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**REPORT TO: SPECIAL MORAY COUNCIL ON 25 OCTOBER 2023**

**SUBJECT: MORAY COUNCIL'S AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2022 TO 31 MARCH 2023**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

**1. REASON FOR REPORT**

- 1.1 To submit to the Council the Audited Annual Accounts for the Moray Council for the year ended 31 March 2023.
- 1.2 This report is submitted to the Council for consideration as a suite of reports on the Annual Audit and Accounts for 2022/23.

**2. RECOMMENDATION**

**2.1 It is recommended that the Council:**

- i) consider and note the Audited Annual Accounts for the financial year 2022/23; and**
- ii) approve that the Annual Accounts are signed, having regard to the Annual Report from the external auditor considered earlier at this meeting.**

**3. BACKGROUND**

- 3.1 The unaudited Annual Accounts were submitted to a meeting of Moray Council on 28 June 2023 (paragraph 9 of the minute refers). A copy of the Audited Annual Accounts for 2022/23 is available as another meeting document on this agenda. Subject to approval, the signed accounts will be posted to the Council's website following this meeting.
- 3.2 As a result of the audit process a number of changes have been made to the Core Statements and these are described below.
- 3.3 The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years. The Council undertook a desktop indexation exercise for assets not subject to a formal valuation during 2022/23 and corrections were required as a result of the audit. This included the

Council's Housing Stock. Due to the timings for preparing the annual accounts the indexation percentage applied was based on information available at the end of February 2023. When this reviewed during the audit information to the end of March 2023 was available and this amended the percentage used from 6.88% to 2.57%. Corrections were also identified in regards of asset values included in the unaudited accounts and these were also amended in the accounts. The effect of these amendments was to decrease net assets and unusable reserves by £14.784 million. There was no impact on the Council's useable reserves.

- 3.4 The unaudited accounts contained a Pension Asset of £161.095 million. This unusual situation was caused by increased interest rates and also due to an increase in the expectations of the future level of return on investments held by the North East Scotland Pension Fund. However, under International Financial Reporting Standards (IFRS), the Council is limited as to how much of a surplus can be recognised as an asset. The Council engaged with its actuaries to apply the asset ceiling test to determine the level of asset to be recognised. The revised figures are incorporated in the audited accounts. This has resulted in a decrease in the Pension Asset of £153.611 million and an increase in the Pension Liability of £10.257 million. This impacted on the Comprehensive Income and Expenditure Statement (CIES) by increasing the re-measurement of the net defined liability. This also affected the Movement in Reserves Statement (MIRS) to increase the unusable reserves value; the Balance Sheet for the pension assets and long term pension liability and pension reserve, along with the associated notes and group accounts. There was no impact on the Council's useable reserves.
- 3.5 The overall impact of the amendments is to decrease net assets by £178.652 million and unusable reserves by £178.652 million. There was no impact on the Council's useable reserves.
- 3.6 The External Auditors have given the Council an unqualified opinion in the Independent Auditors' Report, which can be found on pages 117-119 of the Accounts.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

There are no implications for the Corporate Plan or LOIP.

**(b) Policy and Legal**

According to Paragraph (1) of the Local Authority Accounts (Scotland) Regulations 2014, a Local Authority is required to submit its Audited Accounts to the Council each year and state that a local authority must meet to consider the Audited Accounts and aim to approve them no later than 30 September immediately following the financial year to which they relate. The audit was not completed within time for the amended accounts to be prepared, checked by the auditors and reported to Council by 30 September 2023.

The review by the External Auditors of the Council's Accounts is in accordance with the Council's Code of Corporate Governance and ensures that the Council complies with established policies, procedures, laws and regulations.

**(c) Financial implications**

Amendments to the accounts were identified as part of the audit process. The impact of these was to decrease net assets by £178.652 million and unusable reserves by £178.652 million. There was no impact on the Council's useable reserves.

**(d) Risk Implications**

There are no risk issues arising directly from this report. The work undertaken by the External Auditor provides assurance to the Council that the Accounts for 2022/23 give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.

**(e) Staffing Implications**

Many staff throughout the Council provide information for the inclusion in the Annual Accounts.

**(f) Property**

There are no property issues arising directly from this report.

**(g) Equalities/Socio Economic Impact**

There are no equalities issues arising directly from this report.

**(h) Climate Change and Biodiversity Impacts**

There are no climate change and biodiversity issues arising directly from this report.

**(i) Consultations**

None.

**5. CONCLUSION**

**5.1 The Council's External Auditor has issued an opinion with no qualifications for the 2022/23 Annual Accounts which means that the audited financial statements give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.**

Author of Report: Laurie Milne, Senior Accountant  
Background Papers: Held in Financial Services  
Ref: SPMAN-1293228629-948