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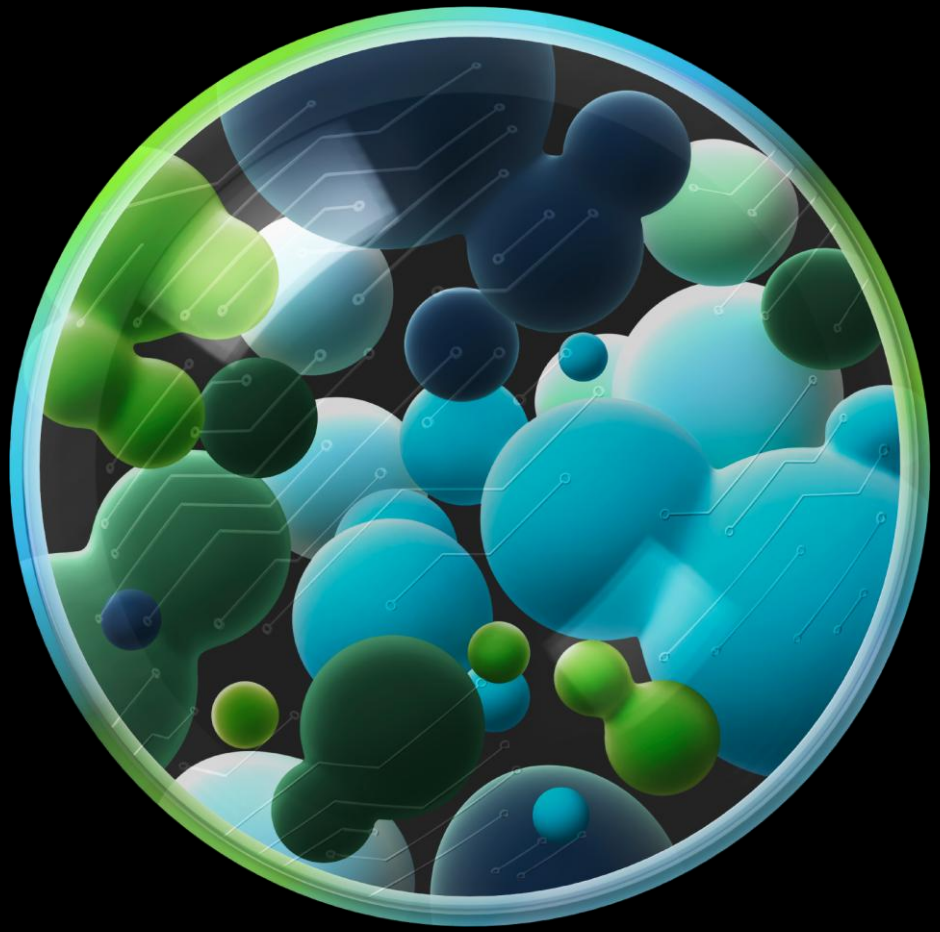

Scottish Fiscal Commission

Report to the Audit and Risk Committee and the Auditor General for Scotland on the 2025/26 audit

Issued on 5 November 2026

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1. Executive summary

We have the pleasure of presenting our report to the Audit and Risk Committee ("ARC") of Scottish Fiscal Commission ("SFC") for the 2025/26 audit. The Engagement Leader for this audit is Stuart Kenny. The report summarises our findings and conclusions in relation to our 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 February 2026.

Audit report

Following the completion of our audit procedures, we have issued an unmodified audit opinion.

Audit status

Following review of the accounts and audit procedures completed, we agree that there are no key judgements or estimates which require disclosure in the SFC accounts.

Misstatements

No uncorrected misstatements have been identified from our audit work performed.

Key judgements and audit findings

- After the completion of our testing, we have not identified any uncorrected misstatement from our audit work performed.

Control deficiencies

We have included our control recommendations in Appendix 2.

Other key findings and insights

- We have not identified any uncorrected misstatements from our audit work performed. However, we have communicated corrected misstatements and control recommendations in Appendix 1 and Appendix 2 respectively.

Final materiality

We set a final materiality of £53,000 based on the final total expenditure in the year, a reduction of £3k from the planning materiality which was based on forecasted figures. Performance materiality has been set at £39,750 and our reporting threshold is £2,650.

Wider scope

- We have agreed that SFC has achieved a resource underspend of £129k in the year, representing 4.7% of the original budget of £2,765k.
- SFC continues to face challenges around financial sustainability in line with other similar organisations, due to a significant portion of costs being staff costs.
- SFC has agreed a budget for the 2026/27 financial year, with no funding gaps identified.

Final scope

Our scope is the same as set out in our planning report.

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2. Significant audit risks

2.1. Dashboard

We have summarised below the significant risks identified in our audit. The details of our audit procedures and findings are set out on the following pages. We did not identify any additional significant risks from those set out in our planning report.

Significant risks

Significant risks are those associated with the most significant and judgemental areas of our audit and which have the greatest potential to cause a material misstatement to the financial statements.

Risk description	Fraud risk	Executed controls and audit approach	Level of judgement or estimation	Page ref.
Management override of controls	✓	DI	H	5
Operating within expenditure resource limits	✓	DI	S	6

Key

DI — Assess design & implementation of relevant controls

S — Significant judgement

H — High degree of judgement

L — Low degree of judgement

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2. Significant audit risks (continued)

2.2. Management override of controls - our audit response and view

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 the significant audit risk – operating within the expenditure resource limits. This is inherently the area in which management has the potential to use their judgment to influence the Annual Report and Accounts.

Deloitte response and challenge

In considering the risk of management override, we have performed the audit procedures that are set out in our planning report, including considering the overall control environment and 'tone at the top'.

We have performed audit procedures to test 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 these tests, we have:

- Used spotlight data analytic tools to identify journals posted at the end of the reporting period and throughout the period meeting specific fraud risk criteria and testing their appropriateness;
- Evaluated the business rationale for significant transactions that are outside the normal course of business, or that otherwise appear to be unusual;
- Reviewed accounting estimates for bias, including considering in aggregate for indicators of bias or trends in the position taken; and
- Tested the design and implementation of controls over journal entries and accounting estimates.

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

Accounting estimates and judgements

While management has not identified any key sources of estimation uncertainty, accruals have been recorded during the year-end close process. We specifically challenged the level of accruals in relation to the identified fraud risk of exceeding resource limits (see slide 6 for testing details).

We discussed with management the basis for their assertion that the entity has no key sources of estimation uncertainty requiring disclosure under IAS 1, specifically considering the judgements involved in determining the value of accruals. Management explained that the accruals are based on standard invoices and therefore believe their own judgements do not significantly influence the resulting figures. We evaluated this rationale against the requirements of IAS 1; however, we are bringing this matter to your attention as it represents a management judgement.

Deloitte view

Following the completion of our testing, we have no matters to report.

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2. Significant audit risks (continued)

2.3. Operating within the expenditure resource limits - our audit response and view

Under auditing standards, there is a presumed risk of fraud in revenue recognition. However, in accordance with Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom), auditors of public sector bodies should also consider the risk of fraud in expenditure recognition. This is on the 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 therefore have identified the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government as set out in Practice Note 10. The risk is that SFC 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 validity and completeness of accruals 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 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:

- Testing the design and implementation of controls around the year end accruals process;
- Obtaining independent confirmation of the resource limits allocated to SFC by the Scottish Government;
- Testing a sample of year end accruals to supporting documentation to check whether they are valid liabilities, that the amount accrued is appropriately supported, and that the liability had been incurred as at 31 March 2026;
- Performing a comparison of significant accruals between accounting periods to identify any unexpected fluctuations; and
- Testing a sample of post year end invoices and bank transactions to identify any unrecorded liabilities.

Deloitte view

Following the completion of our testing, we have no matters to report.

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3. Other significant findings and insights

3.1. Overview of other significant findings and insights identified

We have set out below other significant findings and insights from our audit, including matters we are required to report to the Audit and Risk Committee under auditing standards.

Qualitative aspects of your accounting practices

We have reviewed the draft Annual Report and accounts and provided comments to management. Management have updated these in the final version.

Liaison with internal audit

We have reviewed all internal audit reports produced during the year and taken into account the findings as part of our risk assessment procedures. We have not placed any reliance on the work of internal audit.

Your control environment and findings

The purpose of the audit is for us to express an opinion on the financial statements. The audit included consideration of internal controls 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.

Please refer to Appendix 1 for details of misstatements identified in the period that have been corrected and Appendix 2 for our control recommendations.

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3. Other significant findings and insights (continued)

3.2. Quality indicators - impact on the execution of our audit

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. The table below 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
Timing of key accounting judgements		Information was provided by the requested deadline and covered the points required. Where delays were noted, this was discussed in advance with the audit team.
Adherence to deliverables timetable		Management provided deliverables within agreed timelines. Any follow-up requests were actioned quickly.
Access to finance team and other key personnel		Throughout the audit, there were no issues in accessing members of the finance team and other key personnel.
Quality and accuracy of management accounting papers		Documentation provided was of a good standard which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Report and Accounts.
Quality and timing of audit risk and assurance committee papers		Quality and timing of committee papers was appropriate.
Quality of draft Annual report and Accounts		The initial version of the draft Annual Report and Accounts was of good quality.
Response to control deficiencies identified		We have included control recommendations in Appendix 2. The presence of these control recommendations means that the status for response to control deficiencies is currently rated as Intermediate.
Volume and magnitude of identified errors		No material misstatements have been identified and there are no uncorrected misstatements.



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3. Other significant findings and insights (continued)

3.3. Other matters we are required to report to you

We have set out below other matters that we are required to report to the Audit and Risk Committee under auditing standards.

Regularity of income and expenditure

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.

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 at the date of issuing this report.

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.

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4. Wider Scope Requirements

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 respect to financial sustainability. We have continued to assess SFC as a Less Complex Body for the 2025/26 audit.

Financial Sustainability

SFC reported a year end resource underspend of £129k (FY24/25: £80k) and remained within the approved Scottish Government funding allocation. Final budget allocation was £2,788k and actual outturn was £2,659k. The resource underspend of £129k is considered a breakeven position by the Scottish Government as it falls within 5% of the original budget of £2,765k. Funding is allocated annually, with no provision for carrying forward underspends.

During 2025/26, SFC did not receive a separate capital budget allocation. SFC identified a potential capital pressure of £67.9k arising from the IFRS 16 treatment of the Governor's House right-of-use asset under the existing lease assumptions. Following review of those assumptions, management concluded that no capital cover was required for 2025/26. Separate capital funding of £90k per annum has subsequently been allocated from 2026/27 onwards, reducing the risk of similar issues arising in future years.

For 2026/27, SFC has confirmed funding of £3,112k comprising of £2,952k resource, £90k capital and £70k of non-cash funding. Indicative funding has also been provided for 2027/28 and 2028/29. The Business Plan for FY26/27 aligns this funding to SFC's planned analytical, fiscal-sustainability, engagement and corporate activities, and management has not identified an immediate funding gap. SFC identified an underspend of £260k based on the forecast position as at 31 March 2027. This underspend is primarily attributable to delays in filling budgeted vacancies.

A key financial management consideration for SFC is the challenge of identifying significant savings. Staffing represents more than 80% of SFC's cost base, limiting its ability to deliver substantial recurring savings without affecting operational capacity. SFC has identified efficiency actions through reviews of corporate support services and accommodation, model simplification, quality assurance, publication-process improvements and greater use of open-source tools. However, these measures have not been quantified in a formal savings tracker, and the medium-term scenario model has not been refreshed to reconcile current staffing and cost assumptions with confirmed funding for 2026/27 and indicative funding for 2027/28 and 2028/29. Our prior-year recommendation on quantified medium-term financial projections therefore remains open.

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5. Responsibility statement

What we report

Our report is designed to help the Audit and Risk Committee and the Board 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.

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 Audit and Risk Committee and 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 reports 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.

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.

Use of this report

This report has been prepared for the Audit and Risk Committee, 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

Deloitte LLP

Newcastle | 5 November 2026

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Appendices

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Appendices content

Appendix 1: Corrected misstatements

Appendix 2: Controls approach and findings

Appendix 3: Wider Scope requirements

Appendix 4: Our observations on your annual report and financial reporting

Appendix 5 : Independence

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Appendix 1

Corrected misstatements

The following misstatements have been identified by management during the year which have been corrected. 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	Debit / (Credit) impact in £			OCI / Other equity	Control deficiency identified
		Income statement	Net assets	2026 retained earnings		
Misstatements identified in the current year						
Accommodation – MOTO refund	1	(6,428)	6,428	-	-	No
Other Payables – Payroll – correction	2	-	(51,318)	51,318	-	Yes
Total		**(6,428)**	**(44,890)**	**51,318**	**-**	

[1] Scottish Government identified a £6,428 refund through the 2025–26 MOTO reconciliation. The adjustment credits accommodation costs and debits the prepayment account.

[2] Scottish Government identified that a £51,317.52 HMRC pay over had been incorrectly allocated to SFC rather than Revenue Scotland, understating Other Payables balance for SFC. A period 13 journal corrected the mis posting against the intercompany/general fund balance. The correction has no impact on net operating expenditure and has been reported as a corrected misstatement.

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Appendix 2

Prior Year- control recommendations

Control deficiency	Year first communicated and severity	Deloitte recommendation	Management response and remediation plan
1. Financial Tracker SFC maintain a financial tracker that compares payments that SFC expect the Scottish Government to make, against actuals. For the reconciliation/sign off for the tracker, there is only a cell in the tracker which is then signed off when the monthly reconciliation has been performed. Confirmation as to when this has been performed is then verbalised and there is no email confirmation to show that this has been reconciled/signed off.	2023/24 Medium	Consistent with our recommendation from our 2023/24 audit, we are recommending an email confirmation is sent to confirm when the tracker is reconciled and signed off.	This remains an open action, as evidence of review has been completed and retained for only some monthly reconciliations. The issue was also identified by Internal Audit. Compliance is expected to improve following the Corporate Team restructure and the appointment of a new team member with finance experience, starting from 05 October 2026.
2. Balance Sheet Reconciliations Throughout our audit procedures, we identified that management do no perform a detailed balance sheet reconciliation of the control accounts.	2024/25 High	We would recommend that reconciliations with supporting schedules are prepared and reviewed for all balance sheet accounts.	Evidence has been reviewed confirming that management has performed balance sheet reconciliations for the current financial year. **Closed**

Appendix 2 (continued)

Prior Year- control recommendations (continued)

Control deficiency	Year first communicated and severity	Deloitte recommendation	Management response and remediation plan
3. OECD Review Recommendations We have enquired with SFC as to whether they have an action plan in place for recommendations raised by OECD and note that this is being worked on currently.	2024/25 Medium	Consistent with our recommendation in the PY, we would recommend that a review of the recommendations, impacts and action plan is put in place.	SFC provided an update on its response to the OECD review through a letter to the Finance and Public Administration Committee dated 19 November 2025. **Closed**
4. Leases Liability SFC have disclosed a two-year lease liability within the financial statements as this presents a more realistic view of the length of the lease, compared to the one-year rolling basis.	2024/25 Low	We would recommend that this position is regularly reviewed and considered.	There has been no change to our lease terms or our disclosure of it. Consideration of disclosures is part of preparing our annual accounts each year.
5. Medium-Term Approach to SFC's Budget Planning The current medium-term budget planning document, while providing a summary of SFC's cost base, potential saving measures, and funding shortfall implications, does not include forecasted numbers. This limits its effectiveness in providing a comprehensive basis for understanding expected financial outcomes and aiding the monitoring of progress over the medium term.	2024/25 Low	We recommended that the medium-term budget planning document be enhanced to include forecasted numbers. This would provide a clearer basis for understanding expected financial outcomes and facilitate improved planning and monitoring of progress over the medium term. The assumptions and outputs from the existing 4-year projection working paper could be utilised for this purpose, with periodic updates to reflect evolving conditions.	These figures are already available to management and commissioners in a working spreadsheet, and we believe it would not add significant value to include this level of detail within this paper.

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Appendix 2 (continued)

Controls approach and findings - control observations and recommendations

Control deficiency	Year first communicated and severity	Deloitte recommendation	Management response and remediation plan
1. Timely review of accruals Following the implementation of Oracle, our testing identified in-year invoices that remained unallocated in the GRNI control account. Management explained that this was due to delays in matching purchase orders to invoices within Oracle.	2025/26 High	We recommend that management performs a timely review of the GRNI control account, with aged or unmatched items investigated.	Scottish Government Finance carries our balance sheet transactions on our behalf and provides our accountancy support. We will ensure that GRNI control account review takes place.

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Appendix 3

Wider Scope Requirements – Financial Sustainability

Area	Deloitte Conclusions
Risk identified in the annual audit plan	We identified no significant risks in relation to financial sustainability.
Funding position	SFC's original 2025/26 resource allocation was £2,765k which increased to a final revised resource budget of £2,788k following £23k of in-year budget revision. The final outturn was £2,659k, resulting in an underspend of £129k. The underspend principally reflected staff vacancies, an unsuccessful recruitment exercise, lower accommodation costs and delayed website expenditure. Statutory forecasting and analytical outputs were delivered during the year, with responsibilities redistributed across existing staff where vacancies remained unfilled. SFC monitors financial performance through finance updates presented to Audit and Risk Committee and Governance Board meetings during the year, covering forecast outturn, key variances and emerging financial pressure. In line with other central government bodies, SFC remains exposed to cost and delivery pressures arising from pay, recruitment, shared services and accommodation. During 2025/26, SFC did not receive a separate capital allocation. Governance Board papers identified a potential IFRS 16 capital pressure associated with the Governor's House lease. Following review of the lease assumptions, management concluded that no capital cover was required for 2025/26. Separate capital funding of £90k per annum has subsequently been allocated from 2026/27 onwards.

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Appendix 3 (continued)

Wider Scope Requirements – Financial Sustainability

Area	Deloitte Conclusions
Budget setting	SFC achieved short-term financial balance in 2025/26, reporting an underspend of £129k against its final revised resource budget of £2,788k. The underspend was mainly vacancy and timing-related and therefore does not represent a recurring efficiency saving. SFC cannot carry forward unused resource funding between financial years. For 2026/27, the Scottish Government confirmed total funding of £3,112k, comprising £2,952k resource, £90k capital and £70k non-cash funding. Indicative funding has also been provided for 2027/28 and 2028/29. The March 2026 Business Plan links this funding to planned analytical publications, fiscal-sustainability work, stakeholder engagement and corporate activities. Management has not identified an immediate funding gap for 2026/27. The June 2026 Governance Board finance update forecast a £260k underspend for 2026/27, primarily because vacancies were taking longer to fill than anticipated. Management expected the underspend to reduce as recruitment activity progressed. Financial performance, forecast outturns, staffing assumptions and emerging financial pressures continue to be reported regularly to the Audit and Risk Committee and Governance Board.

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Appendix 3 (continued)

Wider Scope Requirements – Financial Sustainability

Area	Deloitte Conclusions
Medium-to-long-term Financial Planning	SFC's medium-term financial planning is linked to its Corporate Plan, statutory remit and indicative Scottish Government funding allocations. The Medium-Term Approach to SFC's Budget Planning identifies staffing, pay, shared services, accommodation and changes to the analytical remit as the principal medium-to-long-term pressures. SFC has identified efficiency activity through reviews of corporate support services and accommodation, model simplification, strengthened quality assurance, publication-process improvements and greater use of open-source tools. However, SFC does not maintain a quantified efficiency tracker distinguishing recurring savings from vacancy savings, timing differences and deferred expenditure. The available four-year scenario model includes assumptions for pay, turnover, vacancies, staffing, non-staff costs and contingency, but has not been refreshed for 2025/26. It therefore does not reconcile the final 2025/26 outturn and current staffing assumptions to confirmed funding through 2028/29. Therefore, the model does not provide updated base-case and downside projections aligned to current funding and workforce assumptions. The medium-term planning document consequently does not fully include the quantified scenario planning and sensitivity analysis envisaged by Exhibit 3 of Scotland's Public Finances. Our prior-year recommendations to refresh the quantified medium-term projections and formally monitor efficiencies therefore remain applicable.

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Appendix 4

Our observations on your annual report and financial reporting

We have set out below our observations on your annual report, and qualitative aspects of your financial reporting, including matters we are required to report to the Audit and Risk Committee under auditing standards.

The Accountability Report, Remuneration and Staff report & the Annual Governance Statement

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.

We have assessed whether the information given in the Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the account's direction. We have noted that there has been a change in the accountable officer, which has been reflected in the updated in the revised drafts.

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 provided management with disclosure comments and suggested changes which management have updated in the revised drafts.

We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction.

The Performance Report

The report outlines SFC's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by SFC.

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.

We provided management with comments and suggested changes which management updated in the revised accounts.

Appendix 4 (continued)

Our audit report - Matters relating to the form and content of our report

Our opinion on the financial statements

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.

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 9.

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Appendix 4 (continued)

Our other responsibilities explained - fraud

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 the Board 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 SFC.

We have also asked the Board 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 operating within expenditure resource limits and management override of controls 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 have explained in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we have described the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Appendix 5

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 SFC and our objectivity is not compromised.
Fees	The expected fee for 2025/26, as communicated by Audit Scotland in January 2026 is analysed below: £ Auditor remuneration 42,140 Audit Scotland fixed charges: • Pooled costs 3,160 • Audit support costs - • Sectoral cap adjustment (12,810) **Total expected fee 32,490** There are no non-audit fees.
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 not identified any relationships with SFC, its directors and senior management, 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.

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