

# Moray Council External Audit Plan

Financial year ending 31 March 2025

Prepared for those Charged with Governance, the  
Controller of Audit and the Accounts Commission

07 May 2025



# Contents

Section	Page
1. Key developments impacting our audit approach	03
2. Introduction and Headlines	05
3. Identified risks	10
4. Our approach to materiality	21
5. Group audit	25
6. IT audit strategy	27
7. Wider scope and best value arrangements	29
8. Audit Scotland deliverables	41
9. Logistics	45
10. Fees and related matters	49
11. Independence considerations	53
12. Communication of audit matters with those charged with governance	55
13. Delivering audit quality	57
14. Appendices	61

# 01 Key developments impacting our audit approach

# Key developments impacting our audit approach

## Our commitments

---

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector.
  - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
  - We would like to offer a formal meeting with the Chief Executive each quarter as part of our commitment to keep you fully informed on the progress of the audit.
  - At appropriate points within the audit, we would also like to meet informally with the Chair of your Audit and Scrutiny Committee, to brief them on the status and progress of the audit work to date.
  - We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our wider scope work in relation to financial management and financial sustainability.
  - Our wider scope work will also consider your arrangements relating to vision, leadership and governance and use of resources to improve outcomes.
  - We hold annual financial reporting workshops for our audit bodies to access the latest technical guidance and interpretation, discuss issues with experts and create networking links with other client to support consistent and accurate financial reporting across the sector.
- 



# 02 Introduction and Headlines

# Introduction and headlines (1)



## Purpose

This document provides an overview of the planned scope and timing of the external audit of Moray Council and its group for those charged with governance. The Group includes:

- Subsidiaries: Connected Charitable Trust Funds, Other Trusts Funds and Common Good Fund
- Associates: Moray Council, Grampian Valuation Joint Board and Moray Leisure Limited

We are appointed by the Accounts Commission as the external auditors of Moray Council for the five-year period 2022/23 to 2026/27.

## Respective responsibilities

- The Code of Audit Practice (the Code) summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities, and that of Moray Council are summarised in the Appendix of this Audit Plan. We draw your attention to this and the Code.

## Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on Moray Council's financial statements, which have been prepared by management with the oversight of those charged with governance (Full Council). Our audit of the financial statements does not relieve management or the Full Council of your responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and properly accounted for. As part of our wider scope and Best Value work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of Moray Council and is risk based.

# Introduction and headlines (2)

The audit plan sets out our risk-based audit approach for Moray Council. This plan outlines our planning risk assessment and is reported to those charged with governance (full Council) and will be shared with Audit Scotland.

## Group Audit

Moray Council is required to prepare group financial statements that consolidate the financial information of:

- Moray Council
- Moray Integration Joint Board
- Grampian Valuation Joint Board
- Moray Leisure Limited
- Moray Council Common Good Funds & Moray Council Trust Funds

## Materiality

We have calculated our planning materiality to be £8.080 million (Group) (PY: £7.542 million) and £7.650 million (Council) (PY: £7.143million), which equates to 2% (Group) (PY: 2%) and 1.9% (PY: 1.9%) (Council) of your prior year gross expenditure as per the audited 2023/24 financial statements.

Performance materiality has been determined as £5.660 million (Group) (PY: £5.258 million) and £5.350 million (Council) (PY: £5.000 million) and is based on 70% (PY: 70%) of planning materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

A lower materiality threshold will of £25,000 will be used on the Senior Officers Remuneration table within the Remuneration Report.

We will revisit our materiality throughout our audit including updating to reflect the draft unaudited financial statements for 2024/25.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls (ISA (UK) 240);
- Risk of fraud in expenditure recognition – non payroll expenditure (cut-off) (PN10);
- Valuation of land, buildings and Council dwellings;
- Valuation of defined benefit pension scheme liability.

We will communicate significant findings on this area as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Other Matters

We summarise other audit matters for the Audit and Scrutiny Committee's awareness. This includes:

- Consideration of going concern in accordance with Practice Note 10.
- Certification of grant claims and returns. The two approved claims/returns for 2024/25 relate to housing benefit (HB) subsidy and non-domestic rates (NDR).
- Completing Assurance Statements on Whole of Government Accounts.
- In accordance with the Code and planning guidance we also required to complete and submit a number of information returns and other deliverables to Audit Scotland during the year.

# Introduction and headlines (3)

## Audit Fees

Audit fees were shared by Audit Scotland with Moray Council in January 2025. The baseline audit fee set is £305,550.

Audit fees are paid to Audit Scotland who in turn pay Grant Thornton UK LLP. The baseline audit fee has been agreed with the audited body. We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

There will be changes to the above audit fee due to anticipated increased work required on the audit and the introduction of new requirements as follows:

- IFRS 16 applies for the first time in 2024/25
- ISA (UK) 600 – Group Financial Statements has been amended
- Additional testing of journals due to lack of authorisation control
- Follow up of significant number of audit recommendations raised in the 2023/24 audit
- Potential recategorisation of Moray Council as a category 2 audit as expenditure is greater than £500 million

Until the work is fully performed on these new areas the full impact is not yet determined and will be discussed with management and reported in our Annual Audit Report. More detail on the above can be found at page 50 of this plan.

We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

## Adding Value Through the Audit

Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials. We use our LEAP audit methodology and data analytics to ensure delivery of a quality audit.

We aim to add value to Moray Council through our external audit work by being constructive and forward looking, by attending meetings of both the Full Council where appropriate and the Audit and Scrutiny Committee and by recommending and encouraging good practice. In so doing, we will help Moray Council promote improved standards of governance, better management and decision making and more effective use of resources.

We will ensure an element of unpredictability in our testing to highlight areas of risk and improvements that can be made through both the financial statement and wider scope and best value audit.

We have also invited members of your financial reporting team to our annual Local Government Chief Accountants workshop, which is led by our internal financial reporting technical team.

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



# Introduction and headlines (4)

## Wider Scope

In accordance with the Code, our planning considers the wider scope and Best Value areas of audit.

We have identified the following wider scope risks and will conclude on these during the audit:

**Financial management** – There is a potential significant risk that budgetary control and financial management information for members is not consistent for effective decision making. More information relating to the response to this risk can be found on page 32 of this report.

**Financial sustainability** – There is a risk that transformation and savings plans to address financial pressures for medium to longer term are not sufficient to address future funding gaps and increasing deficits. More information relating to the response to this risk can be found on page 34 of this report.

**Vision, Leadership and Governance** - There is a potential significant risk that the Council do not meet their key priorities due to delayed progression of objectives and the pace of change being limited or slow. More information relating to the response to this risk can be found on page 36 of this report.

**Use of Resources to Improve Outcomes** – no significant risks identified.

Findings and conclusions drawn from procedures undertaken on the four wider scope areas will be reported within the Annual Audit Report.

As part of our integrated wider-scope work we also use a risk-based approach to assess and report on whether Moray Council has made proper arrangements for securing Best Value and is complying with its community planning duties. For 2024/25 we are required to carry out work and report on the Best Value thematic ‘Transformation – How councils are redesigning and delivering more efficient services to achieve planned outcomes.’

## Group audit approach

A revised edition of ISA (UK) 600 applies for the first time to 2024/25 annual audits. This introduces significant changes to the audit of groups including the following:


- A proactive risk-based approach to the audit of groups. This means more focus on identifying and assessing the risks of material misstatement, planning the approach to the audit and performing engagement procedures that respond to the assessed risks.
- Greater focus on the resources needed to perform the engagement, and the direction and supervision of the engagement team and the review of its work.
- The definition of ‘engagement team’ includes component auditors.
- The definition of ‘significant components’ has been removed.
- The requirements for robust two-way communication between the group and component auditor have been strengthened.

# 03 Identified risks

# Significant risks identified (1)


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.

Significant risk	Description	Key aspects of our proposed response to the risk
Management override of controls	<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>	<p>We will:</p> <ul style="list-style-type: none"><li>• Document our understanding of and evaluate the design effectiveness of management’s key controls over journals.</li><li>• Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals.</li><li>• Test the high risk journals we have identified.</li><li>• Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness.</li><li>• Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates.</li><li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul>



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

# Significant risks identified (2)

Significant Risk	Description	Key aspects of our proposed response to the risk
<b>Fraud in Expenditure Recognition</b>	<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>Moray Council's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.</p> <p>We therefore focus our risk on the completeness of non-payroll expenditure streams. Our testing will include a specific focus on year end cut-off arrangements, including consideration of the existence of accruals and provisions, in relation to non payroll/non finance expenditure for the single entity.</p> <p>We therefore consider this to be a significant risk to our audit however do not consider this to be a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design and implementation effectiveness of the accounts payable system.</li> <li>• Evaluate the design and implementation effectiveness of your system for recording accruals.</li> <li>• Verify that the operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General Ledger.</li> <li>• Search for unrecorded liabilities by performing a substantive sample test of invoices input on to the accounts payable system post period end.</li> <li>• Search for unrecorded liabilities by reviewing cash payments post period end.</li> </ul>

# Significant risks identified (3)

Significant Risk	Description	Key aspects of our proposed response to the risk
Fraud in Revenue Recognition	<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>(rebutted)</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Moray 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 Moray Council and the Group.</p>

# Significant risks identified (4)

## Significant Risk Description

### Valuation of land, buildings and council dwellings

In accordance with the CIPFA/LASAAC Code of Practice, except for initial recognition, Moray Council is required to hold property and property, plant and equipment (PPE) on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value except for Headquarters Campus buildings which are too large to be marketed as office accommodation and are measured at depreciated replacement cost as an estimate of current value. Council dwellings are determined using the basis of existing use value for social housing.

Moray Council employ an internal valuer to undertake a rolling programme of valuations across their asset base valuing land, buildings and council dwellings at least once every five years. In the intervening periods, Moray Council carries out an indexation exercise. As at 31 March 2024, Moray Council held PPE of £1.239 billion including land and buildings of £0.498 billion and council dwellings of £0.446 billion.

Given the significant value of the land, non-specialised buildings and council dwellings held by Moray Council, and the level of complexity and judgement involved in their estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical cost, as a proxy of fair value and therefore less likely to be materially misstated. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and/or unusual approaches to their valuations, as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued.

We therefore consider this to be a significant risk to our audit and a key audit matter.

## Key aspects of our proposed response to the risk

We will:

- Evaluate management's processes and controls for the calculation of the valuation estimates, the instructions issued to their management experts and the scope of their work.
- Evaluate the competence, capabilities and objectivity of the valuation expert.
- Write to the valuer to confirm the basis on which the valuations were carried out.
- Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- Evaluate the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantially tested to ensure the valuations are reasonable.
- Test a sample of other asset revaluations made during the year to ensure they have been input accurately into the body's asset register and associated entries in the financial statements.
- Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
- For any assets not formally revalued, evaluate the judgement made by management or others in the determination of the current value of these assets.

# Significant risks identified (5)

Significant Risk	Description	Key aspects of our proposed response to the risk
<b>Defined benefit pension scheme</b>	<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 2023/24, 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>The Council's actuary will 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>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate 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>• Evaluate the assumptions made by the actuary in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland and additional follow up procedures (where required).</li> <li>• Evaluate the data used by management's experts in the calculation of the estimates.</li> <li>• Perform substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations.</li> <li>• Assess the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements.</li> <li>• Review management's assessment of the application of IFRIC 14 (if applicable).</li> <li>• Evaluate the response received from the NESPF auditor in line with the Audit Scotland Protocol for Auditor Assurances for Local Government Pension Schemes.</li> </ul>

# Other risks identified (1)

Other Risk	Description	Key aspects of our proposed response to the risk
<b>IFRS 16 – Right of Use Assets</b>	<p>In line with the Code of Audit Practice for Local Authority Accounting in the UK, Moray Council is required to adopt IFRS 16 Leases. 2024/25 will be the first year the Council will account for leases in line with IFRS 16.</p> <p>Under IFRS 16, a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2025.</p> <p>Further detail on the implications of this Accounting Standard is set out at Appendix 4.</p>	<p>Our initial discussions with officers have indicated that:</p> <ul style="list-style-type: none"> <li>the Council has established systems and processes to capture the data required to account for right-of-use lease assets in accordance with IFRS 16;</li> <li>the Council revised its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard.</li> </ul> <p>We will assess the existence, accuracy and completeness of the right-of-use assets and associated lease liabilities, and the related disclosures, during our audit. As this is a new area of focus for 2024/25, any work will be subject to an additional audit fee.</p>



# Other matters (1)

## Other work

In addition to our expected responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We audit parts of your Remuneration Report, as required under the Code, and check whether these sections have been properly prepared (opinion). These procedures are performed to a lower materiality.
- We read the sections of your Statement of Accounts which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in Delivering Good Governance in Local Government: Framework (2016) (opinion).
- We consider our other duties under the Code and planning guidance (2024/25), as and when required, including:
  - Supporting Audit Scotland's reporting to the Accounts Commission.
  - Contributing to Audit Scotland Performance Reports and providing regular updates to Audit Scotland to share awareness of current issues.
  - Contributing to the National Fraud Initiative (NFI) report.
  - Notifying the Controller of the Audit when circumstances indicate a statutory report may be required.
  - Completing mandated information requests and returns and notifying Audit Scotland of any cases of money laundering or fraud.
  - Review of Technical guidance prior to issue by Audit Scotland.

## Internal control environment

During our initial audit planning we will develop our understanding of your control environment (design and implementation) as it relates to the preparation of your financial statements. In particular we will:

- Consider key business processes and related controls.
- Assess the design of key controls over all significant risks we have identified. This will include key controls over:
  - Journal entries and other key entity level controls.
  - The completeness and accuracy of information provided to the actuary to perform the valuation of the net pension fund liability.
  - The review of actuarial outputs including key assumptions made by the actuary and significant movements impacting the net pension liability.
  - The review of valuation outputs including key assumptions made by the valuer and significant movements in revalued assets.
  - The completeness of accruals and liabilities recorded within the general ledger.
  - The processes in place to identify all leases to be accounted for under IFRS 16.

Our focus is on design and implementation of controls only. We do not intend to assess or place any reliance on the operating effectiveness of your controls during our audit.

# Other matters (2)

## Going concern assessment

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 was updated in 2020 to take account of revisions to ISAs (UK), including ISA (UK) 570 (Revised September 2019) on going concern. PN 10 allows auditors to apply a 'continued provision of service approach' when auditing going concern in the public sector, where appropriate. Audit Scotland's also issued further guidance in a Going Concern publication in December 2020).

Within our wider scope work we will conclude on Moray Council's arrangements to ensure financial sustainability.

## Internal Audit

We read and understand the work of Internal Audit during the year, and how this work feeds into management's governance processes and inclusion within the Annual Governance Statement. We do not rely directly upon the work of Internal Audit, and our approach is fully substantive.

## Financial reporting developments

During our audit we will actively discuss emerging financial reporting developments with you.

We invited members of your finance team to our LG technical audit workshops earlier this year. The workshop will include focus on the new accounting and audit requirements for IFRS 16 on leases, and good practice information for those bodies preparing group accounts.

## Progress against prior year audit recommendation

As part of our final account's procedures, we will follow up on the implementation of prior year audit recommendations and report on progress against the recommendations in full within our Annual Audit Report.

## Whole of government accounts (WGA)

The Code of Audit Practice requires appointed external auditors to review and report on WGA returns prepared by audited bodies. External auditors of local authorities are required to provide an assurance statement on the 2024/25 WGA returns for bodies over a prescribed threshold determined by NAO.

While we do not expect to be informed of the threshold before July 2025, we anticipate that we will be required to provide a partial assurance statement for Moray Council for 2024/25.

# Other matters (3)

## National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Public Sector Fraud Authority for the UK as a whole.

The Council received their NFI matches in early 2025 and we will review progress towards reviewing matches, in particular those matches assessed as very high risk, and provide an update in our Annual Audit report.

## Interim Testing

As part of our interim procedures, we will complete testing on a number of areas when efficient to do so, which will cover the first nine months of the financial year. This will include:

- Payroll - starters, leavers and changes in circumstances
- Payroll substantive analytical procedure
- NDR reliefs testing

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be considered as part of our audit. However, the procedures will not be as extensive as the procedures adopted for the significant risks we have identified and highlighted in this Audit Plan.

## Section 106 Charities

Our audit appointment as the Council's auditor includes the audit of any trust funds falling within Section 106 of the Local Government (Scotland) Act 1973 that are registered charities. For Moray Council we have therefore been appointed as auditors of the connected charitable trust funds. The audit fee for this work is outside of the main fee and is £7,190.

Our audit procedures for the connected charities trust funds include:

- Total transactional audit testing over all income and expenditure transactions incurred during 2024/25.
- Agreeing investment balances held by the trust fund to external confirmation from investment fund managers.

## Grant Claims

Local government auditors are required to review and report on approved grant claims prepared by local authorities. We will work with officers to ensure the timely completion and audit inspection of your Housing Benefit return and Non-Domestic Rates claim.

# Other matters (4)

## Risk Categorization

ISQM (UK) 1 (Revised March 2023) requires audit firms to establish policies and procedures for the acceptance and continuance of client relationships. These acceptance and continuance procedures are the initial way that we manage risk and determine whether we should engage with an entity or whether to continue with an existing engagement.

Risk management of our audit engagements is achieved through categorisation; by dividing up our audit engagements into categories and putting in place relevant risk management processes and procedures to mitigate those risks. Categorisation also assists with ensuring that we identify the correct ethical requirements which apply to each entity and assists with monitoring and checking compliance with the Ethical Standard.

In the first two years of our audit appointment, Moray Council was classified as a Category 4C audit as gross expenditure did not exceed £500 million. In 2024/25, the Council may have gross expenditure which exceeds £500m and if this were to occur, our audit methodology requires us to recategorize the audit as a Category 2 audit.

This would result in the audit team undertaking additional audit procedures, including engaging with external auditor's experts and require our internal quality team to undertake an assessment over the accounts, known as a hot review. It also means our audit work is performed to a lower materiality (below 2.5%).

## Local Area Network

Moray Council has a Local Area Network (LAN) comprising of representatives from relevant scrutiny bodies. The LAN is responsible for sharing information and intelligence between scrutiny bodies and for considering the timing of scrutiny activity to ensure that the scrutiny footprint is manageable for those engaging with the process.

As the appointed auditor, we are responsible for bringing LAN members together at the start of planning and for informing the council about the LAN process. As part of our audit planning, we will engage with members of the Local Area Network (LAN) in other agencies to collect information on performance and scrutiny risks to inform risk assessment discussions.

We will share with the Council a timetable of scrutiny activity for the year and advise the Chief Executive that any specific concerns should be raised with the relevant scrutiny body

# 04 Our approach to materiality

# Our approach to materiality (1)

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.


## Matter Description

## Planned audit procedures

<p><b>01 Determination</b></p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgement in the context of our knowledge of the business, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements. We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year.</p> <p>Materiality at the planning stage of our audit is £8.080 million for the Group (Prior Year £7.542 million) and £7.650 million for the Council (Prior Year £7.143 million), which equates to approximately 2% for the Group (Prior Year 2%) and 1.9% for the Council (Prior Year 9%) of your 2023/24 gross expenditure less IJB contributions of the Group and the Council.</p>	<ul style="list-style-type: none"> <li>We determine planning materiality in order to:           <ul style="list-style-type: none"> <li>establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>assist in establishing the scope of our audit engagement and audit tests;</li> <li>determine sample sizes;</li> <li>assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul> </li> </ul>
<p><b>02 Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements</p>	<ul style="list-style-type: none"> <li>An item may be considered to be material by nature when it relates to:           <ul style="list-style-type: none"> <li>instances where greater precision is required (e.g. the Senior Management and Councillor Remuneration and Pension Benefits Tables).</li> </ul> </li> </ul>
<p><b>03 Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process</p>	<ul style="list-style-type: none"> <li>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</li> </ul>

# Our approach to materiality (2)

Matter	Description	Planned audit procedures
04	<p><b>Matters we will report to the Audit and Scrutiny Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"><li>• We report to the Audit and Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</li><li>• In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.404 million for the Group (Prior Year £0.377 million) and £0.382 million for the Council (Prior Year £0.357 million). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Scrutiny Committee to assist it in fulfilling its governance responsibilities.</li></ul>



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)



# Our approach to materiality (3)

	Amount (£)	Qualitative factors considered
Materiality for the Group’s financial statements	£8.080 million	Our materiality has been set at 2% (Group) and 1.90% (Council) of prior year gross expenditure as per the 2023/24 financial statements. In setting this threshold, the following factors have been considered:
Materiality for the Council’s financial statements	£7.650 million	<ul style="list-style-type: none"><li>• There were no significant findings in the 2023/24 audit report.</li><li>• No significant deficiencies have been identified in the Council’s control environment.</li><li>• The level of public interest in Moray Council by the public and the Scottish Government.</li></ul>
Materiality for specific transactions, balances or disclosures – Remuneration Report	£25,000	Due to the sensitivity of the disclosures to the users of the financial statements, a lower materiality threshold has been applied to the Senior Officers remuneration table within the Remuneration Report. All other remuneration disclosures will be audited at headline materiality.





# 05 Group Audit

# Group audit scope and risk assessment

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

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Moray Council	Yes	Full scope audit performed by Grant Thornton UK LLP.	Group auditor	Valuation of land and buildings, valuation of pension benefits risk of fraud in expenditure recognition	Grant Thornton UK
Moray Integration Joint Board	No	Analytical procedures at group level	Group Auditor	N/A	Grant Thornton UK
Grampian Valuation Joint Board	No	Analytical procedures at group level	Group Auditor	N/A	Grant Thornton UK
Moray Leisure Limited	No	Analytical procedures at group level	Group Auditor	N/A	Saffery LLP
Moray Common Good Funds	No	Specific audit procedures on PPE and Cash held at 31 March	Group Auditor	Valuation of land and buildings	Grant Thornton UK
Moray Trust Funds	No	Specific audit procedures on PPE and Cash held at 31 March	Group Auditor	Valuation of land and buildings	Grant Thornton UK

There were have been no key changes in the group during 2024/25.

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

During the course of our audit engagement, we will continue to assess the appropriateness of our planned approach in relation to the group audit scope.

# 06 IT audit strategy

# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

**The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:**

IT application	Audit area	Planned level IT audit assessment
Advance Business Solutions e5 System	Financial Reporting	<ul style="list-style-type: none"><li>ITGC assessment (design and implementation effectiveness only)</li></ul>
iTrent	Payroll	<ul style="list-style-type: none"><li>ITGC assessment (design and implementation effectiveness only)</li></ul>
CIPFA Asset Management	PPE	<ul style="list-style-type: none"><li>ITGC assessment (design and implementation effectiveness only)</li></ul>

# **07 Wider scope and best value arrangements**

# Wider scope and best value arrangements (1)

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four wider scope areas that constitute the wider scope of public audit in Scotland.



## 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.

We consider each of these areas through our audit planning process and have set out below the identified areas of risk for our wider scope work.

From our initial planning work, we have identified one significant risk in relation to Financial Sustainability. We have also identified two potential significant risks in relation to Financial Management and Vision, Leadership and Governance. We will continue to review your arrangements before we issue our Annual Audit Report.

# Wider scope and best value arrangements (2)

## Risk assessment of the Council's wider scope arrangements

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. We will continue to review your arrangements before we issue our Annual Audit Report.

Criteria		2023/24 Auditor judgement (Included in Annual Audit Report - October 2024)	2024/25 risk assessment	2024/25 planning considerations (on information available at March 2025)
Financial Management	R	The Council has arrangements in place for financial management but there is room for improvement in the arrangements in place for reporting the financial position, savings and budget to Members.	Potential significant risk has been identified.	We reviewed the financial management processes in place at Moray Council, including budget setting and preparation of monitoring reports taken to the Board during the year. We will follow up all prior year audit recommendations, including those raised in the Controller of Audit Report, as part of our year-end procedures.
Financial Sustainability	R	The Council's arrangements in place for projecting the financial position of the Council in the medium to longer term require enhancement to ensure Members are being given information that will allow them to make informed and effective decisions.	Significant risk identified in relation to financial sustainability.	We reviewed future financial projections which show the level savings the Council need to deliver in future years in order to achieve financial sustainability. We reviewed the processes in place to agree efficiency savings as part of the 2025/26 budget and how delivery of existing savings are monitored. We will follow up all prior year audit recommendations, including those raised in the Controller of Audit Report, as part of our year-end procedures.
Use of Resources to Improve Outcomes	A	The Council has appropriate arrangements to report outcomes against Council priorities. Some key performance indicators have improved, but there are less indicators in the top two quartiles of performance than the previous year.	No significant risk has been identified	We reviewed the 2024/25 service performance reports taken to Committee meetings to gain an understanding of the Council's in year performance. We will follow up all prior year audit recommendations raised as part of our year-end procedures. We will follow up all prior year audit recommendations, including those raised in the Controller of Audit Report, as part of our year-end procedures.
Vision, Leadership and Governance	A	The Council has made improvements in its governance arrangements and arrangements to deliver the vision, strategy and priorities set by the Council, however, there remains work to be done which is being monitored by the Best Value Action Plan.	Potential significant risk has been identified.	We reviewed the governance arrangements in place at the Council. We also liaised with Internal Audit to confirm the result of their reviews to date and the impact of any issues identified to date. We will follow up all prior year audit recommendations, including those raised in the Controller of Audit Report, as part of our year-end procedures.

G

No significant weaknesses in arrangements identified or improvement recommendation made (in the Annual Audit Report – October 2024).

A

No significant weaknesses in arrangements identified, but improvement recommendations made (in the Annual Audit Report – October 2024).

R

Significant weaknesses in arrangements identified and key recommendations made (in the Annual Audit Report – October 2024).

# Wider scope and best value arrangements (3)



## Financial Management

Strong budgetary control is essential in any local authority. Where savings plans are required, they should be detailed and progress on their attainment regularly reported to Officers and Members. Financial forecasts must be accurate and regularly updated in order that effective decisions can be made.

When the 2024/25 budget was approved, the Council projected a budget deficit of £19.196 million. The Council's plan to achieve financial balance was through the agreement of a savings plan totalling £8.971 million, with the remaining £10.225 million being funded from working reserves. Further efficiency savings were identified following the agreement of the budget, with the final planned savings for the year totalling £12.473 million.

Details on the progress of the savings plan and the projected use of reserves has been reported to Members throughout the financial year. The most recent update was provided as part of the Quarter 3 revenue monitoring report which was presented to Council in February 2025. This confirmed that the forecast use of working reserves is currently £6.477 million as at 31 December 2024. The Council are making good progress in the delivery of its savings plans and anticipate they will deliver more than 90% of expected savings in 2024/25. Delivering more than 90% of the updated savings target is higher than the Council had initially forecast to deliver.

At the end of the financial year, the Council should report the final outturn position including a year-end reconciliation of budget and savings, setting out where services have under or overspent and have under or overachieved savings targets.

The Council has a history of planning and using free reserves to balance the budget. In order to address this, the Council approved a Short to Medium Term Financial Strategy (2024-25 – 2026/27) in June 2024. The Strategy aimed to remove the reliance on reserves to balance the budget for 2025/26 and future years. Following approval of the 2025/26 Revenue Budget in February 2025, it was confirmed the Council has achieved this target as there is no forecast use of reserves in 2025/26.



# Wider scope and best value arrangements (4)

## Financial Management (continued)

We recognise that the Council has made some progress with their financial management arrangements, including the fact they are no longer relying on reserves to balance the 2025/26 budget. However, several financial management recommendations were made in the 2023/24 Annual Audit Report in October 2024 and the Council have had limited time to respond to these in the months since. We will assess the implementation of these recommendations as part of our year end audit procedures.

Therefore a potential significant risk has been identified in relation to the Council's financial management arrangements.

### Potential significant risk identified:

**There is potentially a risk that budgetary control and financial management information for members is not consistent for effective decision making.**

Response to significant risk:

We will:

- Review financial forecasting and reporting arrangements for timeliness and accuracy.
- Review and consider the accuracy of financial reporting (revenue and capital) as well as the narrative accompanying financial reports to Members.
- Review and monitor progress against the savings plans identified for 2024/25 and beyond consider the level of detail that is provided to Members.
- Follow up the recommendations raised in the 2023/24 Annual Audit Report, including those raised in the Controller of Audit Report.

# Wider scope and best value arrangements (5)



## Financial Sustainability

Like all Scottish local authorities, Moray Council continue to face unprecedented financial pressures. In its 2025/26 Revenue Budget, approved by Full Council in February 2025, the Council confirmed that efficiency savings totalling £10.905 million would be required over the next three years (2025/26 – 2027/28) in order to achieve financial balance. The Council have approved £7.889 million of savings for 2025/26 and £1.021 million for financial years 2026/27 and 2027/28. A further £1.995 million of savings need to be identified. Delivery of these savings will be critical in ensuring the Council can achieve financial balance in the medium term. We note that the three-year deficit position in the 2025/26 budget is a significant improvement on the previous outlook agreed as part of the 2024/25 budget.

The Council also prepare a Medium to Longer Term Financial Strategy (2025/26 – 2034/35) (MTLFS) document which was approved by the Council in December 2024. Whilst the MTLFS was prepared in advance of the agreement of the 2025/26 Revenue Budget, meaning the projections have since been updated, it shows the level of challenge the Council is likely to face in the coming years.

The MTLFS is based on optimistic, average and pessimistic assumptions and the budget gap could range from a budget surplus of £28.6 million to a budget deficit of £107.5 million.

The mid range projections show a total budget gap of £41.365 million over the 10-year period to 2034/35 and the Council will need to identify new approaches to manage this gap over the longer term.

### Significant risk identified:

**There is a risk that transformation and savings plans to address financial pressures for medium to longer term are not sufficient to address future funding gaps and increasing deficits.**

# Wider scope and best value arrangements (6)

## Financial Sustainability (continued)

Response to significant risk:

We will:

- Review how the council identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans.
- Review how the council plans to bridge its funding gap and identify achievable savings and future transformation.
- Review how the council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.
- Review how the council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.
- Review how the council sets longer term financial plans and capital investment to deliver on priorities and how they determine their affordability.
- Follow up the recommendations raised in the 2023/24 Annual Audit Report, including those raised in the Controller of Audit Report.

# Wider scope and best value arrangements (7)



## Vision, leadership and governance

The Council hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. We will continue to review the arrangements in place prior to issuing our Annual Report. Our work will also include reviewing the consistency of the Annual Governance Statement with the key findings from audit, scrutiny, and inspection.

During the 2023/24 audit, we identified several recommendations in relation to the Council's vision, leadership and governance arrangements including issues in relation to pace of change, cross party working and the effectiveness of the Audit & Scrutiny Committee. A number of these issues were also raised as part of the Controller of Audit Report and the Council continue to take steps to address the issues raised. Progress is monitored as part of the Best Value Action Plan which is reported to the Corporate Committee which confirms the progress the Council are making in addressing the issues raised in the Controller of Audit Report.

Due to the number of vision, leadership and governance recommendations made in the 2023/24 Annual Audit Report and the limited time to respond to these in the months since, a potential significant risk has been identified in relation to the Council's vision, leadership and governance arrangements.

### Potential significant risk identified:

**There is potentially a risk that the Council do not meet their key priorities due to delayed progression of objectives and the pace of change being limited or slow.**

# Wider scope and best value arrangements (8)

## Vision, leadership and governance (continued)

Response to significant risk:

We will:

- Review cross party working arrangements and governance arrangements in place to inform effective decision making.
- Review arrangements in place to track and monitor performance and outcomes of council priorities as well as reviewing arrangements in place over the information provided by members to inform effective decision making.
- Review the Council's progress in implementing the actions identified in the Best Value Action Plan.
- Follow up the recommendations raised in the 2023/24 Annual Audit Report, including those raised in the Controller of Audit Report.

# Wider scope and best value arrangements (9)



## Use of resources to improve outcomes

We have not identified a risk in relation to the Council's use of resources to improve outcomes at the planning stage. The Council has a Performance Management Framework (PMF) with the aim to seek continuous improvement. There are several mechanisms in place to report performance including the Annual Performance Report, Service Performance Reporting and the Local Government Benchmarking Framework (LGBF).

Our work will include reviewing the arrangements the Council has in place to meet its performance objectives, for working with strategic partners and communities and reporting performance against outcomes, financial and other resources. We will also complete work on Theme 3 in the Best Value statutory guidance which relates to the effective use of resources (see further detail on page 40). We will also follow up the recommendations raised in the 2023/24 Annual Audit Report, including those raised in the Controller of Audit Report.

# Wider scope and best value arrangements (10)

## Best Value

Local government bodies have a duty under the Local Government in Scotland Act 2003 to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the body's functions, having regard to:

- efficiency
- effectiveness
- economy
- the need to meet equal opportunity requirements.

Local government bodies are required to follow statutory guidance in respect of their Best Value duties.

## Best Value Thematic

The Code requires that auditors assess and report on audited bodies' performance in meeting their Best Value and community planning duties, as part of their annual audit. 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. The thematic work for 2024/25 is on the subject of '**Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes**'. This work will include an assessment of and conclusion on:

- to what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability
- to what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans
- to what extent are communities and partners involved in the development and delivery of the council's plans for transformation
- to what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups.

This work will be completed and reported to those charged with governance in advance of the financial statements audit work.

# Wider scope and best value arrangements (9)

## Performance Reporting

Theme three in the Best Value statutory guidance is the effective use of resources, an element of which is performance reporting. We are required to undertake work on performance reporting annually. Below we set out the Audit Scotland requirements for 2024/25.

Area of work	What we will consider
Service performance reporting	<ul style="list-style-type: none"><li>• The council’s assessment of progress against its service priority measures in 2024/25 and beyond</li><li>• The council’s reporting of relative performance, using the Local Government Benchmarking Framework</li></ul>
Continuous improvement	<ul style="list-style-type: none"><li>• The council's pace of improvement in delivering priority services</li><li>• The council's depth of implementing improvement across council services</li></ul>
Statutory performance reporting	<p>Whether the council has made proper arrangements for preparing and publishing statutory performance information:</p> <ul style="list-style-type: none"><li>• Performance in improving local public services (including those provided with its partners and communities) and progress against agreed desired outcomes (SP1)</li><li>• Its own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value and how it as responded to these assessments (SP2).</li></ul>

## Controller of Audit Report

At least once every five years, the Controller of Audit reports to the Accounts Commission on each council’s performance in meeting its Best Value duties. Moray Council was selected as one of the 2023/24 reports and the report for Moray Council was published in April 2024.

We will follow up the Council’s progress in implementing the recommendations from the Controller of Audit and the Accounts Commission as part of our 2024/25 audit fieldwork and report on this to members in our Annual Audit Report.



# 08 Audit Scotland Deliverables

# Audit Scotland Deliverables (1)

As set out in the Code of Audit Practice, as appointed auditors we have a number of wider reporting responsibilities beyond the audit of the financial statements. Below we summarise the key areas of work for our 2024/25 audit, including expected reporting under Audit Scotland's Code of Audit Practice and audit planning guidance:

Requirement	How we will report our findings
<b>Annual Accounts</b> Perform an audit of the annual accounts and express an audit opinion.	<ul style="list-style-type: none"> <li>Independent Auditor's Report on the financial statements</li> <li>Annual Audit Report detailing findings from our audit work on the financial statements.</li> </ul>
<b>Wider scope audit areas</b> Conclude and report on our assessment of the wider scope audit areas.	<ul style="list-style-type: none"> <li>Annual Audit Report</li> </ul>
<b>Best Value– Follow Up</b> Follow up of the Moray Council's progress in implementing the recommendations raised in previous Best Value Assurance Reports, Annual Audit Reports and the Controller of Audit report issued in March 2024	<ul style="list-style-type: none"> <li>Annual Audit Report</li> </ul>
<b>Best Value thematic work for 2024/25</b> We are required to report locally on any Best Value thematic work prescribed by the Accounts Commission. For 2024/25 the prescribed thematic is 'Transformation'.	<ul style="list-style-type: none"> <li>Annual Audit Report</li> <li>Reporting in a separate management report is also required.</li> </ul>
<b>Statutory Performance Information</b> Consider and report on Statutory Performance Information arrangements.	<ul style="list-style-type: none"> <li>Annual Audit Report</li> </ul>
<b>National Fraud Initiative (NFI)</b> Contribute to NFI report.	<ul style="list-style-type: none"> <li>Annual Audit Report</li> <li>Reporting participation to Audit Scotland including completion of NFI questionnaire</li> </ul>

# Audit Scotland Deliverables (2)

Requirement	How we will report our findings
<b>Statutory Objections</b> Consider statutory objections to the annual accounts	<ul style="list-style-type: none"> <li>Response to any objections received.</li> </ul>
<b>Whole of Government Accounts (WGA)</b> Provide assurance over Moray Council's WGA return.	<ul style="list-style-type: none"> <li>Partial Assurance Statement on WGA return</li> </ul>
<b>Housing Benefits Subsidy Claim</b> Independent certification on housing benefit subsidy claim to the Department for Works and Pensions (DWP).	<ul style="list-style-type: none"> <li>Auditor certificate on Housing Benefit Subsidy Claim (Deadline to be confirmed when Technical Guidance Note is released in April 2025)</li> </ul>
<b>Non-domestic rates (NDR)</b> Certification of NDR claim.	<ul style="list-style-type: none"> <li>Auditor certificate on Non-Domestic Rate Return (Deadline to be confirmed when Technical Guidance Note is released in May 2025)</li> </ul>
<b>Current Issues Returns</b> Prepare and submit Current Issues Returns.	<ul style="list-style-type: none"> <li>Current Issues Returns</li> </ul>
<b>Statutory Objections</b> Consider statutory objections to the annual accounts	<ul style="list-style-type: none"> <li>Response to any objections received.</li> </ul>
<b>Correspondence queries</b> Carry out preliminary enquiries into any correspondence relevant to Moray Council that is referred to Audit Scotland.	<ul style="list-style-type: none"> <li>Providing responses to any correspondence received based on our audit knowledge and understanding and the results of any review as agreed with Audit Scotland</li> </ul>

# Audit Scotland Deliverables (3)

## Requirement

## How we will report our findings

### Emerging issues

Communication of emerging issues to Audit Scotland and highlight any issues for potential statutory reports.

- Communicating throughout our audit emerging issues identified throughout the year

### Performance, impact and overview reports

Contribute to housing benefit performance audits, the Shared Risk Assessment, sector annual reports, shared intelligence on health and social care, and sector meetings.

- Providing information returns to Audit Scotland

### Money laundering and fraud

Provide information on cases of money laundering or fraud.

- Completion of fraud returns for all frauds over £5,000 or involving misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
- Reporting cases to the National Crime Agency of any instances of money laundering or fraud

### Technical Guidance

Contribute to Technical Guidance Notes

- Providing responses to Audit Scotland consultations on draft Technical Guidance Notes for Auditors

### Local Area Network

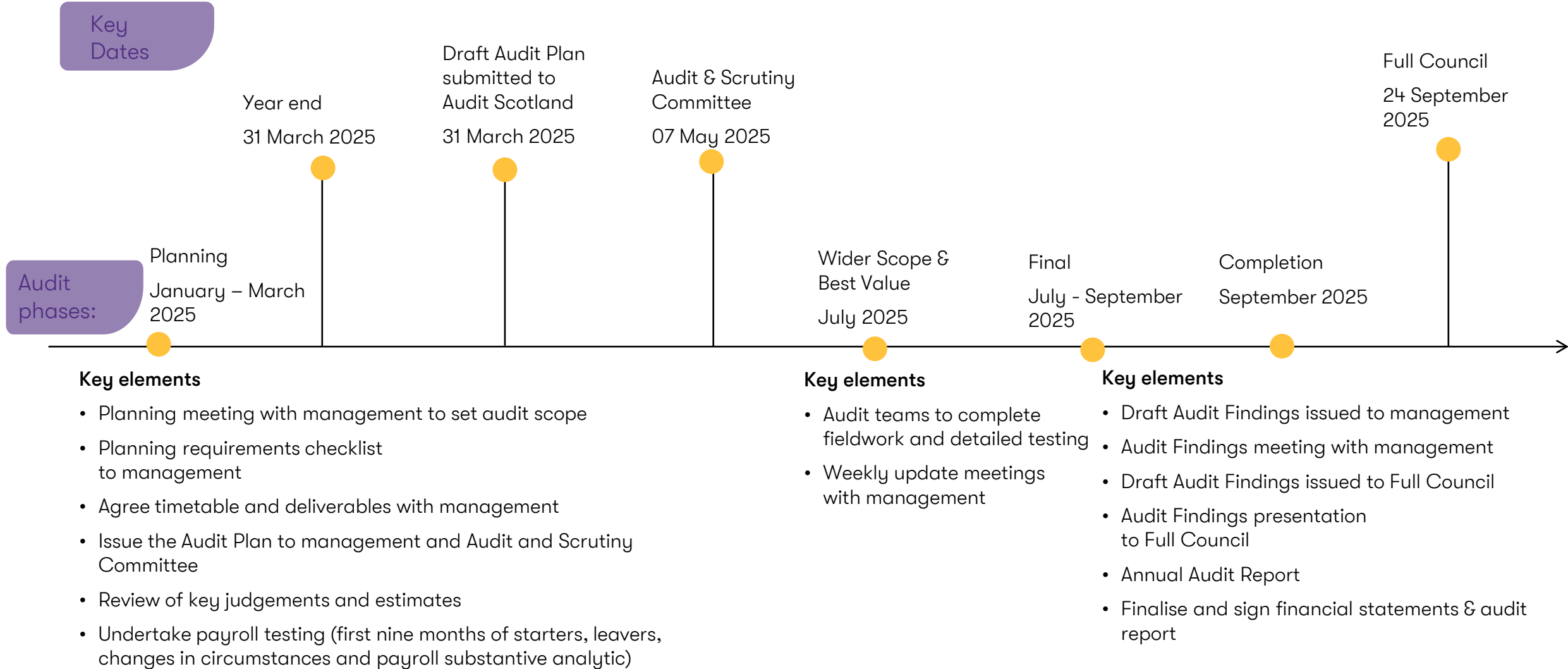
Engage with members of the Local Area Network (LAN) in other agencies to collect information on performance and scrutiny risks to inform risk assessment discussions

- We will share with the Council a timetable of scrutiny activity for the year and advise the Chief Executive that if they have any specific concerns on the timetable, it should be raised with the relevant scrutiny body
- We will share the timetable of scrutiny activity with the Scrutiny Coordination Group

# 09 Logistics

# The Audit Timeline - Logistics (1)

We are required to submit audit plans to Audit Scotland by 31 March 2025, and it is anticipated that we will submit audited accounts and the Annual Audit Report by 30 September 2025. We have set out below our planned timescales for the Moray Council audit.



# The Audit Timeline - Logistics (2)

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging our other audit engagements. Where additional resources are needed to complete the audit due to an audited body not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits due to client issues may incur additional audit fees.

## Our requirements

To aid the audit process, you need to ensure that you:

- produce draft accounts, comprising financial statements and related reports, of good quality, by the deadline you have agreed with us;
- prepare good quality working papers which support the figures included in the financial statements, in line with the working paper requirements schedule that we have shared with you, and make these available to us at the start of the year end audit visit;
- provide all agreed data reports to us at the start of the audit, which are fully cleansed and reconciled to the figures in the financial statements;
- ensure that all appropriate staff are available to us for queries over the planned period of the audit , or as otherwise agreed;
- respond promptly and appropriately to all audit queries, within agreed timescales;
- respond promptly to the request for information on the best value thematic and wider scope work to agreed timelines and ensure appropriate supporting evidence is provided;
- Provide all required information for the housing benefit and non-domestic rates grant claims, within agreed timescales.

# Our team and communications

**Angela L Pieri**

Engagement Lead  
T: 0161 214 6337  
E: Angela.L.Pieri@uk.gt.com

- Key contact for senior management and Audit and Scrutiny Committee
- Overall quality assurance

**Andrew Wallace**

Audit Manager  
T: 0141 223 0671  
E: Andrew.D.Wallace@uk.gt.com

- Audit team management
- Resource management
- Wider scope and best value reporting

**Yashika Goel**

Audit In-Charge  
T: 0141 223 0000  
E: Yashika.Goel@uk.gt.com

- Day-to-day point of contact
- Audit planning/interim
- Audit fieldwork

Pool of technical specialists (e.g. IT audit and valuations staff)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• Annual audit closure meeting</li></ul>	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• The Annual Audit Report</li><li>• Progress and Sector Update Reports</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications	<ul style="list-style-type: none"><li>• Open channel for discussion</li></ul>		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues (where appropriate)</li></ul>



# 10 Fees and related matters

# Audit Fees

Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC on audit quality and public sector financial reporting. This includes, for Audit Scotland contracts, meeting the expectations of the Audit Scotland Quality Team and the Scottish quality framework.

Audit fees were shared by Audit Scotland with the Chief Executive and Chief Financial Officer in January 2025. Audit fees are paid to Audit Scotland who in turn pay us. We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

## Relevant Professional Standards

Audit Scotland set the baseline audit fee. We can increase the fee, from the baseline, for the inclusion of additional risks, new technical matters or where specific client matters are identified, such as prior year misstatements and disclosure amendments re-occurring during the audit.

We are required to consider all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which state that the Engagement Lead must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

The baseline fee of £305,550 has been set by Audit Scotland. In accordance with Audit Scotland guidance, we are able to discuss a variation to the audit fee where additional work is required. Further detail on the audit fee is available at page 52.

Our audit appointment includes the audit of any trust funds falling within section 106 of the Local Government (Scotland) Act 1973 that are registered as charities with the Office of the Scottish Charities Regulator (OSCR). Auditors, appointed under the Accounts Commission are eligible under the charities regulations to audit a charity's statement of accounts. As part of our audit work in the current year we will provide an opinion over the Council's registered charity. The audit fee for this work is not covered in the fee set by Audit Scotland. At this stage we anticipate that the fee will be £7,190 based upon a similar level of work and number of charities as in previous years. If additional work is required which would result in an additional audit fee, this will be advised and subject to agreement with Moray Council.

There will be changes to the baseline audit fee due to anticipated increased work required on the audit and the introduction of new requirements as follows:

- IFRS 16 applies for the first time in 2024/25
- ISA (UK) 600 – Group Financial Statements has been amended
- Additional testing of journals due to lack of authorisation control
- Follow up of significant number of audit recommendations raised in the 2023/24 audit
- Potential recategorisation of Moray Council as a category 2 audit as expenditure is greater than £500 million.

These are considered in further detail at page 51.

# Audit Fees

The baseline audit fee does not consider any new areas of audit work which auditors are required to undertake in year. The following additional audit work will be carried out as part of our 2024/25 audit:

- This is the first year the Council will account for leases in accordance with IFRS 16. Additional audit work will be required to gain an understanding of how the Council has accounted for its leases under the new accounting standard and the relevant disclosures within the financial statements.
- There has been a change to ISA (UK) 600 – Audit of Group Financial Statements which requires auditors to enhance their understand of the group component. This will require additional audit work in 2024/25, although the full extent of our procedures are not yet known.
- Additional work will be carried out due to the higher risk environment at the Council due to a lack of authorisation controls when journals are posted.
- A high number of audit recommendation were raised in the 2023/24 Audit Report in relation to our financial statements audit, the wider scope audit, the Controller of Audit Report and the best value thematic. We are required to follow each recommendation up in 2024/25 and report on the progress the Council has made in addressing each recommendation.
- In 2024/25, the Council may have gross expenditure which exceeds £500m. If this occurs, our audit methodology requires us to recategorize the audit as Category 2, in line with Financial Reporting Council (FRC) requirements. This would result in the audit team undertaking addition audit procedures, including engaging with external auditor's experts and require our financial reporting team to undertake a financial review of the financial statements, known as a hot review.

- Grant Thornton methodology allows from 2024/25 onwards that audits under £500 million expenditure can have materiality up to 2.5%. The maximum for audits over £500 million is 2%. Therefore moving category means there will be additional testing required, appreciating that the up to 2.5% materiality level cannot be considered.

Until the work is fully performed on these new areas the full impact is not yet determined and will be discussed with management and reported in our Annual Audit Report.

We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

# Audit Fees (2)

## Audit fees for 2024/25

Service	Fees (£)
External Auditor Remuneration	£243,790
Pooled Costs	£6,120
Contribution to Performance Audit and Best Value	£58,670
Sectoral cap adjustment	-£3,030
<b>2024/25 initial fee (informed by Audit Scotland)</b>	<b>£305,550</b>
Trust Fund Charity (not covered in the initial fee)	£7,190
Baseline fee for 2024/25	£312,740

We seek the additional fee to external auditor remuneration due to:

- Additional work required in 2024/25 in relation to new IFRS 16 accounting requirements, new ISA 600 auditing standard and additional journals work due to heightened risk
- Follow-up of prior year audit recommendations
- The potential recategorization of the audit (TBC)

At this stage, the extent of the additional work required from all of the above is not yet determined, and it will be discussed with management and confirmed in our Annual Audit Report. We therefore note at this stage the external auditor remuneration is £250,980 (the normal plus the charity) within the total audit fee of £312,740.

## Fee Assumption

In setting the fee for 2024/25 we have assumed that you will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence for all critical and significant judgements and estimates made in preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- provide ongoing access to officers and management experts throughout the audit and timely responses to audit queries.
- provide all requested information on the best value thematic and wider scope work to agreed timelines
- provide the housing benefit and non-domestic rates grant claims and supporting working papers within agreed timescales.

## Additional Fees (Non-Audit Services)

Service	Fees (£)
At planning stage we confirm there are no planned non-audit services	Nil

# 11 Independence considerations

# Independence considerations

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). In this context, there are no matters that we are required to report.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 Council or investments in the Council 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 Council 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 Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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

No non-audit services provided by Grant Thornton UK LLP have been identified. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Report at the conclusion of the audit.

# **12 Communication of audit matters with those charged with governance**

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Annual Audit Report
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 and Key Audit Matters	●	
Planned use of internal audit	●	
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		●
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		●

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 Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Annual Audit Report will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## 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.



# 13 Delivering audit quality

# Delivering audit quality (1)

## Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

### Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

### Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

### Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

## How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

## The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service.

By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting.

The engagement leader always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

# Delivering audit quality (2)

## Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

## Oversight and control

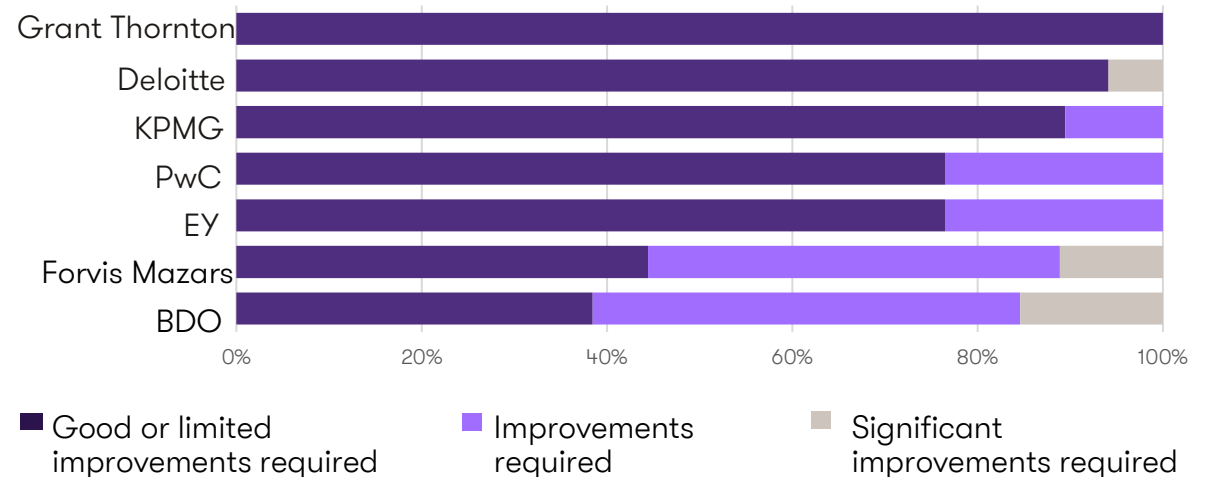
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

**Wendy Russell**  
Partner, UK Head of Audit



**FRC's Audit Quality Inspection and Supervision Inspection**  
(% of files awarded in each grading, in the most recent report for each firm)



# Delivering audit quality (3)

## Audit Quality Framework

The Audit Quality Framework (AQF) published by Audit Scotland sets out its approach to achieving high quality public audit by all auditors and providers. The AQF is the framework used to provide the Auditor General and the Accounts Commission with robust, objective, and independent quality assurance, over the work conducted on their behalf by Audit Scotland and external firms. This work includes delivering the respective performance audit and Best Value work programmes and the annual audits of public bodies across Scotland's public sector.

Audit quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High-quality public audit provides the public, decision-makers, and politicians, with the assurance and information they need, and it helps Scotland's Parliament hold public bodies to account. This is more important than ever when public services face rising demand and tightening budgets.

## Annual Audit Quality Report

Audit Scotland's Audit Quality and Appointment (AQA) team prepares an annual Audit Quality Report to provide assurance on audit quality, including compliance with the Financial Reporting Council's Ethical Standard, to the Auditor General for Scotland and the Accounts Commission.

This annual report summarises the AQA's assessment of audit quality conducted on audit work, delivered by Audit Scotland and the six appointed firms (including Grant Thornton UK LLP) on behalf of the Auditor General for Scotland and the Accounts Commission on the 2022/23 audits. The report provides evidence that auditors have designed and implemented audit quality arrangements to assure the quality of their audit work and highlights areas for further improvement.

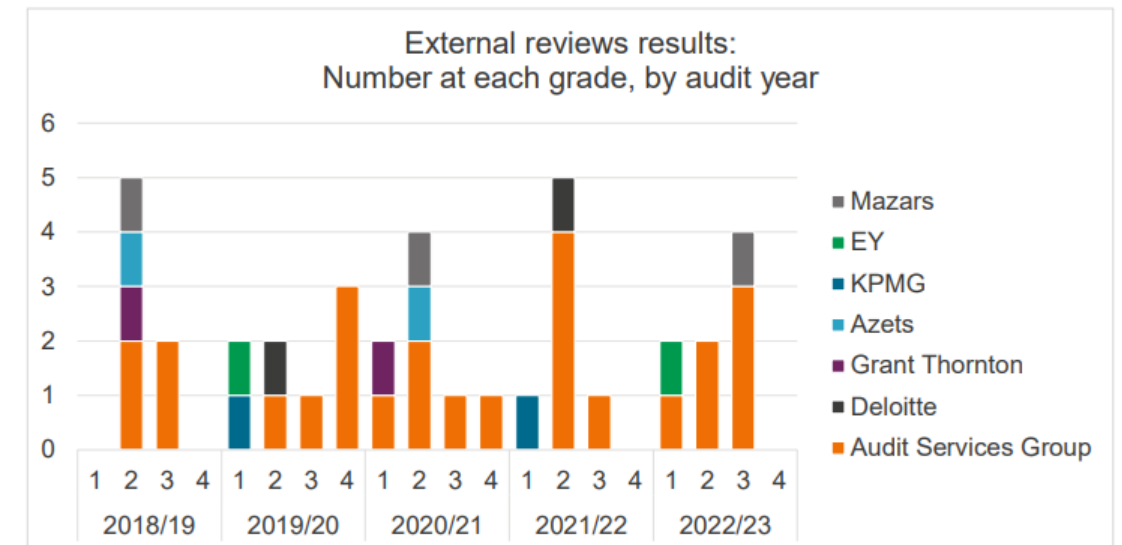
This report is available at [Quality of public audit in Scotland: Annual report 2023/24](#) and is published on annual basis.

## Independent External Reviews

Independent external assurance offers the highest level of assurance to stakeholders. ICAEW replaced ICAS for 2021/22 independent reviews following a successful tendering exercise undertaken by Audit Scotland in 2022.

ICAEW review audit files to assess the quality of audit work and compliance with the International Standards on Auditing (UK), Financial Reporting Council's Practice Note 10 and Audit Scotland's Code of Audit Practice.

External reviews cover the firms and Audit Directors in Audit Scotland over a three-year cycle, with the external review results shown within the chart below for the last five financial years.



# 14 Appendices

# Appendix 1 – Respective responsibilities

The Code sets out auditor responsibilities and responsibilities of the audited body. Key responsibilities are summarised below. Please refer to the Code for further detail.

## Moray Council

Your responsibilities include:

- Maintaining adequate accounting records and working papers
- Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
- Establishing and maintaining a sound system of internal control
- Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
- Maintaining standards of conduct for the prevention and detection of fraud and other irregularities
- Maintaining strong corporate governance arrangements and a financial position that is soundly based
- Establishing and maintaining an effective internal audit function.

## External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
- Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
- Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope work
- Providing assurance on specified returns and other outputs (where required), as specified in guidance issued by Audit Scotland
- Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2024/25).



# Appendix 2 - The Grant Thornton Digital Audit – Inflo

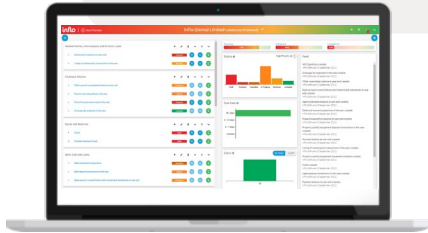
A suite of tools utilised throughout the audit process

## 01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

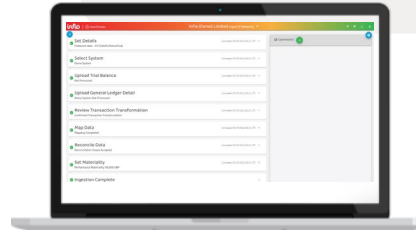
### What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



## 02 Ingest

The general ledger and trial balance are uploaded into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

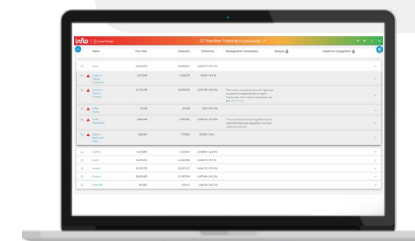


## 03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

### What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focused approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



# Appendix 3 – New or revised IFRS

The following IFRS Standards and amendments have been recently issued but have not yet been adopted by the Code of Audit Practice. Many of the items below will have limited or nil applicability for the Council but are included for completeness purposes.

## IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries. It has been effective in the UK since **1 January 2023**.

## Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are effective in the UK from **1 January 2025**.

## Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are effective in the UK from **1 January 2026**.

## IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from **1 January 2027**.

## IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is effective in the UK from **1 January 2027**.





© 2025 Grant Thornton. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.