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## Moray Council

Wednesday, 26 September 2018

**NOTICE IS HEREBY GIVEN** that a Meeting of the **Moray Council** is to be held at **Council Chambers, Council Office, High Street, Elgin, IV30 1BX** on **Wednesday, 26 September 2018 at 14:00.**

### BUSINESS

**1 Sederunt**

**2 Declaration of Group Decisions and Members Interests \***

**3 Resolution**

Consider, and if so decide, adopt the following resolution:  
"That under Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting for Item 7 of business on the grounds that it involves the likely disclosure of exempt information of the class described in the relevant Paragraphs of Part 1 of Schedule 7A of the Act."

**4 External Audit - Annual Report to Council on 2017/18 5 - 24**

**Audit**

Report by Corporate Director (Corporate Services)

**5 Moray Council's Audited Annual Accounts for the period 25 - 28  
1 April 2017 to 31 March 2018**

Report by Corporate Director (Corporate Services)

**6 Moray Council's Connected Charities' Audited Annual 29 - 32  
Accounts for the period 1 April 2017 to 31 March 2018**

Report by Corporate Director (Corporate Services)

**Item(s) which the Committee may wish to consider with  
the Press and Public excluded**

**7 Financial Planning 2019/20 Onwards [Para 1]**

- Information relating to staffing matters;

**Any person attending the meeting who requires access assistance should  
contact customer services on 01343 563217 in advance of the meeting.**

## GUIDANCE NOTES

\* **Declaration of Group Decisions and Members Interests** - The Chair of the meeting shall seek declarations from any individual or political group at the beginning of a meeting whether any prior decision has been reached on how the individual or members of the group will vote on any item(s) of business on the Agenda, and if so on which item(s). A prior decision shall be one that the individual or the group deems to be mandatory on the individual or the group members such that the individual or the group members will be subject to sanctions should they not vote in accordance with the prior decision. Any such prior decisions will be recorded in the Minute of the meeting.

\*\* **Written Questions** - Any Member can put one written question about any relevant and competent business within the specified remits not already on the agenda, to the Chair provided it is received by the Proper Officer or Committee Services by 12 noon two working days prior to the day of the meeting. A copy of any written answer provided by the Chair will be tabled at the start of the relevant section of the meeting. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than 10 minutes after the Council has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he or she can submit it in writing to the Proper Officer who will arrange for a written answer to be provided within 7 working days.

\*\*\* **Question Time** - At each ordinary meeting of the Committee ten minutes will be allowed for Members questions when any Member of the Committee can put a question to the Chair on any business within the remit of that Section of the Committee. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than ten minutes after the Committee has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he/she can submit it in writing to the proper officer who will arrange for a written answer to be provided within seven working days.

Clerk Name: Moira Patrick  
Clerk Telephone: 01343 563016  
Clerk Email: moira.patrick@moray.gov.uk

# THE MORAY COUNCIL

## Moray Council

### SEDERUNT

Councillor Shona Morrison (Chair)  
Councillor Graham Leadbitter (Depute Chair)  
Councillor George Alexander (Member)  
Councillor James Allan (Member)  
Councillor David Bremner (Member)  
Councillor Frank Brown (Member)  
Councillor Theresa Coull (Member)  
Councillor John Cowe (Member)  
Councillor Gordon Cowie (Member)  
Councillor Paula Coy (Member)  
Councillor Lorna Creswell (Member)  
Councillor John Divers (Member)  
Councillor Tim Eagle (Member)  
Councillor Ryan Edwards (Member)  
Councillor Claire Feaver (Member)  
Councillor Donald Gatt (Member)  
Councillor Louise Laing (Member)  
Councillor Marc Macrae (Member)  
Councillor Aaron McLean (Member)  
Councillor Maria McLean (Member)  
Councillor Ray McLean (Member)  
Councillor Amy Patience (Member)  
Councillor Derek Ross (Member)  
Councillor Ron Shepherd (Member)  
Councillor Sonya Warren (Member)  
Councillor Walter Wilson (Member)

Clerk Name: Moira Patrick  
Clerk Telephone: 01343 563016  
Clerk Email: [moira.patrick@moray.gov.uk](mailto:moira.patrick@moray.gov.uk)



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**REPORT TO: SPECIAL MORAY COUNCIL ON 26 SEPTEMBER 2018**

**SUBJECT: EXTERNAL AUDIT – ANNUAL REPORT TO COUNCIL ON  
2017/18 AUDIT**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 To provide Council with a copy of the External Auditor's report to Council on the 2017/18 Audit.
- 1.2 This report is submitted to the Council for consideration as a suite of reports on the Annual Audit and Accounts for 2017/18.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Council considers and notes the contents of the attached report from the Council's External Auditors.**

**3. BACKGROUND**

- 3.1 The Council's External Auditor, Audit Scotland, provides an Annual Report to those in charge of governance who are the Council and the Controller of Audit each year. This report is a significant document and covers:
- Significant audit and accounting matters
  - Financial management and sustainability
  - Governance and transparency
  - Value for Money
  - Fraud
  - Findings which require action and management's response
- 3.2 A copy of the External Auditor's covering report is attached as **APPENDIX 1** for information and the report itself will be circulated separately to this agenda. A representative of the Council's External Auditors will present the report at the meeting.

- 3.3 The report coincides with the completion of the Annual Audit of the Council's Annual Accounts. The Council has received an unqualified Audit Opinion for 2017/18 on the council's annual accounts and on the Connected Charities accounts.
- 3.4 The report includes an Action Plan (**APPENDIX 1** to the Auditor's Report) dealing with areas where the External Auditor has identified room for improvement. The most significant of these for the Council is financial sustainability, where the following risk is identified: the Council is unable to agree and implement a sustainable model for service delivery before its reserves are exhausted.

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

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

This is referenced in **Appendix 1** to the report.

**(b) Policy and Legal**

The audit is conducted in terms of statutory powers afforded to Audit Scotland, the appointed External Auditor for the Council.

**(c) Financial Implications**

There are no issues arising directly from this report. The report notes that the current level of service provision is not financially sustainable and that Members have a short time in which to make difficult decisions to balance the budget for 2018/19.

**(d) Risk Implications**

The work undertaken by External Audit provides assurance to Members on the Council's performance management, financial statements and the actions taken by the Council to address significant matters arising out of the audit process.

**(e) Staffing Implications**

Preparation of the Council's annual financial statements requires significant resource input as part of the scheduled work of the accountancy team within Corporate Services.

**(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. The report concludes that the council has mainstreamed equalities issues.

**(h) Consultations**

The content of the External Auditor's report has been discussed with CMT and relevant officers of the Council.

**5. CONCLUSION**

- 5.1 The annual audit by External Audit gives members assurance that the Council's Financial Statements give a true and fair view of its financial position at 31 March 2018 and that appropriate internal control systems are in place. The Report to those in charge of governance details External Audit's findings and conclusions arising from the audit and the planned management actions to address matters which have been highlighted.**

Author of Report: Lorraine Paisey, Head of Financial Services – Ext 3213  
Background Papers: Attached  
Ref: LP/LJC/





1st Floor, Room F03  
The Green House  
Beechwood Business Park North  
Inverness  
IV2 3BL

T: 0131 625 1500  
E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



Moray Council  
High Street  
Elgin  
IV30 1BX

26 September 2018

## Moray Council 2017/18 Annual Audit Report

### Independent auditor's report

1. Our audit work on the 2017/18 annual accounts of Moray Council and The Moray Council – Connected Charity Trust Funds is now substantially complete. Subject to receipt of revised sets of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's reports on 26 September 2018 for the charitable trusts and 28 September 2018 for the council. The proposed reports are attached at **Appendix A** (Council) and **Appendix B** (The Moray Council – Connected Charity Trust Funds). There are no anticipated modifications to the audit reports.

### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Moray Council's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. Uncorrected misstatements are set out in Appendix 3 of the attached annual audit report.

## **Fraud, subsequent events and compliance with laws and regulations**

6. In presenting this report to Moray Council we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from Section 95 Officer**

7. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer and Trustees on aspects of the annual accounts, including the judgements and estimates made.
8. Draft letters of representation are attached at **Appendix C** (Council) and **Appendix D** (The Moray Council – Connected Charity Trust Funds). These should be signed and returned to us with the signed annual accounts prior to the independent auditor's reports being certified.

# APPENDIX A: Council's Proposed Independent Auditor's Report

## Independent auditor's report to the members of Moray Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Report on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Moray Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income & Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Trust Funds Income and Expenditure Account, Trust Funds Balance Sheet, the Common Good Funds Income and Expenditure Account, the Common Good Funds Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Head of Financial Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Responsibilities of the Head of Financial Services and Moray Council for the financial statements**

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Head of Financial Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Financial Services is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Moray Council is responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual accounts**

The Head of Financial Services is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Brian Howarth ACMA CGMA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

28 September 2018

## APPENDIX B: Charities' Proposed Independent Auditor's Report

### Independent auditor's report to the trustees of The Moray Council - Connected Charity Trust Funds and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of The Moray Council - Connected Charity Trust Funds for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2018 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charities to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Responsibilities of the trustees for the financial statements**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Maggie Bruce CA  
Senior Audit Manager  
Audit Scotland  
1st Floor, Room F03  
The Green House  
Beechwood Business Park North  
Inverness  
IV2 3BL

26 September 2018

Maggie Bruce is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.



## APPENDIX C: Council Letter of Representation (ISA 580)

Brian Howarth  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
Nelson Mandela Place  
Glasgow  
G2 1BT

26 September 2018

Dear Brian,

### **Moray Council Annual Accounts 2017/18**

1. This representation letter is provided about your audit of the annual accounts of Moray Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and the annual governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Moray Council's annual accounts for the year ended 31 March 2018.

### **General**

3. Moray Council and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Moray Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 Code), and in accordance with the requirements of Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Moray Council and its group at 31 March 2018 and the transactions for 2017/18.

## Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 Code where applicable. Where the 2017/18 Code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Moray Council's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## Going Concern Basis of Accounting

9. I have assessed Moray Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Moray Council's ability to continue as a going concern.

## Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2018 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2018 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2018.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## Liabilities

15. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2018 of which I am aware where the conditions specified in the 2017/18 Code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2018. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2018 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

18. The accrual recognised in the financial statements for holiday untaken by 31 March 2018 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for Moray Council have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

21. There are no significant contingent liabilities, other than those disclosed in Note 38 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2017/18 Code and IAS 37.

### **Fraud**

22. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

24. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 Code. I have made available to you the identity of all Moray Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management Commentary**

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

27. I confirm that Moray Council has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

## **Group Accounts**

29. I have identified all the other entities in which Moray Council has a material interest and have classified and accounted for them in accordance with the 2017/18 Code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

## **Events Subsequent to the Date of the Balance Sheet**

30. All events subsequent to 31 March 2018 for which the 2017/18 Code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Lorraine Paisey  
Head of Financial Services

## APPENDIX D: Charities' Letter of Representation (ISA 580)

Maggie Bruce  
Senior Audit Manager  
Audit Scotland  
1st Floor, Room F03  
The Green House  
Beechwood Business Park  
Inverness  
IV2 3BL  
Dear Maggie

26 September 2018

### **The Moray Council – Connected Charity Trust Funds Annual Accounts 2017/18**

1. This representation letter is provided about your audit of the annual accounts of The Moray Council - Connected Charity Trust Funds for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of the charities as at 31 March 2018 and of their incoming resources and application of resources for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Trustees, the following representations given to you in connection with your audit of The Moray Council - Connected Charity Trust Funds for the year ended 31 March 2018.

#### **General**

3. The Trustees and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the charities have been recorded in the accounting records and are properly reflected in the financial statements.
4. The information given in the Trustees' Annual Report to the financial statements, presents a balanced picture of The Moray Council - Connected Charity Trust Funds and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

#### **Financial Reporting Framework**

6. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.
7. I have ensured that the financial statements give a true and fair view of the financial position of The Moray Council - Connected Charity Trust Funds at 31 March 2018 and the transactions for 2017/18.

## **Accounting Policies & Estimates**

8. All significant accounting policies applied are as shown in the notes to the financial statements. All accounting policies applied are appropriate to the charities' circumstances and have been consistently applied.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

10. The Trustees have assessed the charities' ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the charities ability to continue as a going concern.

## **Assets**

11. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2018 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
12. I carried out an assessment at 31 March 2018 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
13. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2018.
14. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
15. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

16. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2018 of which I am aware where the conditions specified in the 2017/18 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2018. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
18. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

## **Contingent liabilities**

19. There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts.

## **Fraud**

20. I have provided you with all information in relation to:
- my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## **Laws and Regulations**

21. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

22. All material transactions with related parties have been disclosed in the financial statements. I have made available to you the identity of all the charities' related parties and all the related party relationships and transactions of which I am aware.

## **Corporate Governance**

23. I confirm that I have undertaken a review of the system of internal control during 2017/18. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

## **Events Subsequent to the Date of the Balance Sheet**

24. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
25. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Yours sincerely

Graham Leadbitter  
Trustee







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**REPORT TO: SPECIAL MORAY COUNCIL ON 26 SEPTEMBER 2018**

**SUBJECT: MORAY COUNCIL'S AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2017 TO 31 MARCH 2018**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**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 2018.
- 1.2 This report is submitted to the Council for consideration as a suite of reports on the Annual Audit and Accounts for 2017/18.

**2. RECOMMENDATION**

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

- (i) **considers the Audited Annual Accounts for the financial year 2017/18; and**
- (ii) **approves 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 for 2017/18 were submitted to a meeting of the Council on 28 June 2018. A copy of the Audited Annual Accounts for 2017/18 has been circulated with the agenda to this meeting for your information.
- 3.2 The audit process highlighted presentational changes to the financial information and no changes have been made to the Core Statements.

- 3.2.1 The major change to the accounts was the IAS 19 pension fund liability. Audit Scotland discovered a discrepancy whilst auditing the Pension Fund accounts between the estimated figures provided by the actuaries and the actual result for the year and requested the figures to be recalculated. This resulted in an increase in liability of £18.14 million. This impacted on the Consolidated Income and Expenditure Statement (CIES) for other expenditure by increasing the re-measurement of the net defined benefit liability. This also affected the Move In Reserves Statement (MIRS) to increase the unusable reserves value; the Balance Sheet for the Long term pension liability and pension reserve, along with the associated notes and group accounts.
- 3.2.2 In addition to the above, the Balance Sheet was amended for changes in classification of short term investments from investments to Cash and Cash equivalents £11million; debtors and creditors for the incorrectly classified entry for the Moray Integration Joint Board £0.78million and for the provision relating to the flood alleviation which was moved to creditors £0.27million. This also affected all the associated notes and group accounts.
- 3.2.3 None of these amendments affect the useable reserves of the Council as previously reported.
- 3.3 Other presentational amendments were made in the accounts but did not have any impact on the core statements.
- 3.4 The Council's External Auditors have given the Council an unqualified opinion in the Independent Auditors' Report which can be found on pages 129 to 131 of the Accounts.

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

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

None.

**(b) Policy and Legal**

According to Paragraph 10 (1) of the Local Authority Accounts (Scotland) Regulations 2014, a Local Authority is required to submit its Audited Accounts to the Council each year.

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.

The Local Authority Accounts (Scotland) Regulations 2014 (paragraph 10(i)) 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.

**(c) Financial implications**

The majority of the revisions made to the accounts were presentational and had no impact on the Council's General Fund. One amendment relating to IAS 19 pension liability impacted on the CIES, Balance Sheet and unusable reserves by increasing the liability by £18 million.

**(d) Risk Implications**

There are no risk issues arising directly from this report. The work undertaken by Audit Scotland provides assurance to the Committee that the Accounts for 2017/18 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) Consultations**

None.

**5. CONCLUSION**

- 5.1 The Council's External Auditor has issued an opinion with no qualifications for the 2017/18 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: Lorraine Paisey, Head of Financial Services – Ext 3213  
Background Papers: Held in Financial Services  
Ref: LP/LJC/213-3142





**REPORT TO: SPECIAL MORAY COUNCIL ON 26 SEPTEMBER 2018**

**SUBJECT: MORAY COUNCIL'S CONNECTED CHARITIES' AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2017 TO 31 MARCH 2018**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 To submit to the Council the audited Annual Accounts for Moray Council's Connected Charities for the year ended 31 March 2018.
- 1.2 This report is submitted to the Council for consideration as a suite of reports on the annual audit and accounts for 2017/18.

**2. RECOMMENDATION**

- 2.1 **It is recommended that the Council considers and approves the audited Annual Accounts for the Connected Charities for the financial year 2017/18.**

**3. BACKGROUND**

- 3.1 Moray Council (all 26 councillors) acts as sole trustee for the administration of 31 small charitable trusts, which are all registered with the Office of the Scottish Charities Regulator (OSCR).
- 3.2 Section 106 of the Local Government (Scotland) Act 1973 applies the accounting and auditing requirement of the Act to any trust fund where an authority or some members of the authority are the sole trustees. As section 106 requires an audit, the appointments of local authority auditors include the provision of an auditor's report for charitable funds covered by that section.
- 3.3 Regulation 7 of the Charities Accounts (Scotland) Regulations 2006 permits charities that have a common purpose or shared management to prepare a single set of "connected charities" accounts. Moray Council acts as sole trustee to 31 individual small charitable trusts. On the basis of this shared management arrangement, it has been agreed with the Council's auditors that the financial result of the 31 individual small charitable trusts can be consolidated into a single set of accounts for audit purpose.

- 3.4 A copy of the Connected Charities Audited Annual Accounts for 2017/18 has been circulated with the Agenda for this meeting.
- 3.5 The unaudited accounts were considered by Council on 28 June 2018. There have been no significant amendments as a result of the audit and audit process did not highlight any unamended changes to the accounts.
- 3.6 The External Auditors have given the Council an unqualified opinion in the Independent Auditors' Report, which can be found on pages 23 - 25 of the Accounts.
- 3.7 They have however commented that 20 of the charities have not disbursed funds and it is unclear how they fulfil the public benefit test.
- 3.8 The report to trustees states that the Council should continue with its planned re-organisation of the trusts in order to maximise the use of the funds available.

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

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

None.

**(b) Policy and Legal**

According to Paragraph 6 (1) of the Local Authority Accounts (Scotland) Regulations 1985, a Local Authority is required to submit its Audited Accounts to the Council each year.

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**

The revisions made to the accounts were only presentational and had no impact on the balances held in the Trust Funds.

**(d) Risk Implications**

There are no risk issues arising directly from this report. The work undertaken by Audit Scotland provides assurance to the council that the Connected Charity Accounts for 2017/18 give a true and fair view of the financial position and expenditure and income of the council for the year.

**(e) Staffing Implications**

Staff throughout the council provide information for the inclusion in the annual Statement of 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) Consultations**

None.

**5. CONCLUSION**

- 5.1 The council's External Auditor has issued an opinion with no qualifications for the 2017/18 Connected Charities' 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's Connected Charities for the year.**

Author of Report: Lorraine Paisey – Ext 3213  
Background Papers: Held in Financial Services  
Ref: LP/LJC/213-3141

