



Food Standards Scotland

**ISA 260 report to the Audit & Risk Committee, the Board and the Auditor General for
Scotland on the 2024/25 External Audit**
Issued on the 17th December 2025

Contents

Report

Partner Introduction	3
Quality indicators	4
Our audit explained	5
Significant risks	6
Other significant findings	9
Other areas of audit focus	10
Our audit report	11
Your Annual Report and Accounts	12
Wider scope	13
Purpose of our report and responsibility statement	21

Appendices

Audit adjustments	23
Our other responsibilities explained	25
Independence and fees	26

Partner introduction

The key messages in this report

I have pleasure in presenting our ISA 260 report to the Audit & Risk Committee (“the ARC”) of Food Standards Scotland (“FSS”) for the 2024/25 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in March 2025.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our completed audit procedures we have issued an unmodified audit opinion.

We have provided management with comments and suggested changes concerning the Annual Report and Accounts, and have now received updated accounts which are compliant with the FReM. Our review of the auditable elements of the Remuneration and Staff report is complete.

Significant risk

In our planning report we identified operating within expenditure resource limits and management override of controls as significant risks, a summary of our work is presented on page 6.

Misstatements and control findings

We have identified a disclosure misstatement above our reporting threshold of £28k. This is outlined on page 23. We have noted one control observation as outlined on page 24.

Conclusions from our testing (continued)

Areas of audit focus

Change in Finance system: No issues arose from our data migration testing.

Defined benefit scheme disclosures: We have obtained assurances from the pension fund auditor, and our work with internal pension specialists has concluded. We would highlight to the ARC that an alternative methodology could be applied to the calculation of the asset surplus to be recognised, in the event this alternative methodology was applied the surplus would reduce by £256k.

Wider scope

FSS maintains a clear vision, adaptive leadership, and effective governance. Performance management is effective, with strong 2024/25 outcomes and active risk management.

Future uncertainty over base levels of funding highlights the reliance on Scottish Government, posing a long-term financial sustainability risk.

Added value

Our aim is to add value to the audit committee by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice to secure Best Value in public services. This is provided throughout the report.

Sarah McGavin
Partner

Quality indicators

Impact on the execution of our audit

 Lagging

 Developing

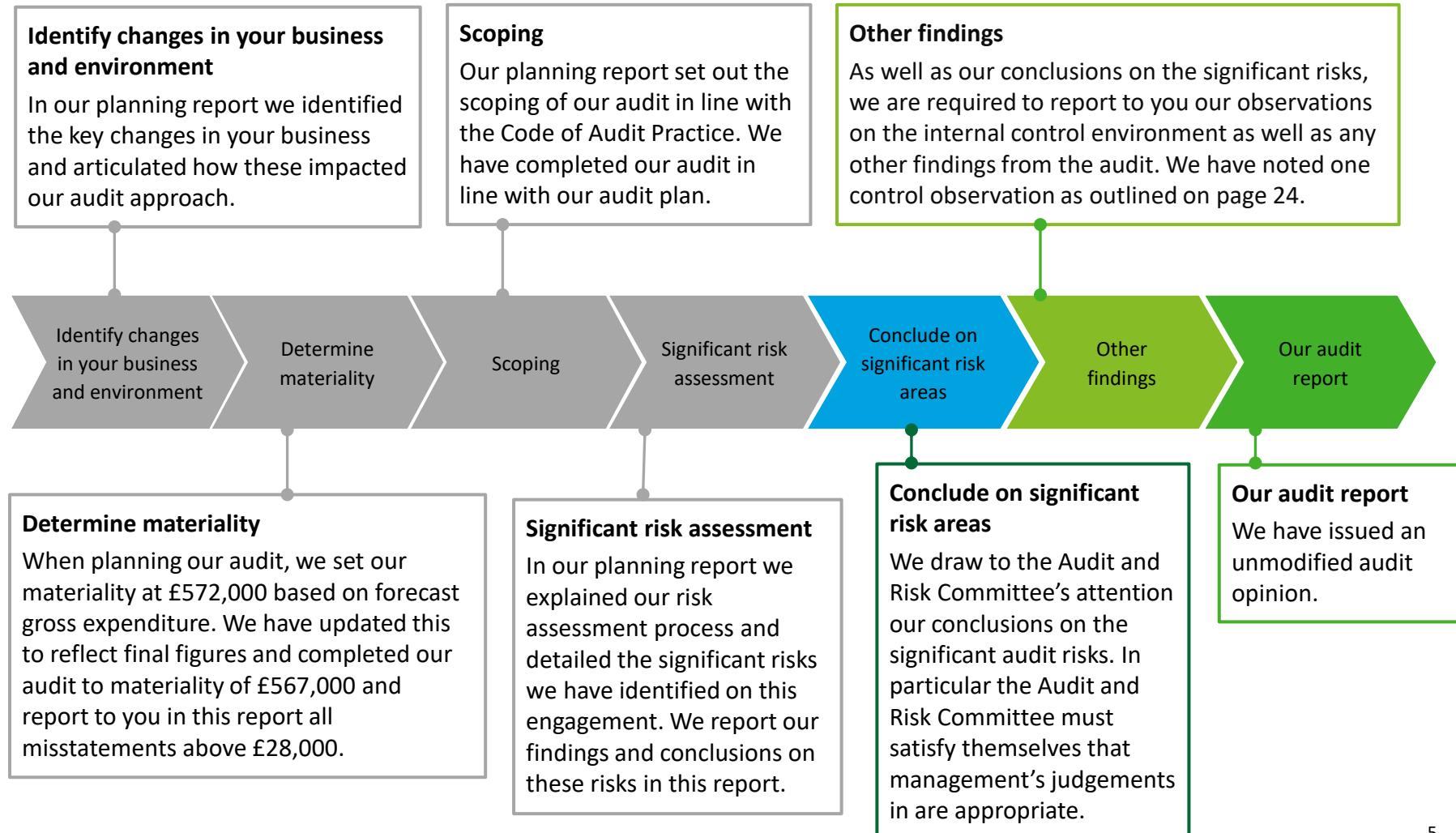
 Mature

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Deliverables and responses to follow ups provided promptly.	N/A
Adherence to deliverables timetable		Management provided deliverables within agreed timelines.	N/A
Access to finance team and other key personnel		Finance team have been accessible throughout, with the audit team informed of holidays in advance of audit fieldwork.	N/A
Quality and accuracy of management accounting papers		The majority of working papers provided were of a good quality. Some areas however required resubmission following clarification of exact requirements, but this did not impact on audit quality or timelines of the audit.	N/A
Quality of draft Annual Report and Accounts		Quality of the first draft was generally of a high standard. Review comments were addressed promptly and change logs provided.	N/A
Response to control deficiencies identified		Based on our work performed we have noted one control observation as outlined on page 24.	N/A
Volume and magnitude of identified errors		Based on our work performed we have identified a misstatement concerning the presentation of items in the cashflow statement. This is outlined on page 23.	N/A
Quality and timing of Audit Committee papers		The quality and timing of the Audit & Risk Committee papers was of a high standard.	N/A

Our audit explained

We tailor our audit to your business and your strategy



Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	
Operating within the expenditure resource limit			Satisfactory	

Controls approach adopted Assess design & implementation	Consistency of judgement Limited management judgement Moderate management judgement
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Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over approval of journal entries;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the approval of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

The defined benefit pension scheme represents a significant accounting estimate, characterised by inherent complexity and the need for considerable judgement in determining the pension asset or liability. Management responded to this by engaging an independent third-party actuary to provide the valuation.

Our audit procedures included a specific focus on management's judgements and the potential for bias. We have confirmed that the pension figures recorded by management are consistent with the independent actuary's valuation, and we found no evidence of unjustified alterations or indicators of management bias in their adoption of the actuarial report. Our specialists have completed their audit of the key assumptions and have identified an alternative methodology with regards to the calculation the asset surplus. This is outlined on page 10.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls.

Significant risks (continued)

Operating within the expenditure resource limits



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Aligned with our planning report we concluded that this was not a significant risk for FSS as there is little incentive to manipulate revenue recognition with all of revenue being from the Scottish Government which can be agreed to the Budget (Scotland) Act.

We therefore consider the fraud risk to be focused on how management operate within the revenue budget set by the Scottish Government; this is aligned to the guidance set out in Practice Note 10. The risk is that FSS could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluated the design and implementation of controls around monthly monitoring of financial performance;
- Confirmed the resource limits allocated to FSS by the Scottish Government by reference to the Budget Act and letter;
- Performed focused testing of completeness of accruals and existence of prepayments made at the year end; and
- Performed focused cut-off testing of a sample of invoices received and paid around the year end.

Deloitte view

We have not identified any issues from our audit procedures performed on this significant risk area.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

FSS's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FReM"). Following our audit work, we are satisfied that the accounting policies are appropriate and continue to close financial reporting observations.

Significant matters discussed with management:

Matters relating to our significant risks have been assessed and we have identified no issues from our audit procedures.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

Below are the findings from our audit surrounding your control environment.

Your control environment and findings

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Based on our audit procedures, we have noted one control observation as outlined on page 24.

Going concern

We have performed going concern procedures and agree that it is appropriate for the accounts to be prepared on a going concern basis. Management have not performed a specific assessment on FSS' ability to continue as a going concern, and as per the guidance from Audit Scotland we are required to report this to you.

We have obtained written representations from the Board on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

Other areas of audit focus

Defined benefit pension balances



Risk identified and key judgements

FSS participates in the London Pension Fund Authority and has specific disclosures in the financial statements relating to this. As defined benefit pension schemes are complex area of accounting, FSS engages a third party actuary to provide a report on these balances. The pension balance has remained in an asset position between the financial years 2023/24 and 2024/25, albeit restricted to £nil in the current year.

Barnett Waddingham are Food Standards Scotland's appointed actuary, who produce a detailed report outlining the estimated assets and liabilities at the year-end along with the associated disclosure requirements. The pension valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits have been experienced in the current year.

Deloitte response and challenge

We have performed the following procedures to address the risk:

- Assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Reviewed and challenged the assumptions made by the actuary;
- We have obtained assurance from the auditor of the Pension Fund over the controls for providing accurate data to the actuary;
- We have tied the balances in the report from the actuary to the 2024/25 annual report and accounts;
- Reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;
- Reviewed the disclosures within the accounts against the FReM; and
- Engaged Deloitte's internal pensions experts to assist with the above procedures.

Deloitte view

FSS have recognised an asset cap in the year resulting in a surplus of £306k, excluding unfunded liabilities. The Board should be aware that there is an alternative methodology for assessing the present value of future employer contributions impacting the maximum surplus which can be recognised. Under this alternative methodology, in our opinion, the maximum surplus would be restricted to £50k, a difference of £256k.

No other issues have arisen from our work in this area.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

66
99



Our opinion on the Annual Report and Accounts

Our opinion on the financial statements is unmodified.

Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment than the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in another matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 12.

Your Annual Report and Accounts

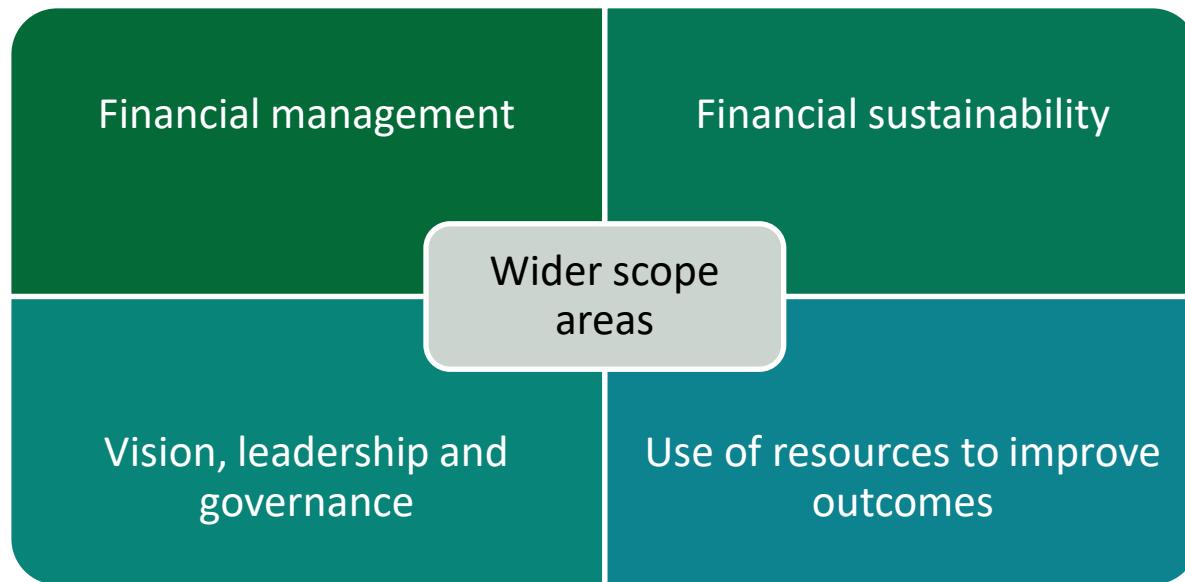
We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines FSS's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by FSS.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading.</p> <p>We have agreed the final amendments with management and have received a final version of the accounts which is compliant with the FReM.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. A final set of accounts has been received we can confirm that it has been prepared in accordance.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We have agreed the final amendments with management and have received a final version that is compliant with the FReM.</p> <p>Our audit work concerning the auditable parts of the Remuneration and Staff Report is complete.</p>
Regularity of Expenditure and Income	We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.	The expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Wider scope requirements

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how the Audit and Risk Committee is addressing these, and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ("BV") have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management

Is there sufficient financial capacity?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



Financial Management

Significant risks identified in Audit Plan

In our audit plan we did not identify a significant risk in relation to financial management. As of May 2024, there has been a new governance structure in place following a capability review across the organisation. Furthermore, the senior management team is experienced and has remained consistent during the year.

We planned to monitor the financial management, budget setting and monitoring arrangements at FSS over the course of the year with the new structure in place.

Current year financial performance and budgeting process

Food Standards Scotland (FSS) has a robust budget setting process, facilitated by regular scrutiny by management, the board, the Finance and Business Committee (FBC), and the Audit & Risk Committee (ARC). The organisation understands the challenges relating to the financial position, and has enacted measures in order to achieve savings in the medium to long term. In 2024/25 FSS reported a small underspend of £0.4m against budget, however the organisation is facing ongoing challenges with the 2025/26 budget being approved with an overspend of £2.5m. In the 2025/26 year to date the budget gap has narrowed to £2.38m due to savings identified, and the Scottish Government (SG) have agreed to fund the remaining deficit.

Finance capacity

We are satisfied that FSS has an appropriately staffed finance function as at 31 March 2025, with senior finance team members being suitably experienced and qualified. We do note that following the year end a key member of the finance team has left the entity, however we understand that the recruitment process is ongoing at the time of this report.

Financial reporting

FSS produce timely reporting to the FBC in the form of detailed quarterly reports on financial performance which include updates on budget and forecasts for the year. Management ensure this financial performance is monitored on a monthly basis during senior manager team meetings in addition to the quarterly reporting to the Board and FBC. This provides vital insight to the FBC and demonstrates sufficient monitoring of budget vs actual expenditure across the key areas in the year.

Wider scope requirements (continued)

Financial management (continued)

Is there sufficient financial capacity?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



Financial Management

Standards of conduct for prevention and detection of fraud and error

We have not identified any instances of management override of controls from our audit procedures. We have not identified any instances of fraud and have considered the controls in place to be effective.

Internal controls and internal audit

Management have a robust process for tracking internal audit recommendations, with any findings being a recurring item at board meetings and regularly scrutinised by senior management. We have performed an assessment of the internal audit function and reviewed their reports in the year. While we do not place reliance on their work, we are satisfied that there is an appropriate process in place to follow up on recommendations made to the board.

Deloitte view – Financial management

FSS continues to have effective budget setting, monitoring, and reporting processes in place, ending the year 2024/25 with a small surplus.

The finance function within FSS is suitably led and well-staffed, with appropriate knowledge and experience.

Going forward, as FSS develop a new strategy and Financial Management Plan spanning 2026-2031, FSS should look to maintain accurate and timely budget setting and monitoring taking into account challenges within the operating environment as they arise. The plan should continue to address recommendations from internal audit and monitor progress against these.

Appropriate arrangements are in place for the prevention and detection of fraud and error.

Wider scope requirements (continued)

Financial sustainability

Can short-term (current and next year) financial balance be achieved?



Is there a medium and longer-term plan in place?



Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?



Financial Sustainability

Significant risks identified in Audit Plan

Similar to preceding years, organisations within the Central Government sector are experiencing considerable pressure. This is primarily due to restricted spending flexibility and a challenging operational landscape causing cost increases. The 2025/26 budget was expected to be over allocated by £2.5m, there is therefore a significant risk relating to financial sustainability in the medium to long term.

2025/26 budget setting and medium-to-long term financial planning

The robust budget setting process is further complimented by monthly reporting to the Senior Management team, and quarterly to the Finance and Business Committee and the board outlining actual versus budget, allowing for effective monitoring and challenge. Whilst payroll and payroll related costs account for approximately 80% of total costs, management actively manage this cost base, being clear on future staffing structures and opportunities to align business needs in the medium-to-long term.

The 2025/26 budget had been agreed noting a deficit position of £2.5m which was mainly attributable to inflationary pressures, national insurance increases, and pay awards. Of this, there are £1.8m of costs considered to be non negotiable relating to increasing payroll costs. The budget also included an additional £0.7m for the in-house development of a new IT system which was expected to result in cost savings in subsequent years. As of November 2025, FSS have reported that this forecast deficit has reduced to £2.38m through identified savings in the 2025/26 financial year, and the Scottish Government have agreed to fund the remainder of the deficit following ongoing dialogue between the two parties and the presentation of business plans developed by FSS.

FSS is implementing a new Strategic Plan from April 2026, which will be supported by a financial management plan covering the next three years as well as a people plan. This remains a key area of focus in medium-to-long term planning for the organisation's financial sustainability.

Deloitte view – financial Sustainability

While financial balance has been met in 2024/25 and is forecast to be met in 2025/26, the agreement to fund a deficit position following the agreement of the original budget is not a sustainable position in the long term. The new Strategic Plan must incorporate recent cost challenges and the uncertainty of future funding to cover all costs, taking on board the level of fixed costs as a result of payroll related expenses, without the need to reduce services.

Wider scope requirements (continued)

Vision, leadership and governance

Are the scrutiny and governance arrangements effective?



Is leadership and decision making effective?



Is there transparent reporting of financial and performance information?



Vision, leadership and governance

Significant risks identified in Audit Plan

We did not identify any significant risks in relation to vision, leadership and governance during our planning work. We therefore restricted our audit work to reviewing the governance arrangements in place at FSS following their new organisational arrangements to assess whether the arrangements continue to operate effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.

Vision and strategy

FSS are in the process of preparing their new strategy which will be effective from April 2026 – 2031. This strategy will be supported by a finance management plan covering a period of three years, as well as a people plan. A Corporate Plan has been implemented covering the period from 2024 to 2026 which builds on the work that was done as part of the prioritisation exercise.

FSS should ensure this new strategy considers recommendations from Internal Audit such as from the Learning and Development Report, challenges that FSS faces in the current financial climate and steps they strive to take to address these.

We will monitor the introduction of the new strategy, as well as its scrutiny by the board and Finance & Business Committee following implementation over the remainder of our appointment.

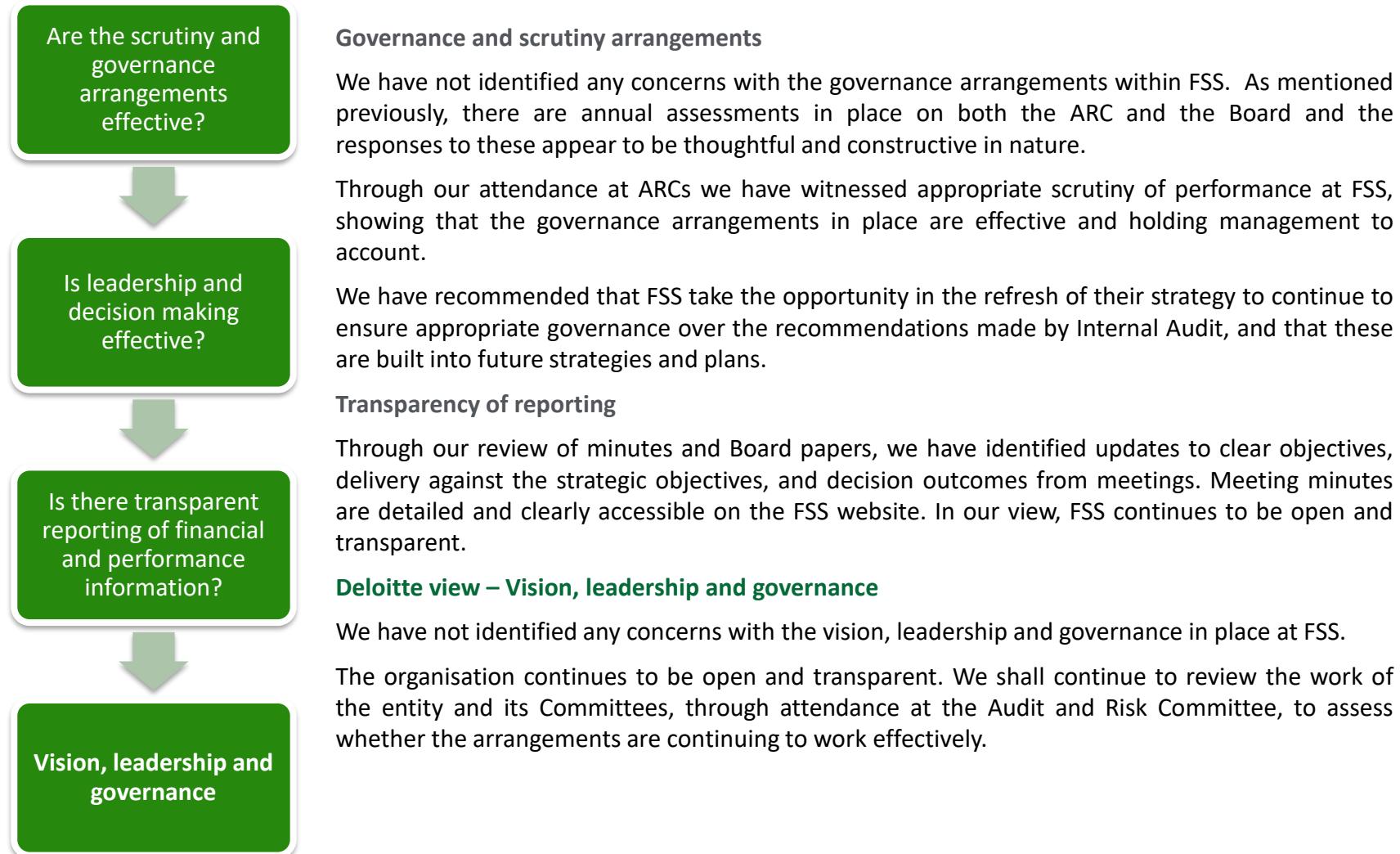
Leadership

The Leadership and governance arrangements have seen a period of change, and FSS have performed a review of the organisational structure which has been able to result in two senior interim roles from 2023/24 being removed in 2024/25. Further, the resourcing panel has been re-established in response to the challenging financial environment FSS is facing as a result of inflationary pressures, real term flat cash settlements, and 80% of expenditure relating to staff costs.

The ARC carry out self-assessments, with the most recent board self-assessment taking place in November 2025. We will continue to monitor the stability of the leadership structure over the course of our appointment.

Wider scope requirements (continued)

Vision, leadership and governance (continued)



Wider scope requirements (continued)

Use of resources to improve outcomes

Are resources being used effectively to meet outcomes and improvement objectives?



Is there effective planning and working with strategic partners and communities?



Is Best Value demonstrated, including economy, efficiency and effectiveness?



Use of resources to improve outcomes

Significant risks identified in Audit Plan

Our audit plan acknowledged the risk that should additional funding not be received in future years, FSS may be unable to deliver on all of its objectives. The Corporate Plan that is currently in place from 2024-2026 outlines the delivery of strategic outcomes and transformation.

We, however, have not identified a significant risk in relation to the Use of Resources to Improve Outcomes.

Performance management framework

FSS has reported positive progress against its strategic plan during 2024/25, recognising the financial challenges it has faced and has been open and transparent about what it can achieve. Regular reporting on performance is provided to the Finance and Business Committee, performance is monitored during the year against the FSS strategy.

FSS are aware of the key costs they face and what drives them. They are actively seeking to find savings as part of the financial resourcing review and are in regular dialogue with Scottish Government to manage forecast deficits.

We will continue to monitor the progress with this during our audit appointment.

Deloitte view –Use of resources to improve outcomes

FSS operates with a well-defined performance management framework. Performance updates are regularly presented to the EMT, FBC and the Board during their review meetings.

FSS has demonstrated proactive performance management, taking suitable actions, and acknowledging persistent risks. They should take the opportunity of the development of this new strategy to ensure there is adequate work done on how strategic performance indicators will be aligned with medium term financial planning to ensure the best use of resources is obtained at FSS.

Wider scope requirements (continued)

Best value

Requirements

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance.
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
 - Vision and Leadership
 - Governance and Accountability
 - Use of resources
 - Partnership and collaborative working
 - Working with Communities
 - Sustainability
 - Fairness and equality

Deloitte view – Best Value

FSS has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk, as is the case across the public sector. The Scottish Authority Food Enforcement Re-Build (SAFER) Programme has progressed with robust monitoring in place to track the benefits across projects, to mitigate public health, economic and trade risks.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Risk Committee, and the governing body to discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for FSS, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to FSS.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Aberdeen | 17th December 2025

Appendices



Audit Adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatement has been identified.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Cash flow statement: Purchase of property, plant and equipment and purchase of intangible assets	<p>The net cash outflow from investing activities contains the purchase of PPE and the purchase of intangible assets. From our procedures we have identified that there are items which were paid for after the year end and as such should not be included in the statement of cash flows.</p>	<p>The impact of this is an overstatement of £101k in the net cash outflow from investing activities as the items were not paid for until after the year end.</p> <p>Due to the immaterial nature, management have not corrected this.</p>

Control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Fair Pay disclosures are prepared at a Scottish Government level, and FSS does not have oversight over the calculations for the disclosure</p> <p>We understand that there is an agreement for Scottish Government to assist the team at FSS with the preparation of the accounts and disclosure notes, however during our procedures on the Fair Pay disclosure we noted that following submission of the data to SG, management did not receive the supporting calculation in respect of the disclosures.</p>	<p>Going forwards, FSS should obtain the supporting calculations for the Fair Pay disclosure and retain this following internal review and validation, as the disclosures remain the responsibility of management.</p>	<p>A debrief session will be held following the signing of the 2024/25 annual report and accounts, and this will be incorporated into planning for 2025/26.</p>

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked FSS to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked FSS to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in management override of controls and operating within expenditure resource limits as key audit risks.

During the course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We re-confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of FSS, and our objectivity is not compromised.												
Fees	<p>The expected fee for 2024/25 is analysed below:</p> <table><thead><tr><th></th><th>£</th></tr></thead><tbody><tr><td>Auditor remuneration</td><td>60,010</td></tr><tr><td>Audit Scotland fixed charges:</td><td></td></tr><tr><td> • Pooled costs</td><td>(4,950)</td></tr><tr><td> • Sectoral cap adjustment</td><td>(2,470)</td></tr><tr><td>Total expected fee</td><td>52,590</td></tr></tbody></table>		£	Auditor remuneration	60,010	Audit Scotland fixed charges:		• Pooled costs	(4,950)	• Sectoral cap adjustment	(2,470)	Total expected fee	52,590
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• Sectoral cap adjustment	(2,470)												
Total expected fee	52,590												
	<p>There are no non-audit fees.</p>												
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.												
Relationships	We have no other relationships with FSS, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.												



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