

Registers of Scotland
External audit 2026 planning report to the Audit and Risk Committee

Issued on 27 January 2026 for the meeting on 10 February 2026

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Executive summary

I have the pleasure of presenting our planning report to the Audit and Risk Committee for the year ending 31 March 2026 audit. This report has been prepared based on our planning work to date and the planning discussion held in January which was beneficial to understand performance and key developments in the business.

The key messages of this report are the audit plan and scope, overall engagement risk and materiality, significant risks and other areas of audit focus.

Our risk assessment is an ongoing process, and we will continue to consider the impact of developments as they occur and how these impact our plan. We would like to draw your attention to the key messages below:



Materiality

2026 (Planning): £2,081k
2025: £2,069k



Scope

The scope of our audit plan is in line with the prior year and is detailed on page [5](#).



Audit risks

We have formed an initial view as to the significant audit risks that RoS faces. These are presented as a summary dashboard on page [6](#).



Audit quality

Audit quality is our number one priority. We plan our audit to focus on audit quality and we are proud of the continuing strength the results of our FRC inspections have shown as detailed on page [25](#) to [27](#).



External environment changes that have impacted our audit plan

- Our audit planning procedures, which are currently in progress, include obtaining an understanding of Registers of Scotland (RoS) processes, discussions with key personnel and understanding key controls.
- We will review the regulatory requirements and their impact on the financial statements in our audit approach.



Wider Scope and Best Value requirements

- 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.
- We have considered the arrangements in place for the wider-scope areas on page [10](#). As part of this work, we will consider the arrangements in place to secure Best Value (BV).



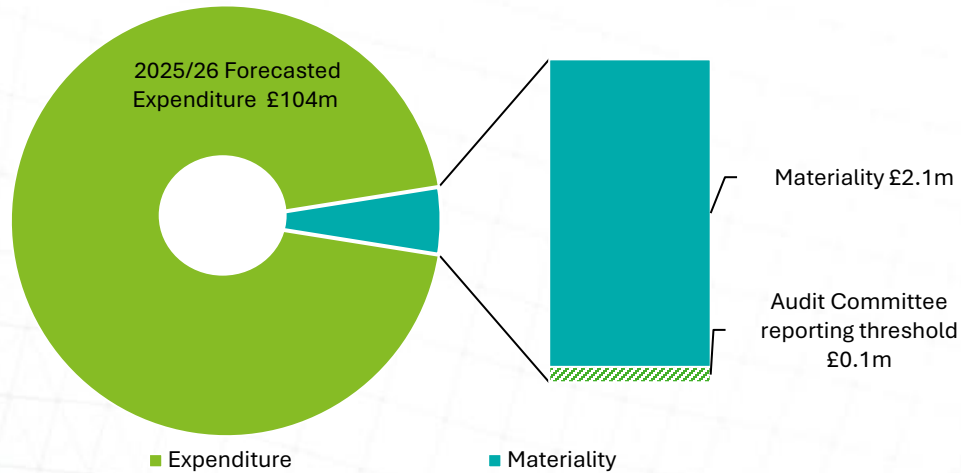
1. External audit plan 2026

1.1. Materiality



Our planned audit materiality is £2,081,000 (2025 final: £2,069,000), based on professional judgement, the requirements of auditing standards and the financial measures most relevant to users of the financial statements.

We have used 2% of forecasted expenditure which is consistent with prior year. We will update the materiality calculation on receipt of final financial statements for 2025/26.



Threshold for reporting misstatements:
We will report to you all misstatements identified above £104,000 (FY25: £103,000), or those below that threshold if we consider them qualitatively material.

Performance
Materiality
(PM)

70%
of
Materiality

This is set as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. Our performance materiality has been set at £1,456,000 (2024/25: £1,448,000). We have set our performance materiality at 70% (2024/25: 70%) of materiality. Performance materiality determines the sample sizes selected in our substantive testing.

1. External audit plan 2026 (continued)

1.2. Scope of work and approach

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. RoS 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 (FRoM) and the Public Finance and Accountability (Scotland) Act 2000, 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; and
- 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 RoS, 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; and
- 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 [10](#).

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.

1. External audit plan 2026 (continued)

1.3. Significant risks



The expected significant risks for the current year audit are summarised below, with details of our planned audit response on pages [7](#) and [8](#). 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				
Registration fees – Accuracy of inventory (WIP and provision) and Cut off of income				



Key



Assess design & implementation of relevant controls



Significant judgement



High degree of judgement



Low degree of judgement

1. External audit plan 2026 (continued)

1.3. Significant risks



Management override of controls

In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override controls for specific transactions.

The key judgement in the Annual Report and Accounts is that which we have selected to be significant audit risk – fee income and WIP cut-off. This is inherently the area in which management has the potential to use their judgment to influence the Annual Report and Accounts.



Deloitte planned response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will review the design and implementation of controls relating to journals, review of management accounts and accounting estimates;
- We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts. We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest;
- We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above; and
- We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

1. External audit plan 2026 (continued)

1.3. Significant risks



Registration Fees

ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give risk to such risks.

We have assessed the income streams for RoS and concluded that the risk of a material misstatement due to fraud is in relation to registration fees. RoS operate a system of prepayment of registration fees, which are initially held on the balance sheet as a liability, with income recognised when services are transferred to the customer. We have therefore pinpointed the risk to the accuracy of WIP & the provision made at year-end (where prepaid income is expected to be less than costs for incomplete case work) and the cut-off of the income being recognised at the year-end.



Deloitte planned response

In considering the risk in relation to registration fee income, we plan to perform the following audit procedures that directly address this risk:

- We will review the design and implementation of key controls in place around the WIP recognition and provision calculation;
- We will review the accounting treatment of the WIP balance and provision against the relevant accounting standards;
- We will review and test the WIP balance and provision for accuracy, specifically focusing on the judgements RoS use around the estimation of hours worked for each type of registry work they perform;
- We will perform detailed testing on cut off for income recognised around the year end; and
- We will review the accounting policy and related disclosures in the Annual Report and Accounts.

1. External audit plan 2026 (continued)

1.3. Significant risks



RoS is required to hold property assets within Property, Plant and Equipment at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

RoS has instructed a professionally qualified Royal Institute of Chartered Surveyors (RICS) valuer to undertake a full valuations at year end.

Property valuations as significant risk is subject to the completion of our risk assessment. This assessment will specifically evaluate the sensitivity of the underlying valuation assumptions. We will provide an update to the Audit and Risk Committee at later stage, once this assessment is complete.



Management actions

We have requested management prepare an accounting paper over the valuation, including assurance over data inputs provided to the valuer, the basis for key judgements, and how RoS has responded to any matters excluded by the valuer from their consideration in preparing the valuation.



Deloitte planned response

We will perform the following procedures:

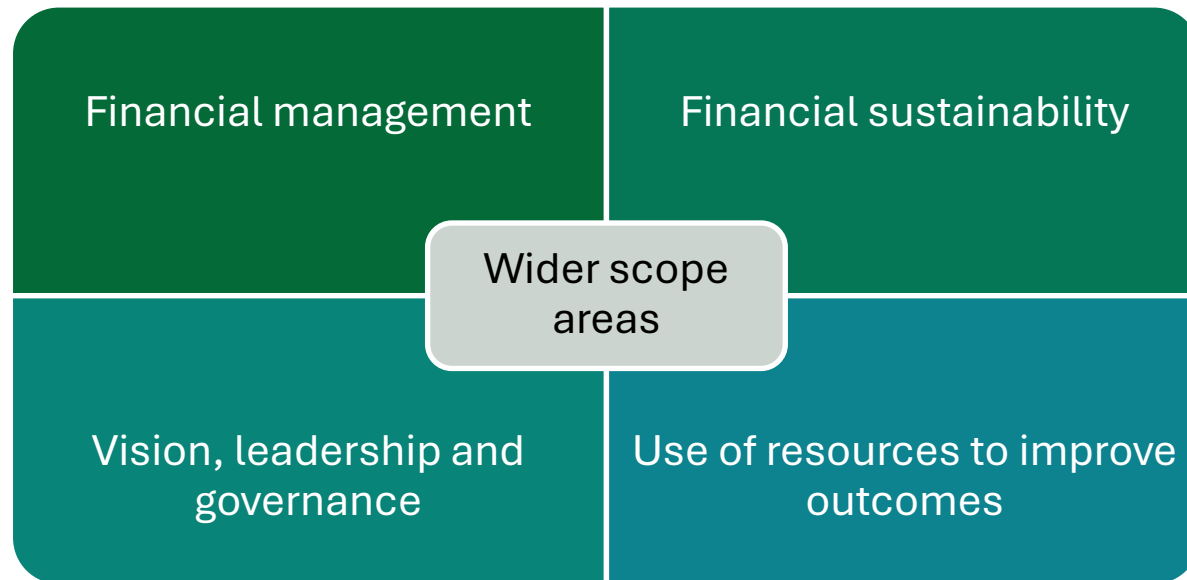
- Review the competency of the external valuers;
- Test a sample of inputs used in the valuation, such as gross internal areas, back to supporting documentation;
- Engage our valuation specialists, Deloitte Real Asset Advisory, as part of our review of the appropriateness of the assumptions used in the valuation; and
- Examine the accuracy of the posting of the valuations to the general ledger and annual report and accounts.

1. External audit plan 2026 (continued)

1.4. Wider Scope requirements

Overview

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:



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 risks and our planned response on the following pages.

1. External audit plan 2026 (continued)

1.4. Wider scope requirements (continued)

Area	Risks	Planned audit response
Financial management	<p>RoS operates with a consistent finance team, and has established controls, governance, and monitoring processes in place. Our prior year audit work has not identified any significant findings or material issues related to financial management. Due to these factors, we have not identified financial management as a significant risk.</p>	<p>As part of our assessment of monthly financial monitoring and capacity, we will review the monthly monitoring reports which are considered by Executive Management Team (EMT).</p>
Financial sustainability	<p>RoS has medium-term financial planning arrangements in place. RoS has historically remained within budget, with only minor over/underspends.</p> <p>However, there is a risk that the digital transformation plan may be impacted by the budget, market conditions, development/project related delays, which may give rise to additional costs and impact the savings/efficiencies to be gained from the transformation.</p>	<p>We shall perform the following actions to assess RoS financial sustainability:</p> <ul style="list-style-type: none">• Assess the robustness of medium-term financial planning. In particular we will focus on 2026/27 budget and how this links to the strategic plan and the medium-term financial plan;• Review the latest digital strategy and the current status of digital projects.

1. External audit plan 2026 (continued)

1.4. Wider scope requirements (continued)

Area	Risks	Planned audit response
Vision, leadership and governance	<p>From our planning work, we have noted that there has been no major change in relation to the leadership and governance processes. Therefore, we have not identified any significant risks in relation to vision, leadership and governance.</p>	<p>We will continue to review the work of the entity and its Committees, in particular through attendance at the Audit and Risk Committee, to assess whether the arrangements are continuing to work effectively.</p> <p>We shall also review the onboarding process of Board, ARC and EMT members.</p>
Use of resources to improve outcomes	<p>There is a risk that RoS does not have performance management systems in place to demonstrate how resources are being directed to improve outcomes.</p> <p>We have not identified findings and recommendations in this area in prior period audits and therefore do not consider this to be a significant risk area for the entity.</p>	<p>We will assess how the Medium-Term Financial Plan (MTFP) and Strategic Workforce Plan (SWP) is linked to the Strategic Plan and how RoS is reporting against this to demonstrate its use of resources to improve outcomes.</p> <p>We shall review and assess RoS' performance in relation to the KPIs and Strategic Plan 2022-2027 for the following areas:</p> <ul style="list-style-type: none"> • Resolution of open case work; • Deliver the benefits of a completed Land Register; and • Implementation and go-live of moveable transactions register.

1. External audit plan 2026 (continued)

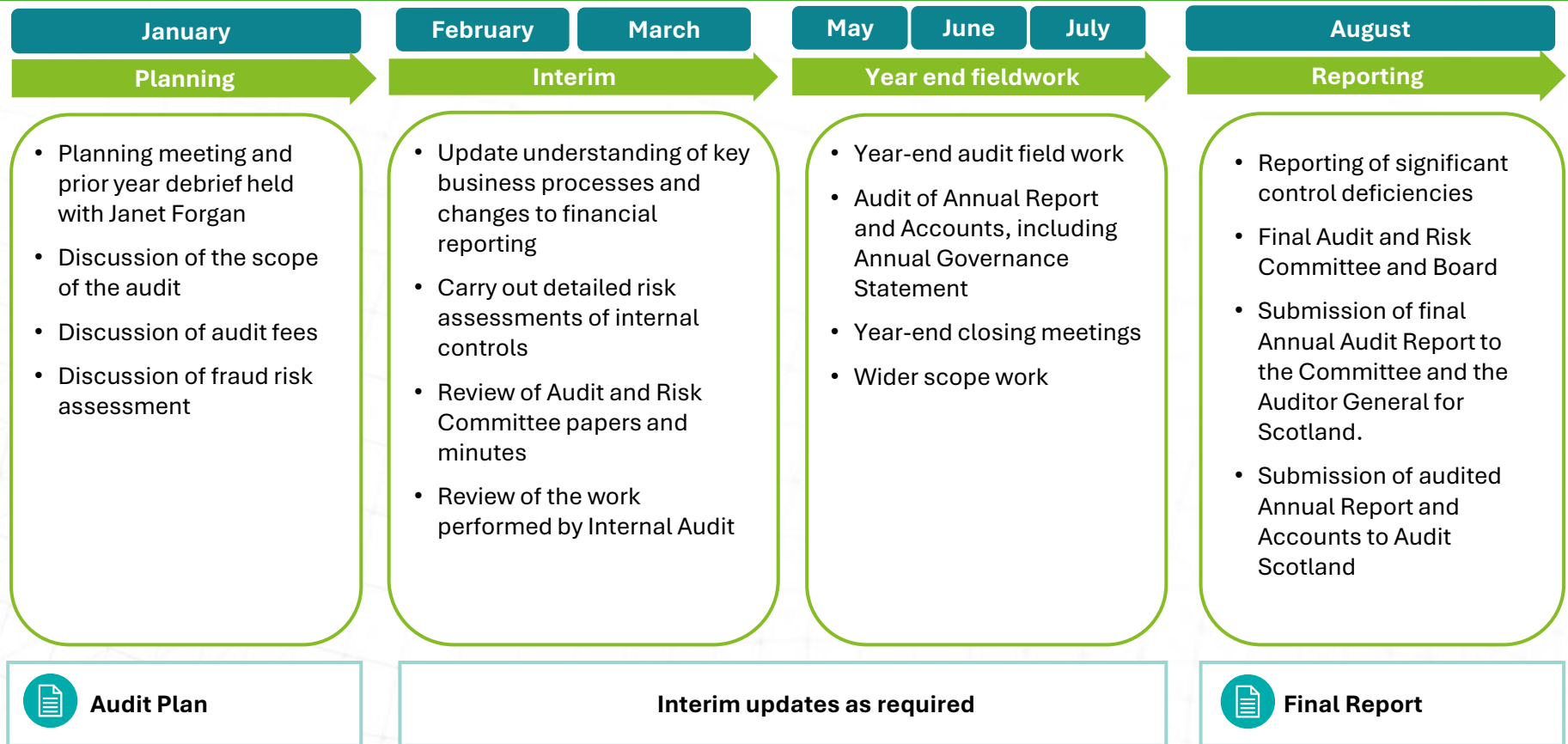
1.5. Audit timelines and Audit and Risk Committee communication plan



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

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

Audit timeline and our Audit & Risk Committee reporting



2. Responsibility statement



What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts 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; and
- 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

Our audit is not designed to identify all matters that may be relevant to the entity. 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 RoS, 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

Glasgow | 27 January 2026

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

Sector developments

HM Treasury guidance on TCFD reporting

Best Practice Guide on Climate, Environmental and Sustainability Reporting

Background

HM Treasury has issued a [best practice guide](#) (and [accompanying slide deck](#)) on implementing Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, drawing on examples of good practice (and practices to avoid) from public sector reports with extracts from annual reports to illustrate its points.

Principles for effective disclosure

The guide emphasises the seven fundamental principles from the TCFD framework, which should guide the development of all climate-related disclosures:

- present **relevant** information
- be **specific and complete**
- be **clear, balanced, and understandable**
- be **consistent over time**
- be **comparable** among organisations within a sector, industry, or portfolio
- be **reliable, verifiable, and objective**
- be provided on a **timely** basis

Good Practice

Examples of good practice in the guide include:

Engage Readers: Use visuals, concise language, and context setting in introductions. Clearly explain frameworks and compliance.

Provide context: Clearly articulate and visually represent the roles and responsibilities for climate governance and a clear outline of strategy, goals, objectives.

Use existing frameworks and publication: Leverage existing climate risk frameworks, linking to external publications/data.

Meaningful Metrics & Targets: Establish clear, measurable metrics and targets to manage climate-related risks and opportunities including forward looking targets.

Focused Disclosures: Focus on the significant and most relevant climate-related risks and opportunities impacting the organisation's operations and long-term sustainability.

Connected Reporting: Integrate related requirements across the Annual Report and Accounts ensuring consistency across disclosures. Quantify sustainability performance and focus on material factors.

Practice to Avoid:

Examples of practices to avoid include:

Lack of Clarity or Substance: Avoid vague or generic statements, unrealistic projections, jargon, exaggerated claims, and overwhelming detail, especially in introductions.

Duplication; Cross-reference existing information instead of repeating it.

Isolated risk management: Avoid presentation of climate-related risks and opportunities without appropriate context of the organisation's overall risk management and strategic planning.

Inconsistent Reporting: Year on year changes making it difficult to track progress. Maintaining consistent frameworks and data collection methods ensures comparability.

Next Steps

We recommend reviewing the Best Practice Guide in planning the RoS 2025/26 disclosures, which will implement all three pillars of TCFD recommendations.

Recognising and responding to early warning signs in public sector bodies

The Committee on Standards in Public Life publish their review of early warning signs

Background

The Committee on Standards in Public Life's report '[Recognising and responding to early warning signs in public sector bodies](#)' examines recurring themes in public sector failures, focusing on how organisation can identify and address emerging problems early on.

Key Emerging Findings

This report identifies key themes in weaknesses in organisational culture including defensiveness, reluctance to address concerns, failure to learn from past mistakes, and insufficient risk identification.

The report provides 20 points of reflection to guide leaders in improving organisational processes and culture and for employees to hold leaders accountable including the following:

- **Identifying and assessing risks:** Processes to facilitate the early identification of risks were often missing. The review asks bodies to reflect on how they know the arrangements they have in place to support identification and mitigation of risks are effective.
- **Learning lessons:** The review asks organisations to consider if they have mechanisms in place to support a robust memory of why previous decisions were or were not taken. How do they ensure lessons learned from evaluating projects and policies are shared within the organisations and these lessons inform future decisions.

- **Board scrutiny:** The review recommends organisations reflect on how they ensure that the board receives the information it needs about risks and issues in a format that is most useful to board members. It further asks organisations to reflect on the make-up of the board and if it has the right balance of skills, backgrounds, experiences and independence on judgement.

The review stresses the importance of a culture of accountability, supported by robust processes and proactive leadership, to ensure effective public service delivery.

Next steps

RoS may wish to review the report and consider the recommended points for reflection to identify any actions to take.

Appendices

Appendix content

Appendix 1: Prior year audit adjustments

Appendix 2: Independence & fees

Appendix 3: Our other responsibilities explained

Appendix 4: Audit quality

Appendix 1

Prior year audit adjustments - corrected

The following corrected misstatements were identified in the in relation to the prior year's audit and were corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

	Ref	Account Balance	Debit / (Credit) impact in £'000			OCI/Equity
			CIES	Net assets	Prior Year Reserves	
Misstatements identified in prior year						
Reclassification of Agency costs	[1]	Staff Costs	(1,025)	-	-	-
		Agency Costs	1,025	-	-	-
Disposal of Intangible Assets (IA)	[2]	IA Costs	-	(4,222)	-	-
		IA Amortisation	-	4,222	-	-
Disposal of Property Plant and equipment (PPE)	[3]	PPE Costs	-	(364)	-	-
		PPE Depreciation	-	364	-	-
Payroll Costs – opening adjustment	[4]	Staff Costs	(1,063)	-	-	-
		Agency Costs	1,063	-	-	-
Total			0	0	-	-

1. Reclassification of £1.025m of agency costs were incorrectly included in staff costs in 2024/25. This was identified and corrected by management.
2. Intangible assets in relation to BOSI/BOPS of £4.2m were decommissioned in FY2024/25 however, this was not recognised. The asset was fully depreciated at the time it was decommissioned therefore had nil impact on the balance sheet in FY2024/25.
3. PPE in relation to Proact SW-2 base CI Node disposal was missed due to error on the asset verification template.
4. Reclassification of £1.063m identified by management in relation agency costs were incorrectly included in staff costs in 2023/24. This was above our reporting threshold however not considered to be material and therefore was not required to be amended. However, management chose to reclassify these costs to ensure the accounts was consistent over the two-year period.

Uncorrected misstatements

There were no uncorrected misstatements identified in relation to prior year audit.

Disclosure misstatements

There were no disclosure misstatements identified in relation to prior year audit.

We have considered the above in determining materiality and performance materiality for the current year 2025/26.

Appendix 2

Independence & 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 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 RoS and will reconfirm our independence and objectivity to the Audit & Risk Committee for the year ending 31 March 2026 in our final report to the Audit & Risk Committee.														
Fees	<p>The expected fee for 2025/26, has been communicated by Audit Scotland in January 2026 is analysed below:</p> <table><thead><tr><th></th><th>£</th></tr></thead><tbody><tr><td>Auditor remuneration</td><td>76,529</td></tr><tr><td>Audit Scotland fixed charges:</td><td></td></tr><tr><td>• Pooled costs</td><td>(5,490)</td></tr><tr><td>• Audit support costs</td><td>-</td></tr><tr><td>• Sectoral cap adjustment</td><td>(8,889)</td></tr><tr><td>Total expected fee</td><td>62,150*</td></tr></tbody></table> <p>There are no non-audit fees.</p> <p>* The base fee above does not take into consideration the additional work that the audit team has required to perform as a result of the change in scope for the IFRS-16 work. We expect that as a result of the additional work required, there will be a need to agree a fee variation in year. We will agree any fee variations as a result of this work with management, before reporting this back to the Committee.</p>		£	Auditor remuneration	76,529	Audit Scotland fixed charges:		• Pooled costs	(5,490)	• Audit support costs	-	• Sectoral cap adjustment	(8,889)	Total expected fee	62,150*
	£														
Auditor remuneration	76,529														
Audit Scotland fixed charges:															
• Pooled costs	(5,490)														
• Audit support costs	-														
• Sectoral cap adjustment	(8,889)														
Total expected fee	62,150*														
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 RoS, its directors, senior management, affiliates, and 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.														

Appendix 3

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 fee income and WIP cut-off 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 3 (continued)

Our other responsibilities explained – fraud (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.



Internal audit

Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Appendix 3 (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 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.



Remuneration report and staff report

We will audit the parts of the 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 4

Audit quality and our system of quality management

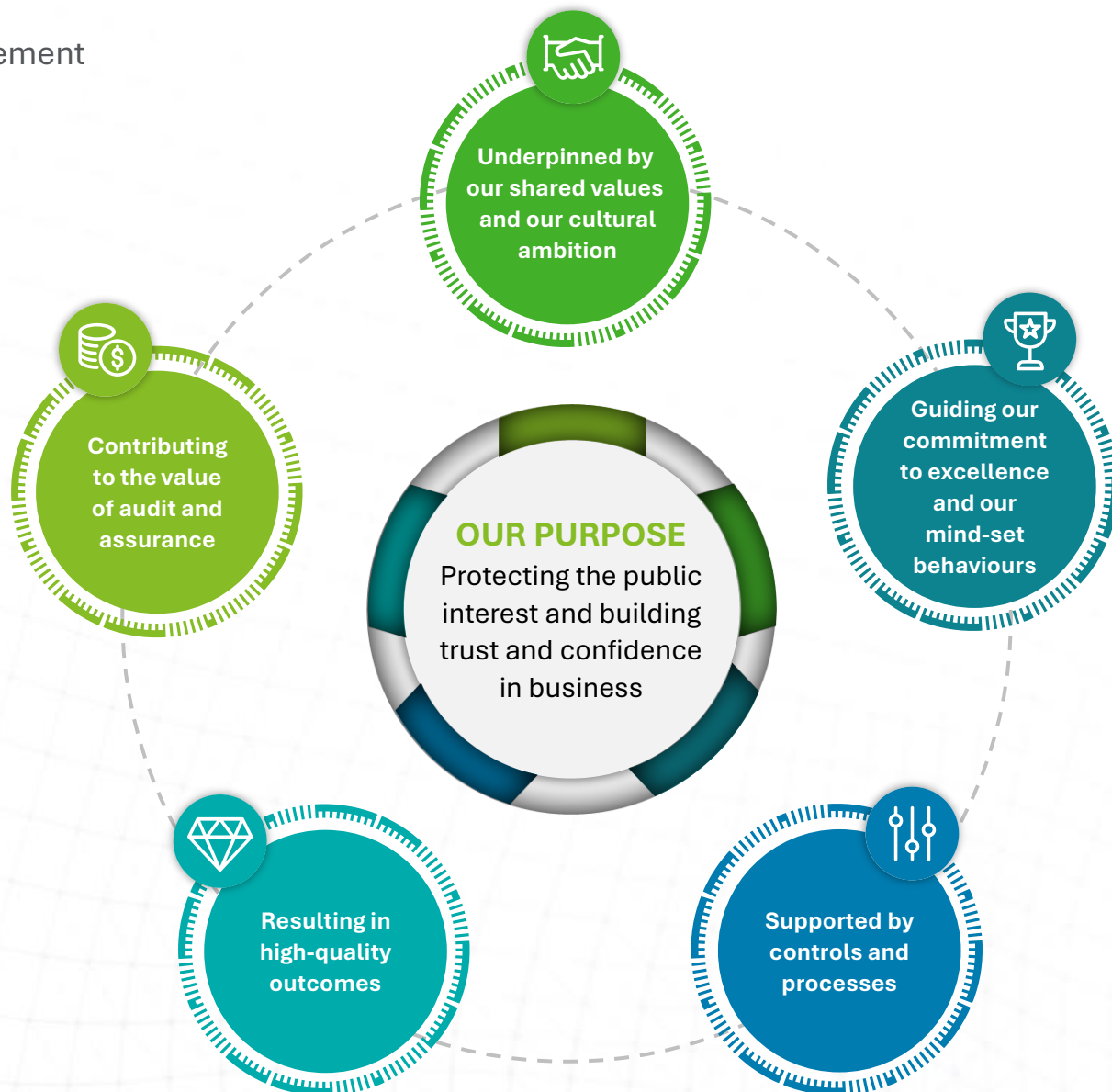
Audit quality is at the heart of everything we do, and our system of quality management (SoQM) supports our execution of quality audits.

ISQM (UK) 1 sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

The effective ongoing operation of ISQM (UK) 1 has been and remains a key element of Deloitte's global audit and assurance quality strategy and of the UK firm.

Deloitte UK performed its annual evaluation of its system of quality management as at 31 May 2025. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved as at 31 May 2025.

For further details surrounding the conclusion on the operating effectiveness of the firm's SoQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [Transparency Report](#).



Appendix 4 (continued)

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.

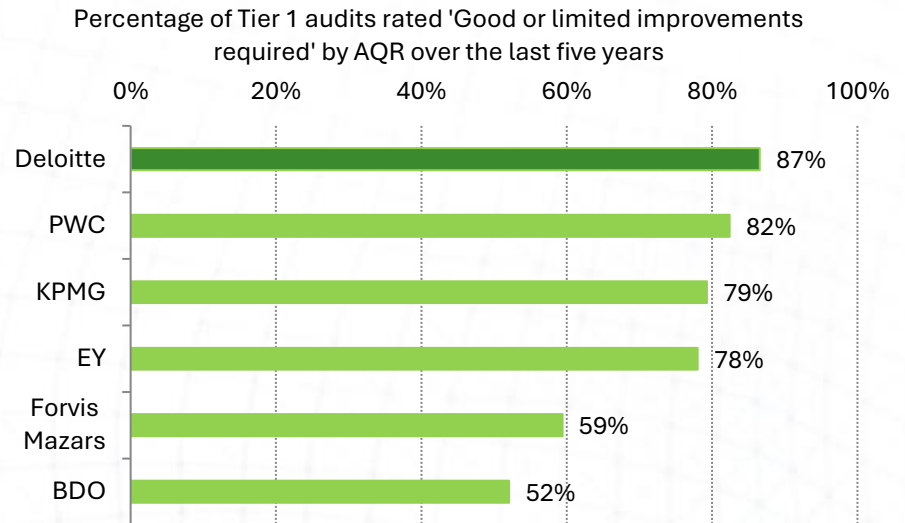
Over the last five years, our AQR results have consistently improved. This reflects our commitment to excellence, our mindset, behaviours, controls and processes. These are all critical to our achieving high-quality outcomes in the public interest

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 (SQM).

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 4 (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 (SQM):

“Deloitte has an established SQM 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 SQM

“We believe that an effective SQM 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 SQM as of 31 May 2024, being satisfied that our SQM 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 SQM has continued to mature. As our SQM 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 SQM 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 SQM.”

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