

MINUTES

Meeting of: Scottish Futures Trust
Audit Committee

Date & Time: 1.00pm 8th March 2010

Place: Noble Grossart, 48 Queen Street, Edinburgh

Attendees: Graeme Bissett (GB) - Chair
Cllr Jim Fletcher (JF)
Peter Reekie, Director of Finance – in attendance (PR)
Nick Bennett, Audit Partner – Scott Moncrieff – in attendance (NB)

The Chairman opened the meeting.

Barry White apologised, being at the Remuneration Committee at the time of the meeting.

Minutes of the Previous Meeting

The minutes of the 4th November meeting were adopted as a true and fair record.

1. Review of Auditor Appointment

NB left the room whilst the Committee considered the reappointment of Scott Moncrieff as Auditors. The Committee took a paper from PR and noted that Scott Moncrieff was appointed in 2009 for a three-year period covering the 08/09, 09/10 and 10/11 Financial Years subject to satisfactory ongoing performance. The paper noted satisfactory performance and recommended continuation of Scott Moncrieff's appointment. Following discussion, the continuation of the appointment was approved.

2. Audit Timetable and Planning

NB talked the Committee through Scott Moncrieff's Audit Plan for 09/10 which was approved.

3. Corporate Risks and Internal Controls

PR talked the Committee through a paper reviewing the Internal Controls of the Company. The Committee noted the paper and requested that management undertake the actions noted therein and report back:

- Strengthen payment authorisation following permanent admin team recruitment; and
- Propose a mid-year review should any significant changes, eg. the formation of an investment subsidiary, take place during this Financial Year.

4. Review of the need for Internal Audit function

PR talked the Committee through a paper reviewing the need for an Internal Audit function in the Company. The Committee noted that there is currently sufficient transparency with respect to corporate functions and considered that an Internal Audit function was not

currently required in this area. The Committee discussed the controls in place in respect of projects undertaken by SFT, or where SFT has some influence or control of funding. No conclusion was reached on the need for an Internal Audit function in relation to SFT's project portfolio.

- PR to report back to next Audit Committee meeting on current review arrangements for SFT projects and programmes.

5. Review of MSFM

The Committee considered a detailed review of compliance with the MSFM requirements and was content with compliance.

- MSFM compliance to be considered once a year.

6. VAT update

The Audit Committee heard from PR that Scottish Government did not consider that SFT should register for VAT, as the supply made by SFT to SG should be considered outside the scope of VAT. The Committee noted Government's position as controlling shareholder in SFT and requested that management obtain confirmation in writing of this position.

- Written confirmation of VAT position required from Government

7. AOB

There was no other business

8. Date of next Meeting

29th June 2010.