
MINUTES

Meeting of: SFT Group Audit Committee

Date & Time: Monday 29 January 2024, 11am

Place: Cullen Room, Thistle House, 91 Haymarket Terrace, Edinburgh

Present: Graham Watson (GW) (Chairman)
Pauline Mills (PM)
Bill Matthews (BM)
Stella Matko (SM)
Stephen Slessor (SS)
Nick Rowan (NR)

Apologies: none

In attendance: Peter Reekie (PR)
Caroline Whyteside (CW)
Joanne Brown (JB), Grant Thornton (part meeting)
Angela Pieri (AP), Grant Thornton (part meeting)
Asam Hussain(AH), RSM (part meeting)
Matthew Stacey (MS), RSM (part meeting)
Liz Petrie (LP) (minutes)

1 FORMALITIES

1 APOLOGIES & AGENDA

There were no apologies.

2 DECLARATION OF INTERESTS

No new interests were declared.

3 MINUTES OF PREVIOUS MEETINGS

The minutes of the meeting of Monday 21 August 2023 and Monday 13 November 2023 were approved as correct records.

GW advised that since the last meeting he had met with Grant Thornton's national Head of Audit. Grant Thornton had acknowledged that the two audit teams had not been joined up and advised that this would be addressed for the coming year. GW had stressed the importance of early warning and early escalation of any issues identified by either SFT or Grant Thornton during the audit process and this had been agreed. GW advised that it had also been agreed that that all parties approach the forthcoming audit with a positive mindset and that the challenges of the past remain in the past.

4 ACTION TRACKER

The action log was reviewed.

It was noted that the independent commercial review of the SFT Investments portfolio had not been highlighted within the narrative of the Annual Report for the year ending March 2023 but confirmed that this would be included in future years.

CW advised that due to the pressures of the recent audit processes a detailed mapping of new reporting requirements against the standards of the UK Corporate Governance Code had not yet been carried out. The Committee asked that this be undertaken in the coming period.

The Committee further confirmed that training on FReM would be useful and asked that CW consider how best to deliver the training and put in place.

**5 DECISION
EXTERNAL AUDIT PLAN**

The Committee noted the report and the external audit plan for SFT.

The Committee was reminded that the SFT audit fee is set by Audit Scotland. PR highlighted the 6% increase in fees applied by Audit Scotland for the current year for audits across the public sector. The Committee agreed that given the current severe pressures on public finances and consequent funding constraints on all public bodies it would be appropriate to raise the impact of the blanket increase imposed with Audit Scotland.

The Committee was advised that there had been no interest from other firms in the tender to provide audit services for SFT Investments Ltd and agreed to recommend to the Board approval of the proposed fee of £55,000 for Grant Thornton to undertake the audit. CW advised that as, pending the outcome of the tender exercise, Grant Thornton have only recently been engaged to undertake the 2023/24 audit, the SFT Investments Ltd audit plan is not yet available for consideration by the Committee. The Committee noted that it is expected that the audit plan will be finalised by the end of February 2024 and CW confirmed the intention to circulate to the Committee for approval when available.

SFTi Audit Plan to be circulated to the Committee.

JB and AP joined the meeting.

JB referred to lessons learnt from the 2022/23 audit processes for both SFT and SFT Investments and highlighted the revised relationship structure which has been put in place for the coming year. The Committee welcomed the new structure with JB as relationship manager overseeing both audits and AP with the lead engagement role for the SFT audit.

AP highlighted key elements of the SFT audit plan. The Committee was advised that there have been no new accounting or auditing standards to affect the 2023/24

accounts. AP confirmed that materiality for planning purposes has been set at 2% with performance materiality base on 75% of planning materiality. The Committee was advised that the risks remain unchanged from the previous year.

The Committee noted the audit approach and timetable. AP highlighted that that the pension protocol letter is due to be released on 9 August 2024.

PR advised that the Company will be developing its new corporate plan for 2025 to 2030 over the coming year and this will not be approved at the time of seeking approval for the accounts 2023-24. Grant Thornton confirmed that this would not affect the 'going concern' statement.

JB and AP left the meeting.

6 OUTCOMES REPORTING

The Committee noted the report outlining the methodology and workplan proposed for outcomes reporting for the year 2023-24.

CW advised that the outcomes are being reviewed as part of the corporate planning process and the Committee's previous request that further consideration be given to reporting on social value outcomes will be incorporated into that process.

CW confirmed that RSM's assurance recommendations from their internal audit of the 2022-23 outcomes reporting were incorporated into key actions. CW noted that RSM's period of contract expires this year. CW further confirmed that K Ferrie will continue to lead on the work internally for the coming year.

The Committee agreed the methodology laid out in the report together with the proposed approach to assurance through RSM.

7 MONITORING CORPORATE RISK REGISTER

The Committee noted the corporate risk register recording key strategic and corporate risks facing the organisation. The Committee noted the four top risks and that these are being closely monitored by the Leadership Team.

In relation to S27, regarding SFT's funding, PR advised that spending controls on discretionary spend for the final quarter of the current year have been imposed on all public bodies. He outlined internal measures taken to effect savings and advised that an underspend at year end is now being targeted.

The Committee noted and discussed the risk S16 on changes in the public sector landscape including the challenges and mitigations in relation to government and other public bodies developing overlapping roles and activities in areas where SFT is already active.

The Committee noted that an update to the company's risk policy is being taken to the Board meeting which will follow the current meeting. CW confirmed that the risk themes

and appetites as discussed at the Board strategy day in October 2023 have been incorporated into the policy. The Committee noted that consideration is yet to be given to how the themes and appetite statements should feed through to the presentation of the risk register itself.

[REDACTED]

8 INTERNAL AUDIT UPDATE

The Committee noted the report confirming the ongoing internal audit plan for the current year. It was noted that the next and final audit to be carried out will be on procurement. The Committee was advised that a substantial amount of work has been carried out in relation to historic procurement record keeping in the recent period. PR advised that previously procurement records had been held by separate workstreams which had led to inconsistencies. PR noted that to improve this the central corporate function has been strengthened shifting the balance of resource in the organisation.

AH and MS joined the meeting.

The Committee noted the report on the internal audit of key financial controls carried out in November 2023. AH highlighted key elements of the report and confirmed that an opinion of substantial assurance had been given.

AH outlined the five low level improvement actions identified and the Committee was advised that all recommended actions are being implemented.

CW and PR left the meeting.

GW invited comment on RSM's experience of engagement with SFT. AH advised that engagement with CW and the team was positive with the SFT team forthcoming and willing to address issues raised. He considered that the Company is using the audit process constructively to bring about improvements. AH confirmed that the audits to date have been very positive with issues identified generally being at a 'house-keeping' level.

CW and PR returned to the meeting.

AH and MS left the meeting.

9 NEW FRAMEWORK AGREEMENT COMPLIANCE

The Committee noted the report reviewing compliance with the SFT Framework Agreement. The Committee noted the results of the compliance review which concluded compliance with all highlighted aspects of the Framework.

The Committee discussed the format and detail of the report. It was requested that in addition to confirmation that elements had been complied with a narrative on what has been done to comply should be included in future reports. The Committee agreed that

the future annual reviews should comprise the summary level review including requested commentary on each element of compliance.

Narrative to be included in future reports to illustrate compliance.

10 WHISTLEBLOWING POLICY

The Committee noted the whistleblowing policy in place and that no changes to the policy are recommended. It was confirmed that no instances of whistleblowing were reported during the last year.

11 PROJECT AND PROGRAMME GOVERNANCE

The Committee noted the report describing the governance arrangements and controls in place for the projects and programmes in which SFT has a role and highlighting the changes since the Committee last reviewed the report in January 2023.

The Committee was invited to discuss whether or not the report which has evolved and grown over time remained useful. The Committee considered that the report continues to provide a valuable oversight of the breadth and diversity of the organisation's roles and associated risks.

It was considered that it could be useful to better highlight SFT's specific responsibilities in each area and suggested that the report could be reformatted into different categories of oversight rather than the current workstream-based categorisation. CW undertook to consider format and presentation of future reports.

CW to consider format and presentation of future reports.

The Committee noted the changes to take place in the directorships of hub companies and their subsidiaries from 1 March 2024. CW confirmed that training and ongoing mentoring have been put in place for the new Senior Associate Director who will be appointed to the hub subsidiary company boards.

12 AOB

There was no further business.
The meeting ended at 11.55am.