

Food Standards Scotland
External audit 2026 planning report to the Audit & Risk Committee

10 March 2026 (issued on 24 February 2026)

Content

Executive summary	3
1. External audit plan 2026	4
• 1.1. Materiality	4
• 1.2. Significant risks	5
• 1.3 Other areas of audit focus	6
• 1.4. Wider Scope	7
• 1.5. Audit timelines	8
2. Independence and fees	9
3. Responsibility statement	10
Appendices	11

Executive summary

I have pleasure in presenting our planning report to the Audit & Risk Committee (“ARC”) of Food Standards Scotland (“FSS”) for the 2025/26 audit. I would like to draw your attention to the key messages of this paper.

Proposed fee

The total expected fee was communicated by Audit Scotland in January 2026, being £54,870 for the 2025/26 audit.



Materiality

2026: £590,000
2025: £567,000



Scope

Our scope has remained consistent with the prior year.



Audit Risks

- Management override of controls and operating within resource limits have remained as the significant risk areas. From initial analytical reviews we have pinpointed the risk to overstatement of accruals. This will be reassessed at year end on receipt of the final balance sheet.
- In line with the prior year, we will be performing a full scope wider scope audit.



External and business changes that have impacted our audit plan

- FSS is forecasting an underspend position against budget at 31 March 2026.
- Updates to the Government Financial Reporting Manual (FReM) regarding property valuation requirements.



Technology being deployed on the audit

- Continued use of existing tools, such as Deloitte Connect – our secure web based request portal to aid communication between the Deloitte and FSS teams.



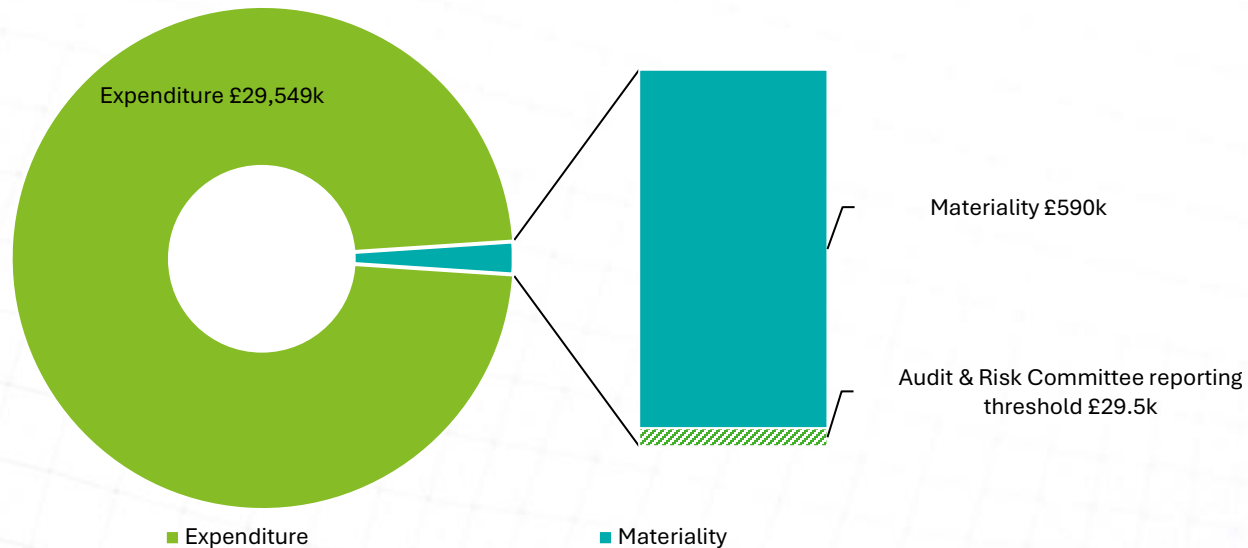
1. External audit plan 2026

1.1. Materiality



Our planned audit materiality is £594,000 (2025: £567,000), based on 2% of forecast expenditure, which is consistent with the prior year. We will report to you any changes from our planned materiality levels (for example due to significant variances in actual results for the year, or issues identified from our audit). **Appendix 1** provides further details.

The scope of our work is detailed in **Appendix 2**.



We consider the metrics used by users of the financial statements, including expenditure.










Threshold for reporting misstatements: We will report to you all misstatements identified above **£29,500**.








1. External audit plan 2026 (continued)

1.2. Significant risks



The expected significant risks for the current year audit are summarised below, with details of our planned audit response in **Appendix 3**. Risk assessment is a continuous process throughout the audit, and we will inform you of any changes to our assessment of significant risks.

 Significant risks to our audit	Significant risks are those associated with the most significant and judgmental areas of our audit and which have the greatest potential to cause a material misstatement to the financial statements.			
Risk description	Fraud risk	Planned controls and audit approach	Level of judgement or estimation	Management paper expected
Management override of controls				
Operating within resource limits				

 Key	 Assess design & implementation of relevant controls	 Test and rely on operating effectiveness sample testing of relevant controls	 Involvement of Deloitte specialists	 Significant judgement	 High degree of judgement	 Low degree of judgement
--	---	--	---	---	--	---

1. External audit plan 2026 (continued)

1.3. Other areas of focus



We have summarised below the other areas which we plan to include in our reporting to you. Details of our planned audit response are included in **Appendix 4**.

Other areas of focus			
We have identified the following area of audit interest, however we do not consider this to be a significant risk:			
Risk description/	Planned controls and audit approach	Level of judgement or estimation	Management paper expected
Defined benefit pension balances	DI S	H	✕

Key	Assess design & implementation of relevant controls	Test and rely on operating effectiveness sample testing of relevant controls	Involvement of Deloitte specialists	Significant judgement
				High degree of judgement
				Low degree of judgement

1. External audit plan 2026 (continued)

1.4. Wider Scope



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: Financial management, Financial sustainability, Vision, leadership and governance, and Use of resources to improve outcomes.

As part of the 2024/25 audit, we did not classify FSS as a “less complex body” and as such performed procedures on all four wider scope areas. In our view this approach is still appropriate for the 2025/26 financial year.

Wider Scope Area	Significant risk identified
Financial Management	
Financial Sustainability	
Vision, Leadership & Governance	
Use of Resources to Improve Outcomes	



2025/26 Risk Assessment

Following initial wider scope planning procedures and discussions with management, we have performed an initial assessment on the wider scope risks as outlined in the table on the left.

For full wider scope considerations and planned audit response, please refer to **Appendix 5**



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. 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 will consider whether there are organisational arrangements in place in this regard.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response in **Appendix 5**.

1. External audit plan 2026 (continued)

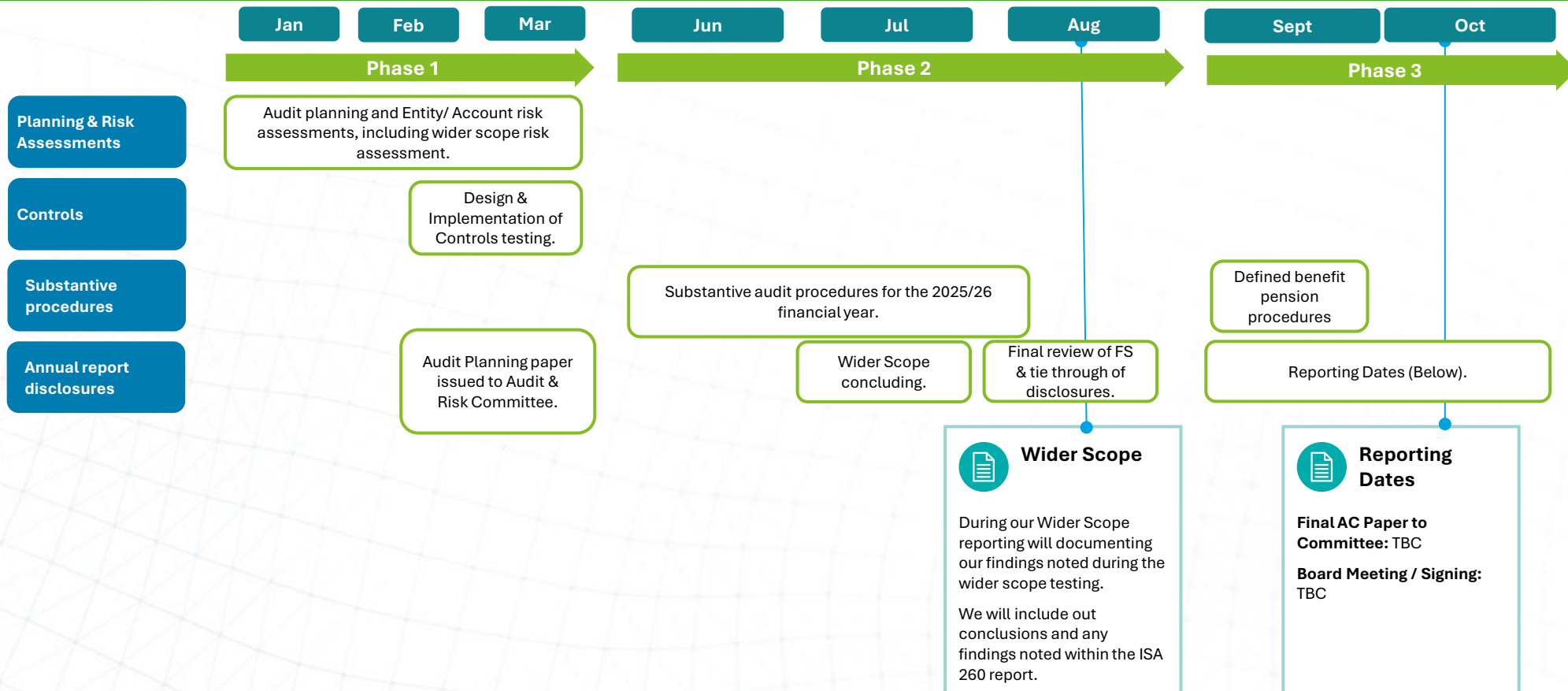
1.5. Audit timelines and Audit & Risk Committee communication plan



The timeline and our planned reporting to you is summarised below.

We plan to perform the audit work in three phases. The three phases provide us the ability to communicate findings early and regularly throughout the audit process.

Audit timeline and our Audit & Risk Committee reporting (including planning and final timelines)



2. Independence and fees



As part of our obligations under International Standards on Auditing (UK) we 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.

Further details of our independence considerations are included in **Appendix 5**.



The expected fee for 2025/26 as communicated by Audit Scotland in January 2026 is analysed below :

Auditor Remuneration	£62,290
Audit Scotland Fixed Charges:	
Pooled Costs	£4,670
Sectoral Cap	(£12,090)
Total Expected Fee	£54,870

There are no non-audit fees.

3. Responsibility statement



What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- our audit plan, including key audit judgements and the planned scope
- key regulatory and corporate governance updates relevant to you.

We will update you if there are any significant changes to the audit plan.



Our respective responsibilities

We are responsible for forming and expressing an opinion on financial statements prepared by management with oversight of those charged with governance, as detailed in our engagement letter. An audit does not relieve management or those charged with governance of their responsibilities. Auditing standards require us to only accept an audit engagement when the preconditions for an audit are present, including obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.



What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Board.

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, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Deloitte LLP

Bristol | 24 February 2026

Appendices

Appendix content

Appendix 1: Our approach to materiality

Appendix 2: Scope of work and approach

Appendix 3: Significant risks and planned audit response

Appendix 4: Other areas of focus

Appendix 5: Wider Scope

Appendix 6: Independence

Appendix 7: Our other responsibilities explained

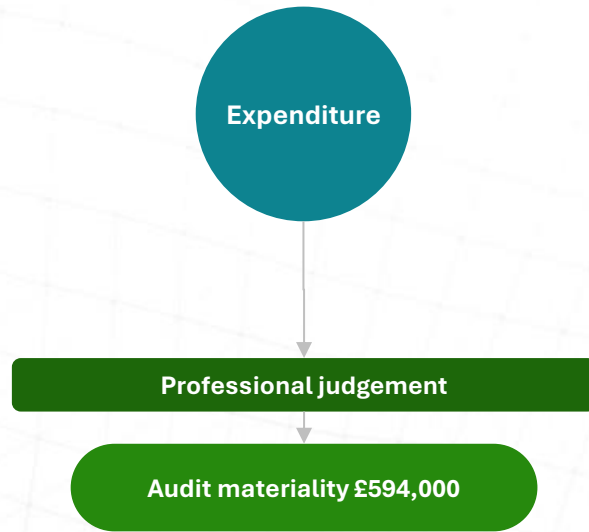
Appendix 8: FRC 2024/25 Audit Quality Inspection and Supervision report

Appendix 9: Required communications

Appendix 1

Our approach to materiality

Benchmarks considered



Materiality is the threshold for misstatements that could influence users' economic decisions. **Performance materiality** is set lower, creating a buffer to reduce the risk that undetected errors, when aggregated, exceed overall materiality. **A trivial threshold** defines misstatements so small they are clearly inconsequential, requiring no accumulation or reporting

We consider the **metrics used by the users of the financial statements** to identify appropriate benchmarks to determine materiality. We will continue to monitor these metrics and will reassess materiality if there are significant variances from plan. We will report to you any changes to our planned materiality.

Based on the role of FSS, we have selected expenditure as the most appropriate benchmark. Materiality has been set at £594k (PY £567k) This represents 2% of forecast expenditure, in line with the prior year.



Factors impacting determined materiality level

- ↑ Normal risk engagement, fourth year engagement, few prior year misstatements
- ↓ Continued pressure over expenditure and operating within resource limits.



Threshold for reporting misstatements

We will **report all misstatements above £29,700** to you throughout the audit.

Performance materiality (PM)

75% of the materiality

This is set as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality. The determined performance materiality is **75% of the materiality** which is in line with and supported by previous experience on FSS. Performance materiality determines the sample sizes selected in our substantive testing.

Appendix 2

Scope of work and approach

We have the following key areas of responsibility under the Code of Audit Practice



Opinion on Financial Statements

We will conduct our audit in accordance with International Standards on Auditing (UK) (“ISA (UK)”) and the Code of Audit Practice issued by Audit Scotland. FSS will prepare its accounts in accordance with applicable law and UK adopted International Financial Reporting Standards, as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (FReM) and the Regulation of Care (Scotland) Act 2001, and directions made thereunder by the Scottish Ministers.



Reporting on Other Requirements

Our responsibilities also include:

- an opinion on the regularity of expenditure and income
- an opinion on the audited parts of the Remuneration and Staff Report
- under the Code of Audit Practice to read the information included in the Performance Report and the Governance Statement, and opine whether they are consistent with the financial statements;
- in accordance with ISAs (UK) to read the other information accompanying the financial statements and report by exception any material misstatements we identify.

Our reporting will be addressed to FSS, the Auditor General for Scotland, and the Scottish Parliament.



Wider-scope requirements, including considering and reporting on Best Value arrangements

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 respect of:

- financial management
- financial sustainability
- vision, leadership and governance
- use of resources to improve outcomes.

As part of this wider-scope audit work, we also are required to consider whether there are appropriate organisation arrangements in place to secure Best Value in public services. Our approach to our wider-scope audit work is detailed on page 7.



Other Reporting Requirements

Anti-money laundering - We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies.

Fraud returns - We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies:

- involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control; or
- over £5,000.

Appendix 3

Significant risks and planned audit response



Management override of controls

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 FSS, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements and accounting records.



Risk identified and key judgements

This risk focuses on three key areas:

- journal entry testing to identify any unusual journal postings which may be indicative of potential management override;
- any transactions that are unusual or outside the normal course of business; and
- management judgements and estimates.



Deloitte planned response

- Use data analytic tools to identify journals posted at the end of a reporting period and throughout the period meeting specific fraud risk criteria and test their appropriateness.
- Evaluate the business rationale for significant transactions that are outside the normal course of business, or that otherwise appear to be unusual.
- Review accounting estimates for bias, including considering in aggregate for indicators of bias or trends in the positions taken.
- Test the design and implementation of controls over journal entries, budget monitoring, and accounting estimates.

Appendix 3 (continued)

Significant risks and planned audit response (continued)



Operating within resource limits

In accordance with Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We consider this fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. 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. From analytical reviews performed at the planning stage we have pinpointed the risk to overstatement of accruals. We will reassess this at year end on receipt of the final balances.



Risk identified and key judgements

- Expenditure incurred during the year, particularly around year end, is incomplete.
- Potential for management to “pull” expenditure into the current period by overstating accruals values.



Deloitte planned response

- We will test the design and implementation of controls over monthly monitoring of results, year end accruals, and balance sheet reconciliations.
- We will obtain independent confirmation of the resource limits allocated to FSS by the Scottish Government.
- We will perform focused testing of the year end accruals balances.
- We will perform focused cut-off testing of invoices received and payments made close to the year end.

Appendix 4

Other areas of focus



We have identified one areas of audit focus for the 2024/25 audit, being the disclosure of the defined benefit pension balances.



Defined benefit pension balance

FSS participates in the London Pension Fund Authority Pension Fund and has specific disclosures in the financial statements relating to this. As defined benefit pension schemes are a complex area of accounting, FSS engages Barnett Waddingham to provide a report on these balances. In the 2024/25 financial year a pension asset of £8.349m was disclosed, which was capped following the advice of the actuary leaving a net asset of £251k.

To respond to this area of focus, we will perform the following procedures:

- Engage with internal pension specialists to obtain their expertise on the methodology employed by Barnett Waddingham
- Obtain assurances from the pension fund auditor
- Test the design and implementation of the controls over the review of the IAS 19 report from Barnett Waddingham
- Audit the pension disclosures in the annual report and accounts against the disclosure checklists and requirements of the FReM

Appendix 5

Wider Scope Risks



Our considerations of the significant risks and planned audit response at the planning stage against the four wider scope areas set out in the Code of Audit Practice is set out below:

Area	Significant Risks Identified	Planned Audit Response
<p>Financial Management</p>	<p>We have not identified a significant risk in relation to financial management for 2025/26. Following the implementation of the new governance structure and capability review in 2024/25 we concluded that the organisation has effective reporting processes in place.</p> <p>FSS will be developing a new strategy and financial management plan spanning the period of 2026-2031 which will be an area of focus in the 2025/26 audit.</p>	<p>We will continue to monitor the budget setting process and associated scrutiny performed by senior management throughout the year.</p> <p>We will also monitor the development of the new strategy and associated financial management plan, focussing on how effectively this will address the financial pressures the organisation continues to face.</p>
<p>Financial Sustainability</p>	<p>While we note that FSS is forecasting an underspend position in 2025/26, it is our view that there is a significant risk in relation to financial sustainability. In 2024/25 80% of expenditure consisted of payroll and payroll related costs, and as acknowledged in our audit report there are significant financial pressures facing Central Government organisations due to limited flexibility in expenditure and a challenging operating environment resulting in cost increases.</p> <p>The 2025/26 budget has been agreed noting a £2.5m deficit position which is mainly attributable to inflationary pressure, national insurance increases, and pay awards.</p>	<p>We will continue to assess the development of the 2026/27 budget and how that links to the new strategy and associated financial management plan.</p> <p>We will specifically focus on the work being undertaken in 2025/26 to arrive at the final outturn position, as well as cost saving developments in this financial year including the development of the new IT system.</p>

Appendix 5

Wider Scope Risks (continued)

Area	Significant Risks Identified	Planned Audit Response
Vision, leadership and governance	We have not identified a significant risk in relation to vision, leadership and governance for the 2025/26 audit. 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.	<p>We will review the work of the Board to determine if the arrangements continue to operate effectively, including whether there is effective scrutiny, challenge and informed decision making.</p> <p>We will also assess the work which has gone into developing the new Strategic Plan against the continued pressures facing FSS.</p>
Use of resources to improve outcomes	We have not identified a significant risk relating to the use of resources to improve outcomes. Should additional funding not be obtained in future years there is a risk to the delivery of services, however in the 2024/25 audit we noted that FSS demonstrated proactive performance management, acknowledging persistent risks and taking suitable action as appropriate.	Continuing from the work performed in 2024/25, we will continue to assess the development of the 2025/26 budget and how that links to the new strategy and financial management plan.

Appendix 6

Independence



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

Independence matter	Description
Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Food Standards Scotland and will reconfirm our independence and objectivity to the Audit & Risk Committee for the year ending 2026 in our final report to the Audit & Risk Committee.
Fees	The audit fee for 2025/26 has been communicated to Food Standards Scotland by Audit Scotland in January 2026. We will continue to assess the impact, if any, of additional incremental work required in relation to the completion of the audit and will report this to the Audit & Risk Committee in our final report to the Audit & Risk Committee.
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 as necessary. We have not provided, nor do we plan to provide any non-audit services. Where relevant, we will report the supply of non-audit services, to the Audit & Risk Committee in our final report to the Audit & Risk Committee.
Relationships	We have not identified any relationships with Audit & Risk Committee, its directors and senior management and its affiliates, or other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence, together with the related safeguards that are in place. This may include (for example) former partners and staff who have joined the entity.

Appendix 7

Our other responsibilities explained - fraud



Your 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.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- 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.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in operating within resource limits, and management override of controls.
- 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.
- We will communicate to you any other matters related to fraud that are, in our judgement, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.

Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Appendix 7 (continued)

Our responsibility towards fraud explained (continued)

We will make the following inquiries, including of staff outside the finance function, regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Whether management has performed an assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Whether management has a process for identifying and responding to risks of fraud, including those specific to the sector.
- Whether management have communicated to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Whether management have communicated to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- Whether there have been any allegations of fraud raised by employees or other parties.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- What are the views of those charged with governance on the most significant fraud risk factors affecting the entity.

Appendix 7 (continued)

We will report on information in your annual report

Your annual report contains detailed financial and non-financial information including discussion of the Board's strategy, business model, risks and prospects. This provides stakeholders with a holistic view of the performance of the Board and provides context for the Board's financial results and position as set out in the financial statements. We set out on this page the work we will perform in respect of this information and the matters we will report.



The performance report and accountability report

Our work includes:

- reading these reports and assessing whether they comply with the applicable requirements of the Scottish Public Finance Manual (SPFM) and FReM;
- considering whether the information presented is consistent with the financial statements, including cross-checking figures to the audited financial statements;
- assessing whether, in light of our knowledge and understanding obtained during the audit, these reports contain any material misstatements.

In our audit report we will give positive statements regarding the preparation of the reports in accordance with legal and regulatory requirements and consistency with the financial statements.

If we find material misstatements, we will require that these be corrected, otherwise we will have to report these.



Annual Governance Statement

We read the Annual Governance Statement and assess whether it meets the disclosure requirements, and whether it is misleading or inconsistent with information of which we are aware from our audit. In our audit report, we report any exceptions identified in respect of these responsibilities.



Directors' remuneration report and fair pay disclosure

We will audit the parts of the directors' remuneration report and staff subject to audit, and state in our audit report whether they have been properly prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000.



Examples of matters that would cause us to report

- The Annual Governance Statement doesn't disclose significant control weaknesses identified in internal audit reviews.
- Risks to financial sustainability are not adequately disclosed in the Annual Report.
- Significant weaknesses in wider scope arrangements are not appropriately disclosed in the Annual Governance Statement.

Appendix 8

FRC 2024/25 Audit Quality Inspection and Supervision report

We are proud of the continuing strength the results of our FRC inspections show.

In July 2025, the Financial Reporting Council (“FRC”) issued individual reports on each of the six largest firms, including Deloitte, on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2024/25 cycle of reviews. We value the observations raised by both the FRC Supervision teams and the ICAEW Quality Assurance Department (“QAD”), both in identifying areas for improvement and also the ongoing focus on sharing good practice.

Results of our FRC inspections show that 95% (2023/24: 94%) of our public interest audits were rated as ‘good or limited improvements’ and that 90% (2024: 100%) of our audits reviewed by the ICAEW’s QAD were assessed as good or generally acceptable.

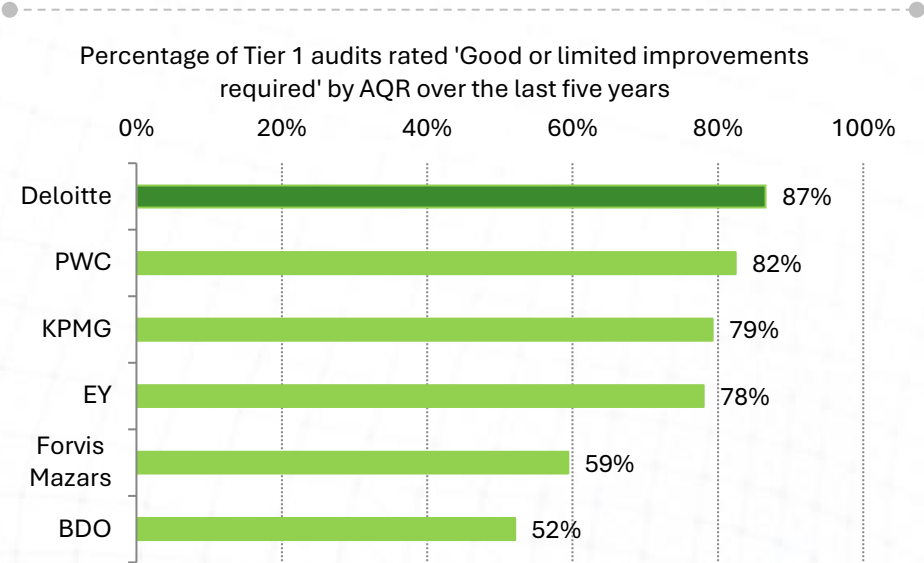
Over the last five years, our AQR results have consistently improved. This reflects our commitment to excellence, our mindset, behaviours, controls and processes. These are all critical to our achieving high-quality outcomes in the public interest

Consistent with our culture of continuous improvement, we are not complacent and recognise there is always more we can do. We put a significant level of investment, resource and effort into taking real-time actions throughout the year to address findings and to enhance our system of quality management (SoQM).

Overall, we have seen a reduction in the number of findings arising from regulatory inspections as well as a reduction in the number of findings where the root cause was direction, supervision or review. We are pleased to see the positive impact of actions taken over the last 12 months to address certain findings raised by the FRC and their associated root causes.

We welcome the breadth and depth of good practice points raised by the FRC and ICAEW, particularly in respect of accounting estimates and judgements, which includes robust procedures performed over impairment and asset valuations, revenue and effective group oversight. These have all been areas where we have taken specific actions to support the high-quality execution of audit work.

All the AQR public reports are available on the [FRC's website](#).



Appendix 8 (continued)

FRC 2024/25 Audit Quality Inspection and Supervision report: overall comments

The boxes below detail the FRC's overall comments and Deloitte responses as published in the overview page of the 24/25 public report.



The AQR's 2024/25 Audit Quality Inspection and Supervision Report on Deloitte LLP:

"Deloitte has continued to maintain audit quality at the centre of its business, which has enabled it to improve further on last year's results."

"The percentage of audits inspected by the FRC requiring no more than limited improvements was 95%. This continues the pattern of improvement seen in the firm's results over recent years. The equivalent results for FTSE 350 audits inspected was 91%. The findings that contributed most to this year's inspection results related to the quality and consistency of the audit of valuation and impairment assessments and aspects of the audit of revenue. Certain aspects of these findings were recurring from previous inspection cycles. Our inspections also identified examples of good practice in these areas on other audits. The firm should continue to review the effectiveness of its actions to ensure greater consistency."

"The overall results profile for inspections by the ICAEW is 90% classified as good or generally acceptable. The firm's internal quality monitoring results show a year-on-year improvement."



Deloitte response to Audit Quality Inspection key findings

"Overall, we have seen a reduction in the number of findings arising from regulatory inspections as well as a reduction in the number of findings where the root cause was direction, supervision or review. We are pleased to see the positive impact of actions taken over the last 12 months to address certain findings raised by the FRC and their associated root causes."

The following page sets out our response to key findings in relation to the 24/25 cycle.



Review of the firm's system of quality management (SoQM):

"Deloitte has an established SoQM structure, with robust governance, risk assessment, and second line monitoring processes. The firm is working on clarifying and strengthening its evidencing of quality risks and demonstrating that its assessment of the design and implementation of the responses to the risks is consistent and appropriate. This should continue to be a priority for the firm."



Deloitte response to review of SoQM

"We believe that an effective SoQM is crucial for the delivery of audit quality in every single engagement we deliver. We were pleased to issue our second conclusion on the effectiveness of our SoQM as of 31 May 2024, being satisfied that our SoQM provides the firm with reasonable assurance that the objectives of ISQM (UK) 1 are being achieved.

In the time since ISQM (UK) 1 was implemented our SoQM has continued to mature. As our SoQM embeds in our day-to-day operations, we are pleased to see the FRC have identified continued areas of good practice. We remain focussed on continuous improvement to refine and enhance our operations to ensure our approach to managing the quality of all engagements is consistent and strong. We have already taken action to address a number of the points raised by the FRC including adding further risks to our SoQM which map to existing responses and enhancing areas of our decision-making documentation.

The environment in which we operate is complex and continues to evolve. We remain focussed on identifying and investing in the changes required to continually improve and enhance the effectiveness of our SoQM."

Appendix 9

Required communications



We have an obligation under the ISAs to communicate specific matters with you related to our audit. The table below highlights some of the required communications and their corresponding locations in our reporting. Additional required communications will be provided in future reports as we progress through the audit cycle.

Communication	Reference
Materiality	Section 1.1, Appendix 1
Scoping	Appendix 2
Identified significant risks	Section 1.2, Appendix 3
Areas of audit focus	Section 1.3, Appendix 4
Significant findings, misstatements, deficiencies, irregularities and/or non-compliance identified	Will be reported in the final report to the Audit and Risk Committee
Overview of the planned scope and timing of the audit Form, timing and content of communication with TCWG	Section 1.5
Auditor independence	Section 2
Fees and non-audit services	Section 2, Appendix 6
Auditors' responsibilities	Section 3, Appendix 7
Audit quality and our system of quality management	Appendix 8



This document is confidential, and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. [Please click here to learn more about our global network of member firms.](#)

© 2026 Deloitte LLP. All rights reserved.

