

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

- Fees per financial statements £369,000
- Total fees as above £369,090

### Fees for other non-audit services

| Service                                                                        | Fees £ |
|--------------------------------------------------------------------------------|--------|
| We confirm that for 2025/26 we did not receive any fees for non-audit services | Nil    |

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

- Audit Scotland initial fee £318,810
- Trust Fund Charity fee £7,500
- Additional audit fee £42,780
- Final audit fee £369,090

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

# G. Client Service Review

## Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work ([joanne.e.brown@uk.gt.com](mailto:joanne.e.brown@uk.gt.com)). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner, 8 Finsbury Circus, London, EC2M 7EA. If 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 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 [2025-transparency-report.pdf](#).

Grant Thornton publishes an annual Audit Quality Report, which sets out details of the actions we have taken over the past year to meet our audit quality framework and provides a forward look on our plans for the future. For more details see [audit-quality-report-2026-final.pdf](#).

# H. Communication of audit matters with those charged with governance

| Our communication plan                                                                                                                                                                                                                                                                                                                            | Audit Plan | Audit Findings |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance                                                                                                                                                                                                                                                               | ●          |                |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks                                                                                                                                                                                                    | ●          |                |
| Confirmation of independence and objectivity                                                                                                                                                                                                                                                                                                      | ●          | ●              |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ●          | ●              |
| Significant matters in relation to going concern                                                                                                                                                                                                                                                                                                  | ●          | ●              |
| Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures                                                                                                                                                           |            | ●              |
| Significant findings from the audit                                                                                                                                                                                                                                                                                                               |            | ●              |
| Significant matters and issue 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                                                                                                                                                                                                                                                                                    |            | ●              |

# H. Communication of audit matters with those charged with governance

| Our communication plan                                                                                                              | Audit Plan | Audit Findings |
|-------------------------------------------------------------------------------------------------------------------------------------|------------|----------------|
| 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                                                               |            | ●              |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Annual Audit Report, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

**Respective responsibilities**

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

**Distribution of this Annual Audit Report**

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all members and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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