

## MINUTES

Meeting of:	SFT Group Audit Committee
Date & Time:	Tuesday 26 August 2025, 2pm to 4pm
Place:	Shared board room, Thistle House, 91 Haymarket Terrace, Edinburgh
Present:	Alistair Brown (AB) (Chair) Stella Matko (SM) Nick Rowan (NR)
Apologies:	none
In attendance:	Peter Reekie (PR) Caroline Whyteside (CW) Angela Pieri (AP), Grant Thornton (part meeting) Cathy Smith (CS), Grant Thornton (part meeting) Fraser Doak (FD), Grant Thornton (part meeting) Kerri Ross (KR), Grant Thornton (part meeting) Asam Hussain(AH), RSM (part meeting) Matthew Stacey (MS), RSM (part meeting) Liz Petrie (LP) (minutes)

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### 1 FORMALITIES

#### 1 APOLOGIES & AGENDA

There were no apologies. Introductions were made. AB welcomed all to the first meeting of the Committee following its restructure approved by the SFT Board in June 2025, noting that S Slessor and P Mills had left the Committee.

#### 2 DECLARATION OF INTERESTS

No new interests were declared.

#### 3 MINUTES OF PREVIOUS MEETINGS

The minutes of the meeting of Monday 23 June 2025 were approved as a correct record.

#### 4 ACTION TRACKER

The action log was reviewed and completed and ongoing actions noted.

AB advised that prior to giving further consideration to commissioning work to gain external assurance on the management charge between SFT and SFT Investments, it is proposed that the Committee consider a paper outlining: the current process for calculating the charge; a risk analysis; and any internal review process currently undertaken. The Committee agreed that this would provide a strong basis of

understanding for a decision on the need for any changes to the process or external assurance. CW to prepare a paper for consideration at a future meeting.

*CW to prepare paper on current management charge process and associated risks for consideration at the January 2026 meeting.*

## **DECISION**

### **5 ANNUAL REPORT AND FINANCIAL STATEMENTS**

The Committee noted the external audit findings, draft annual accounts and draft Letters of Representation for SFT Investments Ltd and SFT Company & Group.

SFT Investments Ltd:

FD gave an overview of the audit findings. He noted that there were no control findings and no audit adjustments outstanding. He confirmed satisfaction with the Company's investment judgments, noting that Grant Thornton's valuation expert had been involved in the assessment of the discount rates used in the portfolio model. He confirmed that the discount rates applied are appropriate and within the expected range. He welcomed the Company's consideration and adoption of a higher discount rate for two projects, reflecting their particular status, rather than adopting a single rate for the whole portfolio as in previous years. He commented that Grant Thornton had reviewed the basis for the management charge between SFT Investments and SFT and were content with it.

The Committee noted the draft Annual Report and Financial Statements and agreed the assumptions underpinning the accounts, including agreeing the key areas of judgment. Subject to confirmation that the resolution of the query of the grant treatment in SFT Accounts will not impact the SFT Investments Accounts, the Committee agreed to recommend approval of the Annual Report and Financial Statements to the SFT Investments Board on 8 September 2025.

The Committee reviewed the draft Letter of Representation with management comments. The Committee was advised that the Grant Thornton engagement letter has been signed and there that there was nothing unusual to highlight in the draft Letter of Representation. Given the outstanding query by the SFT Ltd auditors on grant payments the Committee questioned if the Company could represent that there is no obligation between to the two entities. The Committee agreed to recommend approval and signature of the Letter of Representation to the Board, updating it if appropriate to reflect the treatment of capital funding from SFT, noting that the Chair would review this recommendation following any clarification of the impact of the SFT Ltd query on the SFT Investments Ltd annual accounts prior to signing.

SFT Company and Group

The Committee noted the draft Annual Audit Report and AP gave an overview of progress and findings to date. AP noted that audit work has not yet been completed on the pension valuation and group consolidation and advised that this work had been scheduled for the coming week.

AP confirmed that no significant risks have been identified subsequent to the original audit planning and risk assessment. The Committee was advised that the change in

materiality between the planning stage and audit was expected and noted the revised approach for both Group and Company. It was further confirmed that no significant risks have arisen on the wider scope audit. The carried forward recommendation that the Company undertakes formal medium term financial planning was highlighted.

The Committee was advised that a potentially significant issue relating to the current accounting treatment of historical funding received from Scottish Government by SFT and passed to SFT Investments, has arisen. CS outlined the issue highlighting that there is no formal written agreement which outlines the terms under which the funding was paid or should be repaid to Scottish Government. CS advised that in the absence of terms, judgments made by management should be disclosed in the financial statements which is not currently the case. It was noted that the query relates to two tranches of funding received pre and post 2015 which have been treated differently in the Accounts. It was noted that while the annual Grant letter does refer to tranche 2 payments, there are no contractual terms for the repayment of either tranche.

The Committee noted that the treatment of these funds within the Accounts is consistent with the previous years and queried why this had not been raised as an issue in the previous year. CS explained that the repayments relating to the two different Tranches had been noticed when reviewing bank statements and while the amounts were not material, this had triggered the investigation.

CW confirmed that a full technical analysis of management's judgments had been supplied to Grant Thornton the previous week. AP confirmed that due to holidays this has not yet been reviewed. CW clarified that the SFT analysis concludes changes should be made to the Accounts and that Tranche 1 funding should be recognised as a contingent liability with additional disclosures to be made but with no changes made in relation to Tranche 2.

The Committee discussed the impact of not reaching agreement on the treatment of these payments within the Accounts. CS confirmed that if not agreed a clean audit opinion would not be given so the Accounts would be qualified.

PR expressed concern that this had not been picked up in previous years' audits and had only been communicated as an issue late in the audit process. He further noted that he would be reluctant to recommend any increase in audit fee to the Board in relation to resolution of the issue.

The Committee agreed that pending resolution of the issue, it could not recommend approval of the SFT Annual Accounts to the Board. Once outstanding matters are resolved, AB and the Executive will give further consideration to the process and timing for Board approval.

*Process and timetable for sign off of SFT Company and Group Accounts to be agreed once impact of outstanding matters on the Accounts is understood.*

The Committee reviewed the draft letter of representation and the auditors confirmed that they were happy with the management comments. It was noted that this would be reviewed following the revision of the Accounts.

*CW and PR left the meeting*

A private meeting was held between the Committee and the Auditors in the absence of the Executive.

FD confirmed that the SFT Investments audit had gone well noting that the SFT team was responsive and happy take challenges. He welcomed the additional resource in the Investments team. CS and AP confirmed that the team is responsive and advised that the working papers provided by management are good. Further discussion took place on the discovery of the issue in respect of the presentation of funding received from Scottish Government and AB welcomed the fresh scrutiny.

*CW and PR rejoined the meeting.*

*AP, CS, FD and KR left the meeting.*

## **MONITORING**

### **6 INTERNAL AUDIT**

*AH and MS joined the meeting.*

#### **SFT Outcomes: Measuring Progress & Impact Assurance**

The Committee noted the report on the assurance review process for SFT Outcomes reporting and the final internal audit report. AH advised that an opinion of substantial assurance had been given and highlighted that the final report included no new management recommendations. MS noted that the scope of the review was consistent with the previous year covering both quantitative and qualitative data analysis. He confirmed that the management action raised as part of the previous year's review had been fully implemented.

The Committee noted that data used in the reporting is from a range of internal and external sources. The Committee acknowledged the importance of being able to illustrate the impact of the Company's work and have confidence in the evidencing of SFT's contribution whilst also acknowledging the work of other parties.

#### **Internal Audit Update**

The Committee noted the report on progress on the internal audit plan approved in January 2025. CW highlighted that two of the three audits have been completed with the Strategic Planning audit planned for November.

The Committee noted and discussed the completed audit reports on Payroll and Gifts, Hospitality and Expenses.

#### **Payroll:**

The Committee noted the opinion of substantial assurance. MS confirmed that the audit had found strong processes and controls to be in place and compliance with the process. He advised that two minor improvement opportunities had been identified. The Committee acknowledged the work of the small team involved in payroll and asked that their thanks be passed to the team.

#### **Gifts, Hospitality and Expenses:**

The Committee noted the opinion of reasonable assurance. MS advised that the review had concluded that the Company has a well-structured process for submission and

payment of expenses as well for maintaining registers for gifts, hospitality and interests but a number of low and medium actions had been recommended to improve processes and strengthen oversight. He highlighted also the data analytics on expenses included in the annex to the report which could be helpful in identifying trends or anomalies.

CW led discussion on the recommended actions. She noted that a revised expenses policy will be brought to the SFT Board in September and will include any appropriate update to the statement on publishing expenses as recommended. CW further confirmed that consideration is being given to how best to evidence and record expense approvals which fall outwith the policy. The Committee noted that line managers across the business are responsible for approval of expenses. The Committee considered that this is appropriate.

The Committee discussed the proposed management action that reports on expenses be brought to the Board quarterly. The Committee agreed that reporting to the Board on expenses budgets and trends on an annual basis would be more appropriate and MS agreed that this would meet the recommendation that SFT consider reporting to the Board.

The Committee was advised that the recommended incorporation of a disclaimer on conflicts into the current and future quarterly gifts and hospitality registers has been implemented and noted that the Board reviews gifts and hospitality annually.

The Committee further noted the recommended actions to evidence that the staff and leadership team registers of interests are updated at least annually.

*AB & MS left the meeting.*

## **7 CORPORATE RISK REGISTER**

The Committee reviewed the corporate risk register including the risk themes and appetite statements.

CW highlighted that four risks remain red with no movement in their scores since the Committee's review of the register in June 2025. The Committee noted that there are no new risks and no risks have been deleted since the last review. CW advised that one risk relating to cuts to SFT's 2025/26 funding was reduced from red to green following receipt of the grant letter for 2025/26. CW advised that in-year post-grant letter and longer term funding risks are tracked separately within the register.

PR highlighted the single issue included in the issues log. He advised that the issue described remains live and confirmed that reports will be brought to the SFT Investments and SFT Boards on 8 September 2025.

## **8 COMMITTEE RESTRUCTURE**

Ways of Working:

AB led discussion on the operation of the restructured Committee. He noted the opportunity for the Committee to hold meetings on-line and the potential to move away from the practice of holding Committee meetings on the same days as Board meetings.

The Committee agreed that the meeting to consider the Annual Accounts should continue to be held in person around two weeks in advance of the Board meeting. The Committee was content for other meetings to remain scheduled on the same days as Board meetings, noting the opportunity to hold interim on line meetings should business require it.

The Committee welcomed AB's proposal that the Committee carry out 'deep dives' into key risks with risk owners invited to attend. It was suggested that the Committee could consider one red risk at each meeting. PR advised that the Leadership Team is considering a complete refresh of the register which was welcomed by the Committee.

AB further highlighted the Committee's ability to take one-off actions arising from Board meetings, whilst being cognisant of the small corporate team which would require to support any additional reporting.

The Committee further agreed the proposal that AB approach RSM to invite their attendance for the full duration of meetings.

Review of Committee Terms of Reference:

The Committee noted and agreed the proposed changes to its Terms of Reference, reflecting the Committee's revised membership, for recommendation to the Board.

#### **NOTING**

##### **9 PUBLIC SECTOR REFORM ACT DISCLOSURE**

The Committee noted and discussed the Public Sector Reform Act Disclosure. CW confirmed that the Disclosure would be submitted to Parliament with the Accounts and published on the website.

##### **10 SUSTAINABILITY REPORT**

The Committee noted and discussed the Sustainability Report. CW advised that SFT publishes this on a voluntary basis. The Committee noted that since the move to the shared office accommodation it is not possible to report on electricity consumption and emissions. Given the limited data now available for a separate Sustainability Report, CW advised that consideration is being given to reporting on the Company's sustainability as part of the new Impacts Framework.

##### **11 AOB**

There was no further business.  
The meeting ended at 15.50pm.