



# Moray Council External Audit Plan

Financial year ending 31 March 2026

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

12 March 2026



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# 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.

The audit of the financial statements does not relieve management or the Audit and Scrutiny Committee of your responsibilities. It is your responsibility to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. As part of our wider scope 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.

## 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);
- Valuation of land, buildings and Council dwellings;
- Valuation of defined benefit pension scheme.

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

# Introduction and headlines (2)

## 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 £10.130 million (Group) (PY: £8.080 million) and £9.496 million (Council) (PY: £7.650million), which equates to 2.5% (Group) (PY: 2%) and 2.35% (PY: 1.9%) (Council) of your prior year gross expenditure.

Performance materiality has been determined as £7.597 million (Group) (PY: £5.660 million) and £7.122 million (Council) (PY: £5.350 million) and is based on 75% (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 2025/26.

## 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 2025/26 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 2026. The baseline audit fee set is £318,810.

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 as follows:

- ISA (UK) 600 – Group Financial Statements and IFRS16 leases requires enhanced audit procedures introduced in 2024/25
- Follow up of audit recommendations raised in previous audits and number of areas of wider scope work

The quantum of the work will be determined later in the audit process and agreed with the Chief Financial Officer.

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 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 look to bring forward audit testing where possible by performing an interim audit which is ongoing during March 2026. This will help provide a smooth and efficient audit process to support delivery for the year end audit.

# Introduction and headlines (4)

## Wider scope and best value audit

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 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 30 of this report.

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 2025/26 we are required to carry out work and report on the Best Value thematic ‘Asset Management - How well are councils managing their assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change’.

# 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.



“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, related parties and similar areas. Management should also expect to provide 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>Management override of controls</b>	<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>In addressing this audit risk 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>

# Significant risks identified (3)

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><b>(rebutted)</b></p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is limited incentive for management to manipulate the outturn position as the Council maintains sufficient reserves to cover any overspend.</li> <li>• we consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems.</li> <li>• non-payroll costs are generally high volume / low value transactions which are recognised across a number of expenditure streams. This would require a significant proportion of transactions to be manipulated to result in a material error.</li> </ul> <p>As such, we believe there is less opportunity for a material misstatement as a result of fraud to occur in the recognition of expenditure.</p> <p>Therefore, we do not consider this to be a significant risk for Moray Council and the Group.</p>

# Significant risks identified (4)

Significant Risk	Description	Key aspects of our proposed response to the risk
<b>Fraud in Revenue Recognition</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p><b>(rebutted)</b></p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the 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 (5)

## Significant Risk Description

### Valuation of land, buildings and council dwellings

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

As at 31 March 2025, the Council held land and buildings of £403 million and council dwellings of £496 million. Given these significant values, and the level of complexity and judgement involved in their estimation process, there is an inherent risk of material misstatement in the year end valuation of some assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical cost, as a proxy of fair value. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and/or unusual approaches to their valuations. The risk will be pinpointed as part of our final accounts work, once review the population of assets revalued.

A substantial change has been made to the Code of Audit Practice for 2025/26. Local authorities are now required to completed a full valuation for all properties once every five years or alternatively on a five-year rolling basis and supported by indexation in intervening years. We have confirmed that the Council employ an internal valuer to undertake a rolling programme of valuations across their asset base valuing land and buildings at least once every five years. In the intervening periods, Moray Council carries out an indexation exercise. For 2025/26, the Council will utilise an external valuer to carry out the valuations of Council Dwellings.

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 (6)

## Significant Risk Description

### Valuation of defined benefit pension scheme

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. 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.

In 2024/25, the Council applied the asset ceiling test as prescribed by IFRIC 14 which limited the measurement of a defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' The pension asset can be recognised as the lower of the net pension asset or the present value of any economic benefits available. The Council's actuaries undertook this assessment and the asset value in the accounts was reduced as the present value of the benefits available were lower than the pension asset. The net liability arising from the unfunded defined benefit obligation remained as there is no right to offset this.

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.

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 gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work.
- 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).
- Evaluate the data used by management's experts in the calculation of the estimates.
- Perform substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations.
- Assess the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements.
- Review management's assessment of the application of IFRIC 14 (if applicable).
- Evaluate the response received from the NESPF auditor in line with the Audit Scotland Protocol for Auditor Assurances for Local Government Pension Schemes.

# 03 Other matters

# Other matters (1)

## Other work

We have a number of audit responsibilities as set out in the Code and Planning Guidance 2025/26 issued by Audit Scotland:

- 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 (2025/26), 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.

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 includes 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 2025/26 WGA returns for bodies over a prescribed threshold determined by NAO.

While we do not expect to be informed of the threshold before July 2026, we anticipate that we will be required to provide a partial assurance statement for the Council for 2025/26.

# 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 the Council's 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
- 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 £7,500.

Our audit procedures for the connected charities trust funds include:

- Total transactional audit testing over all income and expenditure transactions incurred during 2025/26.
- 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.

The audit engagement categorisation of public sector entities has been updated with effect from 21 October 2025. An audit is now considered a category 2b public sector audit engagements where expenditure is greater than £875 million (previously this threshold was £500 million). Audit engagements of public sector entities with revenue or expenditure below this threshold will be category 4c.

Therefore, based on the projected expenditure figures detailed in the budget, our 2025/26 audit of Moray Council is expected to be classified as a Category 4C audit as gross expenditure will not exceed £875 million.

## 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.

## Draft financial statements 2025/26

From our discussions with the Council, we have been informed that the timeliness of a full set of draft financial statements will be impacted due to the availability of an external valuation expert for the Council's housing stock valuation. This could impact the timeliness of the audit depending on when this is received. It will impact also the date that the Council will be able to advertise their draft statements as they need to be a complete version.

We are aiming to commence the audit as planned on a set of statements without the housing stock valuation included. This will add a level of complexity to the audit process. At the date of this report the timeline for the valuation is not yet finalised, initial discussions have indicated the valuation is expected in the summer period.

# 04 Materiality

# Our approach to materiality (1)

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and not only applies to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined planning materiality (financial statement materiality) at the planning stage of the audit based on professional judgement in the context of our knowledge of Moray Council and its group, including consideration of factors such as public 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 Moray Council and the group for the financial year.</p>	<p>We determine planning materiality to:</p> <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; and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul>
2	<p><b>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>	<p>An item may be considered to be material by nature when it relates to:</p> <ul style="list-style-type: none"> <li>– instances where greater precision is required (e.g.. senior management remuneration and audit fees).</li> </ul>
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality on receipt of the draft statement of accounts and 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.</p>



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 (2)

Materiality area	2025/26 planning materiality	Qualitative factors considered
Headline materiality for the financial statements	Group: £10.130 million Council: £9.496 million	<p>This is equivalent to approximately 2.5% (Group) and 2.35% (Council) of the gross expenditure for the period ended 31 March 2025 (2024/25: 2% (Group) and 1.9% (Council)). In setting this threshold, the following factors have been considered:</p> <ul style="list-style-type: none"> <li>• There were no significant findings in the 2024/25 audit report.</li> <li>• No significant deficiencies have been identified in the Council’s control environment.</li> <li>• The level of public interest in the Council by the public and the Scottish Government.</li> </ul>
Performance materiality for the financial statements	Group: £7.597 million Council: £7.122 million	<p>Performance materiality has been set at 75% (Group and Council) of financial statements materiality (2024/25: 75% (Group and Council)). Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</p>
Reporting threshold	Group: £0.506 million Council: £0.474 million	<p>This balance is set at 5% of materiality (Group and Council) (2024/25: 5%). All misstatements above this threshold will be reported.</p>
Materiality for the senior management remuneration disclosure	Group: £25,000 Group (PM): £18,750 Council: £25,000 Council (PM): £18,750	<p>Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.</p> <p>As a lower materiality is determined, we are required to determine a performance materiality (PM) for the Remuneration Report. Lower performance materiality has been set at 75% of Remuneration Report materiality.</p>

# 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 scheme	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, reserves 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, reserves and cash held at 31 March	Group Auditor	Valuation of land and buildings	Grant Thornton UK

# Group audit scope and risk assessment (2)

There were have been no key changes in the group during 2025/26.

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.

## **Fraud and Litigation**

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.

## **Involvement in the work of component auditors**

We do not intend to use the work of component auditors as part of our 2025/26 audit.

# 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	Pension scheme – payroll entries	<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 of Audit Practice extend beyond the audit of the financial statements. The Code of Audit Practice sets out four areas that constitute the wider scope of public audit in Scotland. These are summarised below:



## Financial management

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



## Financial Sustainability

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



## Vision, Leadership and Governance

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



## Use of Resources to Improve Outcomes

How the body makes best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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

A conclusion on the effectiveness and appropriateness of arrangements Moray Council has in place for each of the wider scope areas will be reported in the Annual Audit Report.

# Wider scope and best value arrangements (2)

## Risk assessment of Moray Council’s wider scope arrangements

The risk assessment process has identified one significant risk. The risk is reflected below, and we have confirmed the planned audit procedures to be carried out in response to the risk.

Area	2025/26 risk assessment	2025/26 risk-based procedures planned
Financial Sustainability	<p><b>Significant Risk - Financial Sustainability</b></p> <p>The Council continue to face significant financial pressures. In its 2026/27 Revenue Budget, approved by Full Council in February 2026, the Council confirmed that efficiency savings totalling £14.700 million would be required over the next three years (2026/27 – 2028/29) in order to achieve financial balance. The Council have approved £4.446 million of savings for 2026/27 and £2.069 million for financial years 2027/28 and 2028/29. A further £8.185 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.</p> <p>The Council also prepare a Medium to Longer Term Financial Strategy (2026/27–2035/36) (MTLFS) which was approved by the Council in February 2026. The MTLFS 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 £33.5 million to a budget deficit of £95.1 million.</p> <p>The mid range projections show a total budget gap of £44.130 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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review how the council identifies significant financial pressures and builds them into its plans.</li> <li>• Review how the council plans to bridge its funding gap and identify achievable savings and future transformation.</li> <li>• Review how the council plans its finances to support the sustainable delivery of services.</li> <li>• Review how the council identifies and manages risk to financial resilience.</li> <li>• Review how the council sets longer term financial plans and capital investment to deliver on priorities and how they determine their affordability.</li> <li>• Follow up the recommendations raised in the 2024/25 Annual Audit Report, including those raised in the Controller of Audit Report.</li> </ul>

# Wider scope and best value arrangements (3)

## Best Value

Under the 2021 Code of Audit Practice, the audit of Best Value in councils is fully integrated within our annual audit work. Best Value at the council is assessed comprehensively over the period of the audit appointment and includes an annual evaluation of the council's approach to demonstrating improvement in the effective use of resources and public performance reporting.

## 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. The Controller of Audit report on the Council was presented to the Accounts Commission in April 2024. The Accounts Commission's findings were reported to members at the June 2024 Council meeting. We reported progress with the council's improvement actions from the Best Value 2023/24 audit in our 2024/25 Annual Audit Report. A limited number of actions remained outstanding, and we will review any further progress in our 2025/26 wider scope work.

## Best Value Thematic

The thematic work for 2025/26 is on the subject of asset management - '**How well are councils managing their assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change**'. This work will include an assessment of and conclusion on:

- To what extent does the council have a clear asset management strategy and plans that align with its corporate objectives, new ways of working, the changing needs of its population and net zero commitments
- To what extent do the council's governance and accountability arrangements support effective asset management
- To what extent does the council have a robust approach to working with partners and communities in managing its assets

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

## Performance Reporting

Auditors have a statutory duty to satisfy themselves that councils have made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction from the Accounts Commission. The Commission issued a new [Statutory Performance Information Direction](#) in 2024 which applies in 2025/26 for the first time. Complying with the Direction is fundamental to councils fulfilling their duty to secure Best Value. We will evaluate the Council's arrangements for complying with the new Direction in 2025/26, with our findings reported in the 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 several wider reporting responsibilities beyond the audit of the financial statements. Below we summarise the key areas of work for our 2025/26 audit, including expected reporting under Audit Scotland’s Code of Audit Practice and audit planning guidance:

Requirement	How we will report our findings
<p><b>Annual Accounts</b></p> <p>Perform an audit of the annual accounts and express an audit opinion.</p>	<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>
<p><b>Wider scope audit areas</b></p> <p>Conclude and report on our assessment of the wider scope audit areas.</p>	<ul style="list-style-type: none"> <li>• Annual Audit Report</li> </ul>
<p><b>Best Value– Follow Up</b></p> <p>Follow up of the 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.</p>	<ul style="list-style-type: none"> <li>• Annual Audit Report</li> </ul>
<p><b>Best Value thematic work for 2025/26</b></p> <p>We are required to report locally on any Best Value thematic work prescribed by the Accounts Commission. For 2025/26 the prescribed thematic is ‘Asset Management’.</p>	<ul style="list-style-type: none"> <li>• Annual Audit Report</li> <li>• Reporting in a separate management report is also required.</li> </ul>
<p><b>Statutory Performance Information</b></p> <p>Consider and report on Statutory Performance Information arrangements.</p>	<ul style="list-style-type: none"> <li>• Annual Audit Report</li> </ul>
<p><b>National Fraud Initiative (NFI)</b></p> <p>Contribute to NFI report.</p>	<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
<p><b>Statutory Objections</b></p> <p>Consider statutory objections to the annual accounts</p>	<ul style="list-style-type: none"> <li>• Response to any objections received.</li> </ul>
<p><b>Whole of Government Accounts (WGA)</b></p> <p>Provide assurance over Moray Council's WGA return.</p>	<ul style="list-style-type: none"> <li>• Partial Assurance Statement on WGA return</li> </ul>
<p><b>Housing Benefits Subsidy Claim</b></p> <p>Independent certification on housing benefit subsidy claim to the Department for Works and Pensions (DWP).</p>	<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 2026)</li> </ul>
<p><b>Non-domestic rates (NDR)</b></p> <p>Certification of NDR claim.</p>	<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 2026)</li> </ul>
<p><b>Current Issues Returns</b></p> <p>Prepare and submit Current Issues Returns.</p>	<ul style="list-style-type: none"> <li>• Current Issues Returns</li> </ul>
<p><b>Statutory Objections</b></p> <p>Consider statutory objections to the annual accounts</p>	<ul style="list-style-type: none"> <li>• Response to any objections received.</li> </ul>
<p><b>Correspondence queries</b></p> <p>Carry out preliminary enquiries into any correspondence relevant to Moray Council that is referred to Audit Scotland.</p>	<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>

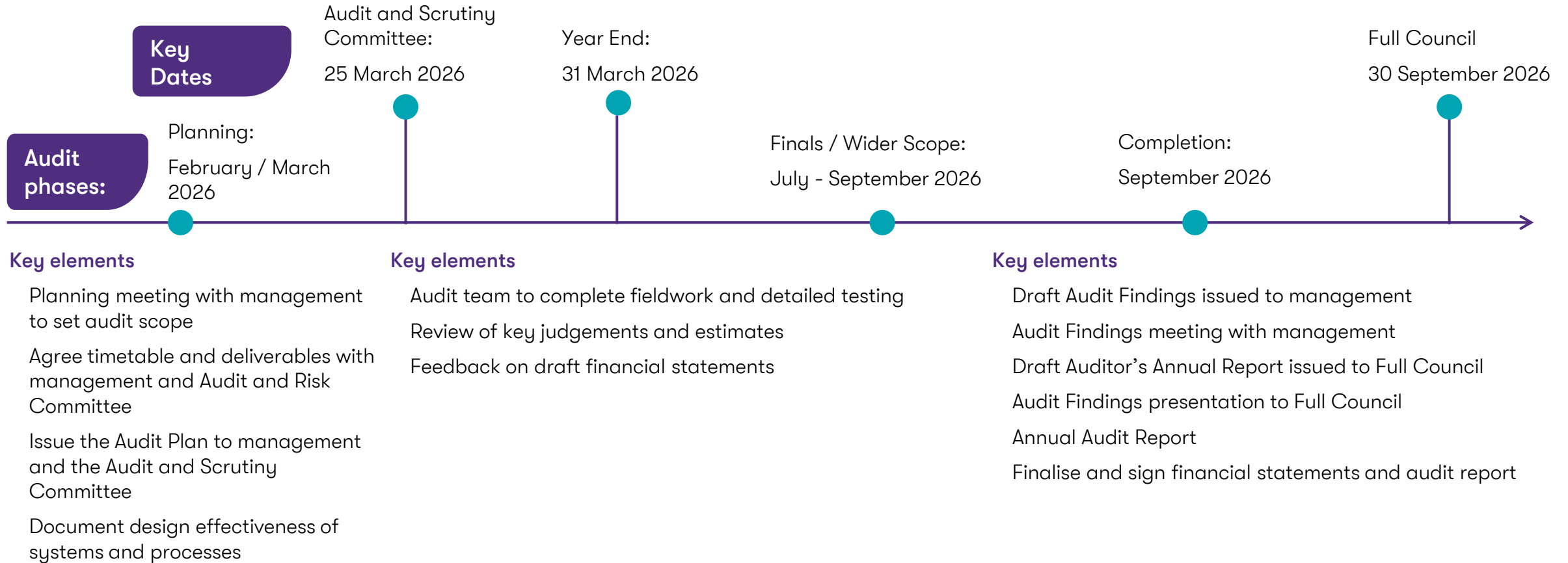
# Audit Scotland Deliverables (3)

Requirement	How we will report our findings
<p><b>Emerging issues</b></p> <p>Communication of emerging issues to Audit Scotland and highlight any issues for potential statutory reports.</p>	<ul style="list-style-type: none"> <li>• Communicating throughout our audit emerging issues identified throughout the year</li> </ul>
<p><b>Performance, impact and overview reports</b></p> <p>Contribute to housing benefit performance audits, the Shared Risk Assessment, sector annual reports, shared intelligence on health and social care, and sector meetings.</p>	<ul style="list-style-type: none"> <li>• Providing information returns to Audit Scotland</li> </ul>
<p><b>Money laundering and fraud</b></p> <p>Provide information on cases of money laundering or fraud.</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Reporting cases to the National Crime Agency of any instances of money laundering or fraud</li> </ul>
<p><b>Technical Guidance</b></p> <p>Contribute to Technical Guidance Notes</p>	<ul style="list-style-type: none"> <li>• Providing responses to Audit Scotland consultations on draft Technical Guidance Notes for Auditors</li> </ul>
<p><b>Local Area Network</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• We will share the timetable of scrutiny activity with the Scrutiny Coordination Group</li> </ul>

# 09 Logistics

# Logistics

## The audit timeline



# Our team and communications

## Grant Thornton core team

**Mark Stocks (Planning to 8 March)**

**Angela Pieri (Planning from 9 March and fieldwork & completion)**

**Engagement Leader**

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

**Andrew Wallace**  
**Senior Audit Manager**

- Audit planning
- Resource management
- Performance management reporting

**Matthew Cronin (Planning)**

**Yashika Goel (fieldwork and completion)**

**Audit Senior**

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	Annual client service review	The Audit Plan The Auditor’s Annual Report	Audit planning meetings Audit clearance meetings Communication of issues log	Technical updates
<b>Informal communications</b>	Open channel for discussion		Communication of audit issues as they arise	Notification of up-coming issues

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# 10 Audit Fees

# Audit Fees

## Relevant Professional Standards

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.

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 stipulate that the Engagement Lead (Key Audit Partner) 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.

Audit fees were shared by Audit Scotland with the Chief Executive and Chief Financial Officer in January 2026. 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.

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.

The baseline fee of £318,810 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 41.

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 £7,500 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 as follows:

- ISA (UK) 600 – enhanced audit procedures required in relation to the group Financial Statements
- Follow up of significant number of outstanding external audit recommendations

These are considered in further detail at page 41.

# Audit Fees (2)

## Audit fees for 2025/26

Service	Fees (£)
External Auditor Remuneration	£253,050
Pooled Costs	£8,730
Contribution to Performance Audit and Best Value	£59,470
Sectoral cap adjustment	-£2,440
Trust Fund Charity (not covered in the initial fee)	£7,500
<b>2025/26 Fee</b>	<b>£326,310</b>

We know at the outset at the planning stage that there will be some additional fee to external auditor remuneration due to:

- enhanced audit procedures required due to ISA600 groups and IFRS16 leases that was revised in 2024/25
- follow-up of prior year audit recommendations and number of areas of work in wider scope work

We will agree the additional fee later in the process when the quantum of work is fully determined. These areas formed part of the additional fee in 2024/25 also.

External auditors' remuneration would be £253,050 plus £7,500 for the Charity, and the total fee would be £326,310. The audit fee has been discussed with the Chief Financial Officer and presented to Audit and Scrutiny Committee on 25 March 2026.

We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise. We will also require some additional fee if the council house valuation is received in a further iteration of financial statements.

## Fee Assumption

In setting the fee for 2025/26 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.

	Fees (£)
<b>Additional Fees (Non-Audit Services)</b>	
At planning stage we confirm there are no planned non-audit services	Nil

# 11 Independence matters

# Independence matters

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.

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

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

# Communication of audit matters with those charged with governance (1)

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	●
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks 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	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures	●	●

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 Audit Findings 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.

# Communication of audit matters with those charged with governance (2)

Our communication plan	Audit Plan	Audit Findings
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		●

## 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.

# 14 Appendices

# New or revised IFRS

New or revised accounting standards that are in effect for reporting periods beginning on or after 1 January 2025.

## Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help investors understand their impact on a company's financial performance and cash flows. The amendments are effective from **1 January 2026**.

## 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 solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments (e.g. instruments with features linked to environmental social and governance (ESG) targets). The amendments are effective 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**.

## B. 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 2025/26).





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