

# Annual Audit Report for Scottish Futures Trust Limited

For the year ended 31 March 2025

Prepared for those charged with governance and the Auditor General for  
Scotland

17 November 2025

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Scottish Futures Trust Limited and its group or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Audit Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# 01 Headlines

# Headlines (1)

**Summary of the key findings and other matters arising from the statutory audit of Scottish Futures Trust Limited (SFT) and its group and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (the Group Audit Committee) and the Auditor General for Scotland.**

## Financial statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code') we are required to report whether, in our opinion:

- the Group and SFT's financial statements give a true and fair view of the financial position of SFT and its group at 31 March 2025, and of the net expenditure for the year then ended;
- the Group and SFT's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (FReM);
- the Group and SFT's financial statements and audited parts of the Remuneration Report and Staff Report have been prepared in accordance with the requirements of the FReM and directions made thereunder by the Scottish Ministers; and
- the Performance Report and Governance Statement are prepared in accordance with the FReM and are consistent with the financial statements.

We are also required to report whether other information published together with the audited financial statements in the Annual Report, is materially consistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Accounts and working papers were received on time and we thank management for their support and timely response to audit queries during the audit process to date.

We have agreed with management one adjustment which is related to the classification of SFTi funding, within the group balance sheet. This does not change the financial position of the SFT Group. The 2023-24 prior year accounts have been updated, to amend the prior year classification, to allow a comparison on a like for like basis.

All other amendments are to disclosures only. The amendments are detailed at pages 32 and 33.

We have not raised any recommendations as part of our financial statements audit.

# Headlines (2)

Summary of the key findings and other matters arising from the statutory audit of Scottish Futures Trust Limited (SFT) and its group and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (the Group Audit Committee) and the Auditor General for Scotland.

## Financial statements

At the Audit Committee in August, we highlighted ongoing discussion with management, on the judgements made, in relation to tranche 1 and tranche 2 funding received from the Scottish Government. This was in the absence of a contract or an agreement with Scottish Government on the repayable nature of the funding and associated accounting.

Following discussion management have updated the note in the accounts covering critical judgements and estimates to articulate the judgement made. Legal advice was also sought, to support management's view. We agree with the updated disclosure and the accounting treatment.

We also concluded our group accounting work with no matters to report.

We have received the final signed financial statements and accompanying letter of representation, following Board approval and **an unmodified audit opinion was issued on 17 November 2025**. The signed accounts, including our opinion were submitted to Audit Scotland for Audit Scotland to liaise with the Sponsor Team for the accounts to be laid in parliament before the statutory deadline of end of December 2025.

# Headlines (3)

**Summary of the key findings and other matters arising from the statutory audit of Scottish Futures Trust Limited (SFT) and its group and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (the Group Audit Committee) and the Auditor General for Scotland.**

## Wider scope and best value

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider SFT's arrangements in respect of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2025 we documented our assessment of the wider scope risks and planned audit work. At the planning stage we did not identify any significant risks across any of the four wider scope themes, and at the final stage of the audit we have not identified any either.

We outline our work undertaken in response to the arrangements in place and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out. We have not identified any significant risks from our review carried out subsequent to our planning and risk assessment. Further details of the work undertaken are outlined on pages 34 to 46.

We have not raised any new recommendations for management as a result of our audit work on wider scope. Follow up of the prior year recommendation raised is set out in Appendix B.

For Best Value we have not identified any significant risks in relation to the arrangements in place to secure best value from our work performed over wider scope areas as outlined in this report. Scottish Futures Trust has appropriate arrangements in place for Best Value.

## 02 Our approach to materiality

# Our approach to materiality (1)

As communicated in our Audit Plan dated 17 January 2025, we determined materiality at the planning stage as £257,000 for the group and £255,000 for the company based on 2.5% of the 2023/24 gross expenditure.

On receipt of the draft financial statements, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements.

Our approach to determining materiality is set out here.

Materiality area	2024/25	2023/24	Qualitative factors considered



# Our approach to materiality (2)

As communicated in our Audit Plan dated 17 January 2025, we determined materiality at the planning stage as £257,000 for the group and £255,000 for the company based on 2.5% of the 2023/24 gross expenditure.

On receipt of the draft financial statements, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements.

Our approach to determining materiality is set out here.

Materiality area	2024/25	2023/24	Qualitative factors considered
Performance materiality for the senior officer remuneration disclosure	Company: £25,000 Group: £25,000	Company: £25,000 Group: £25,000	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

# **03 Group audit scope and risk assessment**

# Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below summarises our final group scoping, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Key Audit Partner / Responsible Individual	Status	Comments
Scottish Futures Trust Limited (SFT)	Yes	Full scope	Full scope	Grant Thornton UK – PSA team	Angela Pieri	● Green	Our work has been completed.
Scottish Futures Trust Investments Limited (SFTi)	Yes	Full scope	Full scope	Grant Thornton UK – commercial audit team	Fraser J Doak	● Green	Our review of the work performed by the component auditor is complete with no issues to report to you. The SFTi financial statements were signed after the Group Audit Committee approval was given at their meeting on 27 August 2025.

Full scope	Audit of entire financial information of the component, either by the group audit team or by component auditors.
Specific scope	Specific audit procedures designed by the group auditor.
Specific scope	Specific audit procedures designed by a component auditor.
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

● Green	Planned procedures are substantially complete with no significant issues outstanding.
● Amber	Planned procedures are ongoing/subject to review with no known significant issues.
● Red	Planned procedures are incomplete and/or significant issues have been identified that require resolution.

# Involvement in the work of component auditors (1)

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
<b>Full scope</b>	Grant Thornton UK – commercial audit team	<p>The Group Engagement Lead (Angela Pieri) led a planning meeting with the component auditor which included a discussion on risks and guidance on designing procedures.</p> <p>Throughout the audit the group engagement team have participated in meetings with the component auditor.</p> <p>To date we are awaiting the component auditor's completion of their work, so that we can review all audit documentation in respect of significant risks, including the underlying workpapers. This will be done through electronic file sharing.</p> <p>A formal internal close meeting with the component auditor will be attended by the Group Engagement Lead.</p>	No significant changes from our planned procedures.



- We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.
- Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

# Involvement in the work of component auditors (2)

## Key changes within the group:

During the audit, the Responsible Individual (RI) for the audit of Scottish Futures Trust Investments Limited (SFTi) changed from Lorraine Macphail to Fraser J Doak. In July, the Group Engagement Lead (Angela Pieri) led a meeting with the Fraser J Doak which included a discussion on risks and audit outcomes. We have determined that the change in RI does not present any new risks to the audit, and we updated the independence declarations.

In order to use the work of the component auditor, we required the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of SFTi began with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the GT commercial team's audit documentation and meeting with appropriate members of management.

We also required that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports. Where we were unable to secure access to the component auditor's working papers we have reported the impact of such impediments on the audit of the group financial statements.

The work to review the component auditor's working papers is complete and there are no issues to raise with you.

# **04 Overview of significant risks identified**

# Overview of significant risks identified

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs. A significant risk can be a significant risk due to error or due to fraud. For the purposes of the ISAs (UK), the auditor is concerned with fraud or suspected fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. As part of our consideration of risks relating to fraudulent financial reporting, we consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage income, expenditure or accruals in order to influence the SFT's year end performance.

Risk title	Risk level	Change in risk since External Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Findings
Management override of controls	Significant	↔	✓	Medium	● Green
Valuation of the pension fund net liability	Significant	↔	✓	High	● Green
Valuation of investments	Significant	↔	✓	High	● Green

- ↑ Assessed risk increase since External Audit Plan. ● **Green** No adjustment or change in disclosure required.
- ↔ Assessed risk consistent with External Audit Plan. ● **Amber** Non-material adjustment or change in disclosure required.
- ↓ Assessed risk decrease since External Audit Plan. ● **Red** Material adjustment or change in disclosure required.

# Overview of significant risks identified – financial statements (1)

Risk identified in our External Audit Plan	Audit procedures performed	Key observations
<p><b>Management override of controls</b></p> <p>As set out in ISA (UK) 240 (Revised May 2021) ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements’ there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity’s internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.</p>	<p>In addressing this audit risk we have:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of and evaluated the design effectiveness of management’s key controls over journals;</li> <li>• Analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals;</li> <li>• Tested the high-risk journals we have identified;</li> <li>• Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness;</li> <li>• Gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.</li> <li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<p>No issues have been identified from our procedures performed in response to this risk.</p>



# Overview of significant risks identified – financial statements (2)

Risk identified in our External Audit Plan	Audit procedures performed	Key observations
<p><b>Valuation of Investments</b></p> <p>The Scottish Government grants SFT capital funds which SFT grants on to SFTi for investment in subordinated debt and share capital in special purpose vehicles and working capital in hub companies. The Scottish Government also provides repayable grants to SFT which is then granted onwards to SFTi for investment in subordinated debt and share capital in special purpose vehicles.</p> <p>Investments are valued on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>Valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore have identified valuation of investments as a significant risk and a key audit matter.</p>	<p>In addressing this audit risk we have:</p> <ul style="list-style-type: none"> <li>• Evaluated management’s processes for valuing investments and gained an understanding over the valuation process;</li> <li>• Reviewed the component auditor file and testing performed by the component auditor to gain assurance over the value of investments contained within the consolidated group accounts, and;</li> <li>• Reviewed the component auditor file to gain assurance over your workings to calculate the fair value of equity investments held by SFTi to ensure these are accurate. We also reviewed the component auditor file to gain assurance over the assumptions used in the fair value calculation to ensure these are reasonable.</li> </ul> <p>We also plan to review the component auditor file to gain assurance over managements expected credit loss assessment in relation to financial assets.</p>	<p>No issues have been identified from our procedures performed in response to this risk.</p>

# Overview of significant risks identified – financial statements (3)

Risk identified in our External Audit Plan	Audit procedures performed	Key observations
<p><b>Valuation of the pension fund net liability</b></p> <p>The Local Government Pension Scheme (LGPS) pension fund asset/liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>This estimate by its nature is subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>We do not believe there is a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation or due to the source data used in their calculation (unless any significant events have occurred, such as significant special events (i.e. redundancies, bulk transfers or outsourcing), material transfers or material membership movements which the actuary may not have taken into account.)</p> <p>However, we have concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the</p> <p><i>(continued overleaf)</i></p>	<p>In addressing this audit risk we have:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>• Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• Assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;</li> <li>• Assessed the accuracy and completeness of the information provided by SFT to the actuary to estimate the liability;</li> <li>• Tested the consistency of the pension fund net asset and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li> <li>• Reviewed the basis of the IFRIC14 asset ceiling calculations, disclosures and judgements and;</li> </ul>	<p>No issues have been identified from our procedures performed in response to this risk.</p>

# Overview of significant risks identified – financial statements (4)

Risk identified in our External Audit Plan	Audit procedures performed	Key observations
<p><b>Valuation of the pension fund net liability (continued)</b></p> <p>assumptions used in their calculation. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>As noted above, the appropriateness of the assumptions proposed by the actuary is covered by the TAS actuarial standards. However, the entity may choose to use different assumptions than those proposed by their actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We have therefore identified the valuation of the pension fund net liability as a significant risk and a key audit matter.</p>	<ul style="list-style-type: none"> <li>Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report.</li> </ul> <p>We have requested and obtained pension protocol assurance letters from the Lothian Pension Fund Auditor.</p>	
<p><b>Risk of fraud in expenditure recognition and risk that revenue includes fraudulent transactions</b></p> <p>In our Audit Plan we rebutted the risk of fraud in both revenue and expenditure recognition. Our conclusion remains the same at the final accounts stage of the audit.</p>	<p>Any work undertaken on expenditure recognition and revenue transactions has not raised any issues.</p>	<p>The risk of fraud in expenditure recognition and that income includes fraudulent transactions are rebutted. There are no issues to raise with you from our testing.</p>

# 05 Other findings

# Other findings – critical judgments and prior period adjustment

## Issue

### 1. Presentation of funding received from Scottish Government and subsequently transferred to Scottish Futures Trust Investments Limited.

Scottish Futures Trust (SFT) have received c.£16 million of cash funding from Scottish Government (SG) over the period 2011-2019 which has been passed on to Scottish Futures Trust Investments Limited (SFTi) to purchase subordinate debt loan notes and equity in Hub Design, Build, Finance and Maintain (DBFM) investment companies.

Funding received in the period 2011-2015, amounting to c.£5.3 million, (referred to as ‘tranche 1’ funding) was initially recognised by SFT as income from SG, and then as expenditure when it was paid over to SFTi, such that there is no balance carried in the statement of financial position.

The funding received in the period 2015-2019, amounting to c.£10.6 million, (referred to as ‘tranche 2’ funding) has been recognised as a non-current liability “Repayable grants from the Scottish Government”. When the funding was paid over to SFTi, the payment was recognised as a non-current asset “Investment in subsidiary”.

SFTi have recognised the receipt of the cash as revenue for both the tranche 1 and tranche 2 funding, such that there is a balance held in reserves for both. Upon the purchase of subordinate debt loan notes and equity in Hub DBFM investment companies, SFT have recognised non-current asset investments.

There is no formal written agreement which outlines the terms under which the funding has been paid.

Due to the lack of any formal documented contractual arrangements, management have applied significant profession judgement in the application of their accounting policies for this funding. In response to our queries, management prepared a detailed technical paper which set out their judgement. To reflect the judgements made management have updated the critical judgements note within the financial statements.

During the preparation of the briefing paper, management identified that the £5.3 million ‘tranche 1’ funding, which had been treated as expenditure in the period 2011-2015 when it was paid over to SFTi, should have been treated as an “Investment in subsidiary” in the same way that the ‘tranche 2’ funding has been treated. This issue has resulted in an adjustment to the balance sheet in 2024/25, as well as to the comparator figures for 2023/24 and 2022/23. The correction moves the balance out of reserves and into investments, both on the Statement of Financial Position, and therefore has no impact on the Statement of Comprehensive Net Expenditure. The full detail of the adjustment is set out on page 32.

# Other findings – key judgements and estimates (1)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of the pension fund net asset	<p>SFT's net pension asset position of £11.728 million at 31 March 2025 has been capped at £nil (2023/24: £nil) under the provisions of IFRIC 14 which limits the amount of any net surplus that can be recognised on the balance sheet. SFT uses Hymans Robertson LLP to provide actuarial valuations of the defined benefit assets and liabilities. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2024.</p> <p>Given the significant value of the pension fund assets and liabilities, small changes in assumptions can result in significant valuation movements. There has been a £0.191 million net actuarial gain during 2024/25 (2023/24: £2.862 million loss), this is due to the asset cap placed under IFRIC 14.</p>	<p>We have reviewed the assessment of the estimate, considering:</p> <ul style="list-style-type: none"> <li>• Our understanding of the processes and controls put in place by management to ensure the group's pension fund net asset is not materially misstated and evaluated the design of associated controls;</li> <li>• Our assessment of the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation;</li> <li>• Our assessment of the impact of any changes to the valuation method;</li> <li>• Our assessment of the accuracy and completeness of information provided by SFT to the actuary for the estimate of the liability, and;</li> <li>• We have used PwC as our auditors expert to assess the actuary and assumptions made by actuary.</li> </ul> <p>We received the pension fund auditor's assurance letter the Pension Fund audit has been fully concluded for 2024/25.</p>	We have not identified any issues.

# Other findings – key judgements and estimates (2)

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of investments	<p>The SFT Group hold investments in subordinated debt and share capital in special purpose vehicles and working capital in hub companies. There are a number of complex models and assumptions underpinning the valuation of investment which include level three inputs.</p> <p>Valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p>	Our review of the SFTi auditor’s work was conducted during August 2025.	We have not identified any issues.

# Other findings – information technology

This section provides an overview of results from our assessment of information technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT general control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Dynamics 365 Business Central (General ledger and finance system)	ITGC assessment (design, implementation and operating effectiveness)	<div></div>	<div></div>	<div></div>	<div></div>	Management override of controls
Cascade (Payroll system)	ITGC assessment (design and implementation effectiveness only)	<div></div>	<div></div>	<div></div>	<div></div>	Valuation of the pension fund net liability

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing



# **06 Communication requirements and other responsibilities**

# Communication requirements

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedure.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from SFT as part of our concluding activities for the end of the audit process.
Accounting practices	We have performed a final review of the appropriateness of SFT's accounting policies, accounting estimates and financial statement disclosures as part of our review of the final set of accounts.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to their bank. This permission was granted and the requests were sent and have been received as part of our final accounts work.
Disclosures	Our review found a number of disclosure misstatements/omissions. These are detailed on page 33.
Audit evidence and explanations	All information and explanations requested from management was provided.
Significant difficulties	No significant difficulties were identified during the audit. The audit team and the finance team worked collectively to understand the funding arrangements in place and the subsequent accounting.

# Other responsibilities (1)

Issue	Commentary
Going concern	<p data-bbox="377 425 2451 575">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Company recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="377 596 2020 628">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="377 649 2451 928" style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of SFT’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p data-bbox="377 949 2451 1092">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by SFT meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="377 1113 1240 1203" style="list-style-type: none"> <li>• the nature of SFT and the environment in which it operates</li> <li>• SFT’s financial reporting framework</li> </ul>

# Other responsibilities (2)

Issue	Commentary
Going concern (continued)	<ul style="list-style-type: none"> <li>SFT's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified; and</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified to date, and our concluding activities will review the final set of statements.</p>
Auditable elements of Remuneration and Staff Report	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been properly in accordance with the requirements of the Financial Reporting Manual (FReM), and directions thereunder. We are satisfied the auditable parts of the Remuneration and Staff Report is in accordance with the requirements of the FReM, and directions thereunder.</p>
Governance statement	<p>We are required to report on whether the information given in the Governance Statement is consistent with the financial statements and prepared in accordance with the requirements of the Financial Reporting Manual (FReM).</p> <p>No inconsistencies have been identified, and we plan to issue an unmodified opinion in this respect.</p>

# Other responsibilities (3)

Issue	Commentary
Matters on which we report by exception	We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Regularity	The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance Accountability (Scotland) Act 2000. In our opinion in all material aspects 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.
Other returns to Audit Scotland	In accordance with the Audit Scotland Planning Guidance, as appointed auditors we have prepared and submitted Fraud Returns and have contributed to shared intelligence for sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.

# 07 Audit adjustments

# Audit adjustments

## Amended misstatements

We have identified the following amended misstatements to report to you that have been adjusted by management.

### Detail

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#### **SFT – Investment in subsidiary for 2024/25**

The investment in SFTi was increased to include the ‘tranche 1’ investment made in 2011-2015 for £5.267 million, and to reverse the previous accounting which had recorded the payment as expenditure in that period. This adjustment impacts only on the Statement of Financial Position in the period 2024/25, as the original expenditure has been carried forward in reserves in the period we have audited. Therefore, the correction in the 2024/25 accounts is between the reserves and investments, both on the Statement of Financial Position.

#### **SFT – Investment in subsidiary for 2023/24 and opening position 1 April 2023**

The same issue as above was amended for the 31 March 2024 position for £5.309 million and for the opening 1 April 2023 position for £5.340 million. A prior period adjustment note was added to the notes to the accounts, to highlight any adjustments impacting any of the primary statements for the adjustments made.

## Unadjusted misstatements

We have not identified any unadjusted misstatements.

# Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

We have identified the following misclassification and disclosure changes during the audit which have been made in the final set of financial statements.

Disclosure	Issue identified	Adjusted?
1. Critical accounting judgements	SFT's management have made a number of critical judgements in the application of the accounting policies with regards to cash funding received from Scottish Government (SG) in two tranches. This is a complex accounting issue, with a number of judgements made. The final set of financial statements includes further narrative information for both tranche 1 and 2 for further disclosure clarity.	Yes
2. Disclosure of lease costs	The cash flow statement did not include sufficient disclosure around the cash flows associated with leases. Similarly, various disclosure notes were amended to improve the disclosure of costs associated with leases and right of use assets. Any impact on the prior year comparators were also adjusted where relevant.	Yes
3. Remuneration report	Some of the audited elements of the remuneration and staff report were not disclosed as 'audited'.	Yes
4. Minor issues	A number of other minor disclosure and presentational amendments were identified from our review of the accounts. None are significant to warrant detailed disclosure here.	Yes
5. Prior period adjustment	A prior period adjustment note was added within accounting policies to outline the reason for the adjustment and to disclose the changes in primary statements from the previous audited 2023/24 accounts. A third statement of financial position was also required to be added and the term 'restated' added to any relevant part of the financial statements that were amended as result.	Yes
6. Tranche 2 funding	There is a change of terminology for Tranche 2 repayment in the statement of financial position to recognise this as a provision to repay due to the critical judgement regarding the constructive obligation.	Yes



# 08 Wider scope

# Wider scope conclusions (1)

This section of our report documents our conclusions from our audit work on the wider scope areas set out in the Code. We take a risk-based approach to wider scope audit work. Within our plan we did not identify any significant wider scope risks.

Wider scope area	Meaning	Audit plan risk assessment		Auditor's conclusions
Financial management	Having sound budgetary processes. Scottish Futures Trust Limited should understand the financial environment and whether internal controls are operating effectively.	No significant risks identified at planning.	<b>G</b>	SFT operated within its 2024/25 revenue budget, with appropriate budget processes and financial controls in place. Standards of conduct, along with measures for preventing and detecting fraud and error, were also deemed appropriate.
Financial sustainability	Being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.	No significant risks identified at planning.	<b>A</b>	There are currently no formal medium to longer term financial plans in place. Our prior year audit recommendation in relation to financial sustainability remains open.
Vision, leadership and governance	Scottish Futures Trust Limited must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.	No significant risks identified at planning.	<b>G</b>	SFT ensures effective resource deployment to enhance strategic outcomes, address service user needs, and achieve continuous improvements while considering equalities. Compliance with best value duties is demonstrated through its Annual Review of Performance.

- Green** Appropriate arrangements are in place, minor improvement recommendations made.
- Amber** Appropriate arrangements are in place, improvement recommendations made.
- Red** Significant risk identified.

# Wider scope conclusions (2)

This section of our report documents our conclusions from our audit work on the wider scope areas set out in the Code. We take a risk-based approach to wider scope audit work. Within our plan we did not identify any significant wider scope risks.

Wider scope area	Meaning	Audit plan risk assessment	Auditor's conclusions	
Use of resources to improve outcomes	Scottish Futures Trust Limited need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.	No significant risks identified at planning.	G	SFT has a clear vision, and strategic objectives have been established along with underpinning actions to implement this vision. Effective governance arrangements are in place.

# Wider scope – Financial management (1)

Financial management is concerned with having sound budgetary processes and an understanding of the financial environment and whether internal controls are operating effectively.

Audit plan risk	Wider scope audit response	Conclusion																																								
No significant risk identified at planning.	<p><u>2024/25 financial performance</u></p> <p>The main financial objective of Scottish Futures SFTs Limited (SFT) is to ensure that the financial outturn for the year, excluding pension service costs under IAS19, is within the Resource Budget allocated by the Scottish Ministers. The allocated resource budget for 2024/25 was £7.987 million (2023/24: £8,604). In 2024/25, SFT achieved a net underspend of £0.535 million against their resource budget (2023/24: £0.466 million).</p> <table><tr><th></th><th>2024/25 (£'000)</th><th>2023/24 (£'000)</th><th>Variance (£'000)</th></tr><tr><td>Resource budget allocated by Scottish Ministers</td><td>7,987</td><td>8,604</td><td>(617)</td></tr><tr><td colspan="4">Expenditure:</td></tr><tr><td>– Staff and pension costs</td><td>7,532</td><td>7,540</td><td>(8)</td></tr><tr><td>– Operating expenditure</td><td>1,862</td><td>2,621</td><td>(759)</td></tr><tr><td colspan="4">Income:</td></tr><tr><td>– Investment income</td><td>(1,773)</td><td>(1,787)</td><td>(14)</td></tr><tr><td>– Income from activities</td><td>(169)</td><td>(235)</td><td>(66)</td></tr><tr><td>Total net expenditure against the resource budget</td><td>7,452</td><td>8,138</td><td>(686)</td></tr><tr><td>Net underspend</td><td>535</td><td>466</td><td>69</td></tr></table>		2024/25 (£'000)	2023/24 (£'000)	Variance (£'000)	Resource budget allocated by Scottish Ministers	7,987	8,604	(617)	Expenditure:				– Staff and pension costs	7,532	7,540	(8)	– Operating expenditure	1,862	2,621	(759)	Income:				– Investment income	(1,773)	(1,787)	(14)	– Income from activities	(169)	(235)	(66)	Total net expenditure against the resource budget	7,452	8,138	(686)	Net underspend	535	466	69	In 2024/25, Scottish Futures Trust Limited achieved a net underspend of £0.535 million against their resource budget of £7.987 million.
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Total net expenditure against the resource budget	7,452	8,138	(686)																																							
Net underspend	535	466	69																																							

# Wider scope – Financial management (2)

Financial management is concerned with having sound budgetary processes and an understanding of the financial environment and whether internal controls are operating effectively.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p>The £0.535 million underspend in 2024/25 has largely been achieved through a decrease in operating expenditure following spending controls implemented by the Scottish Government in the early part of the year, before workstreams had commenced all their activities.</p> <p><u>Financial control arrangements</u></p> <p>We have performed a review of the design and implementation of the system of internal control as relevant to our audit approach (including those relating to IT general controls); we did not identify any internal control weaknesses which could affect Scottish Futures Trust’s ability to record, process, summaries and report financial and other relevant information resulting in a material misstatement in the financial statements.</p> <p>SFT’s internal audit function is provided by RSM UK Risk Assurance Services LLP (RSM). RSM have completed their 2024/25 audit work and presented their Annual Audit Report to the Group Audit Committee on 23 June 2025. The report concluded that “the organisation has an adequate and effective framework for risk management, governance and internal control.” During the year RSM have performed reviews of business continuity, HR sickness absence, cyber security and outcomes reporting. All provided substantial assurance, with the exception of the cyber security audit</p>	<p>SFT have a suitable internal control framework to support the production of the financial statements.</p> <p>SFT’s internal audit have concluded that the organisation has an adequate and effective framework for risk management, governance and internal control.</p>

# Wider scope – Financial management (3)

Financial management is concerned with having sound budgetary processes and an understanding of the financial environment and whether internal controls are operating effectively.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p><u>Financial control arrangements (continued)</u></p> <p>where only reasonable assurance was gained, with the absence of phishing exercises, and the need for a dedicated disaster recovery plan within the organisation's BCP noted.</p> <p>We note that management have agreed actions to address the findings reported by the internal audit service during 2024/25 and all actions raised in the 2023/24 were marked as implemented during the 2024/25 fieldwork.</p> <p>Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption. We have reviewed the arrangements in place to maintain standards of conduct, including the code of conduct and register of interests, and concluded that SFT has appropriate procedures in place.</p>	We have concluded that SFT has appropriate arrangements for the prevention and detection of fraud error and irregularities.

# Wider scope – Financial sustainability (1)

Financial sustainability is concerned with being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Audit plan risk	Wider scope audit response	Conclusion																				
No significant risk identified at planning.	<p><u>2025/26 budget</u></p> <p>A draft version of the Scottish Futures Trust 2025/26 budget was presented to the Board in March 2025. At this time a number of elements of funding were awaiting confirmation. SFT received confirmation of the funding on 08 August 2025. The final budget will therefore we presented to the Board at the next available meeting in September for formal approval. The budget has been set at £10.140 million with funding expected from the following sources:</p> <table><tr><th></th><th>2025/26 Budget (£'000)</th><th>2024/25 Outturn (£'000)</th><th>Variance (£'000)</th></tr><tr><td>Scottish Government grant funding</td><td>8,634</td><td>7,452</td><td>1,182</td></tr><tr><td>Net investment income</td><td>1,485</td><td>1,773</td><td>(288)</td></tr><tr><td>Other</td><td>21</td><td>169</td><td>(148)</td></tr><tr><td><b>Total</b></td><td><b>10,140</b></td><td><b>9,394</b></td><td><b>746</b></td></tr></table> <p>As is the case annually, the programme funding budgets are not formally transferred until the Autumn Budget Revisions (ABR) meaning that until September/October SFT will be spending without budget cover.</p> <p>We have observed that the Board and senior management received regular and accurate information on SFT’s financial position.</p>		2025/26 Budget (£'000)	2024/25 Outturn (£'000)	Variance (£'000)	Scottish Government grant funding	8,634	7,452	1,182	Net investment income	1,485	1,773	(288)	Other	21	169	(148)	<b>Total</b>	<b>10,140</b>	<b>9,394</b>	<b>746</b>	<p>The 2025/26 funding budget is £0.746 million greater than the 2024/25 budget.</p> <p>We consider that appropriate budget setting and monitoring arrangements are in place.</p>
	2025/26 Budget (£'000)	2024/25 Outturn (£'000)	Variance (£'000)																			
Scottish Government grant funding	8,634	7,452	1,182																			
Net investment income	1,485	1,773	(288)																			
Other	21	169	(148)																			
<b>Total</b>	<b>10,140</b>	<b>9,394</b>	<b>746</b>																			

# Wider scope – Financial sustainability (2)

Financial sustainability is concerned with being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p><u>Medium term planning</u></p> <p>Scottish Government funding is allocated on an annual basis, and is not formalised until the September/October of each financial year. This means that SFT cannot commit to medium or longer term funding. There is often uncertainty and changes in the grant in aid funding. These challenges are included in the corporate risk register which is monitored by the Board.</p> <p>We highlighted in our 2022/23 annual audit report that with a challenging financial climate and uncertain economic future, there is a risk that funding for bodies such as SFT begin to reduce in future years as the government prioritises other areas of public spend. It is therefore more important now than ever that SFT look to implement and consider medium term financial planning. A recommendation was raised that “SFT seeks to embed elements of these uncertainties within continuous financial planning and reviews including risk and sensitivity analyses over the medium to longer term to assess and mitigate against the impact of any future risks on delivery of the financial position before they crystallise.” Management have responded that unless there is a change to Scottish Government budgeting processes, SFT’s core and programme funding will continue to be confirmed on an annual basis. Whilst this is the case, this does not prevent the development of a formal medium term financial plan, with funding estimates over the medium term and sensitivity analysis. Therefore, this recommendation remains open.</p>	<p>SFT are recommended to develop a formal medium term financial plan.</p>



# Wider scope – Vision, leadership and governance (1)

Vision, leadership and governance is concerned with whether SFT have a clear vision and strategy, and set priorities for improvement within this vision and strategy, and whether SFT work together with partners and communities to improve outcomes and foster a culture of innovation.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p><u>Corporate plan</u></p> <p>SFT released their 2025-2030 Corporate Plan (the Plan) in May 2025. The Plan sets out a clear visions of “sustainable infrastructure for a thriving Scotland”, supported by a purpose to drive best practice in strategy, investment, deliver and management of Scotland’s infrastructure through collaborative working across public and private sectors.</p> <p>The Plan is supported by an annual business plan which outlines the actions for each year that will allow the outcomes of the plan to be met. The annual business plan is updated each year and will reflect developments against the vision and outcomes in the strategy.</p> <p><u>Governance arrangements</u></p> <p>Scottish Futures Trust’s governance arrangements have been set out in the Governance Statement in the annual report and accounts. SFT complies with the Scottish Public Finance Manual (SPFM) and the Framework Agreement, which governs the relationship between SFT and the Scottish Government. SFT is overseen by its board, which is responsible for leading and controlling the Group and is accountable to the Group’s sole shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Group strategy and monitors performance. The Group Audit Committee is responsible for monitoring the arrangements for accounting, financial reporting and regulatory compliance, the standards and effectiveness of internal control, the arrangements for identifying, evaluating and managing the significant risks faced by the Group and the arrangements for external and internal audit.</p>	Scottish Futures Trust has a clear vision, and strategic objectives have been established along with underpinning actions to implement this vision.

# Wider scope – Vision, leadership and governance (2)

Vision, leadership and governance is concerned with whether SFT have a clear vision and strategy, and set priorities for improvement within this vision and strategy, and whether SFT work together with partners and communities to improve outcomes and foster a culture of innovation.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p>The membership of both the SFT Board and the Group Audit Committee have been relatively stable. The Chair of the Board was appointed in April 2024. The Chief Executive has been in place since January 2018.</p> <p>We have reviewed these arrangements and concluded that they are appropriate and support robust scrutiny and challenge of decision-making processes.</p> <p>Ensuring openness and transparency in an organisation's operations and decision-making processes is crucial for fostering public understanding and accountability. Transparency involves providing the public with clear, relevant, and timely information regarding the board's decisions and resource usage. The Scottish Futures Trust's website is user-friendly and organised, offering public access to board minutes and important documents, such as the most recent annual report and financial statements. We determined that the Board operates in an open and transparent way.</p>	Scottish Futures Trust has appropriate arrangements for governance and scrutiny.

# Wider scope – Use of resources to improve outcomes (3)

Use of resources to improve outcomes is concerned with the need for SFT to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p><a href="#">Ministerial guidance to Accountable Officers</a> for public bodies and the <a href="#">Scottish Public Finance Manual</a> (SPFM) sets out the Accountable Officer’s duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.</p> <p>Scottish Futures Trust measures its achievement of Best Value through their Annual Review of Outcomes which is published on the <a href="#">SFT outcomes website</a> as well as through a workstream activity end of year report. The 2024/25 workstream activity end of year report was considered at the March 2025 Board meeting. The review covers a wide variety of areas that align with the SPFM guidance and key performance reporting information. The 2024/25 outcomes website has not been updated at the time of drafting this report.</p> <p>The overall performance of Scottish Futures Trust is assessed by the Board. Scottish Futures Trust continued to monitor key performance indicators throughout the year with performance reported to the Board at each board meeting. Financial performance is also assessed at the Board through financial performance update reports.</p>	Scottish Futures Trust has effective and appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in its services.

# Wider scope – Use of resources to improve outcomes (4)

Use of resources to improve outcomes is concerned with the need for SFT to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p>SFT does not perform a separate best value assessment however they do undertake a systematic approach to self evaluation and continuous improvement through the entity's work streams and governance processes. Examples of which include;</p> <ul style="list-style-type: none"> <li>• <b>Vision and Leadership:</b> Corporate Plan, Business Plan, Board and Leadership Reporting on activity and risk.</li> <li>• <b>Effective Partnership:</b> collaborative value, co-funding with other organisations, all business plan activities having collaborative partner organisations</li> <li>• <b>Governance &amp; Accountability:</b> Corporate Plan, Business Plan, public reporting, budget management, Scottish Government six monthly review, outcomes reporting and stakeholder engagement as part of business and corporate planning.</li> <li>• <b>Use of resources evidence:</b> budget planning and management, IT improvement (cloud transition), procurement policy, training and audit, staff performance appraisals process, risk management and internal controls / audit processes</li> <li>• <b>Performance Management:</b> monthly Leadership Team activity tracking, Board reporting, staff appraisal and development</li> <li>• <b>Sustainability:</b> sustainability report, financial sustainability through budget monitoring and overall contributions to national outcomes</li> <li>• <b>Equality:</b> legislative compliance, equal pay reporting and equality, diversity and inclusion policy.</li> </ul>	Scottish Futures Trust complies with best value duties through its Annual Review of Performance.

# Best value (1)

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. The duty of Best Value, as set out in the SPFM, is to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost, and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

Guidance for Accountable Officers is structured around the nine characteristics for Best Value in the SPFM, grouping into five themes and two cross-cutting themes as follows:

Guidance for accountable officers	Scottish Public Finance Manual (SPFM) themes
Vision and Leadership	Commitment and leadership, responsiveness and consultation and sound governance at a strategic and operational level
Effective Partnerships	Joint working, responsiveness and consultation
Governance and Accountability	Responsiveness and consultation, commitment and leadership and accountability
Use of resources	Sound management of resources and use of review and options appraisal
Performance Management	Sound governance at a strategic and operational level, responsiveness and consultation
Equality	Equal opportunities arrangements
Sustainability	A contribution to sustainable development

The Code of Audit Practice requires that auditors assess and report on audited bodies’ performance in meeting their Best Value and community planning duties as part of the annual audit. Audit Scotland require us as auditors to undertake work on the Fairness and Equality characteristic at least once during our audit appointment, we have not undertaken that work during 2024/25.

# Best value (2)

Best Value work under the new Code of Audit Practice is fully integrated within the annual audit work performed by appointed auditors and their teams. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the company has made proper arrangements for securing Best Value.

**Conclusion:**

We have not identified any significant risks in relation to the arrangements in place to secure best value from our work performed over wider scope areas as outlined in this report. There are appropriate arrangements in place to secure best value.

# 09 Independence considerations

# Independence considerations (1)

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. No breaches have been identified by the team.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Company's Ethical Standard. Further, we have complied with relevant guidance.



# Independence considerations (2)

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and SFT that may reasonably be thought to bear on our integrity, independence and objectivity.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by SFT as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and SFT.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of SFT's/Group's board, senior management or staff [that would exceed the threshold set in the Ethical Standard].
Group audit considerations	As part of our group audit, we place reliance on the auditor of SFTi. SFTi is audited by a separate team within Grant Thornton UK LLP. The SFTi auditors have confirmed their independence from the SFT group.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person (and network firms) have complied with the Financial Reporting Company's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Fees and non-audit services

We confirm below our final fee charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit fees	External audit plan	Final fee
Auditor remuneration (base fee)	£42,490	£42,490
Auditor remuneration – ISA600 groups work	£1,000	£1,000
Pooled costs	£-410	-£410
Total fee	<b>£43,080</b>	<b>£43,080</b>

As our external audit plan was presented in January 2025, the audit fees for Audit Scotland had not yet been set, therefore we estimated what they may be as well as including £1,000 additional fee for the new work required for 2024/25 onwards for enhanced audit procedures for groups. The estimate was £43,000, which was amended to £43,080 when the fees were issued. The final fee is £43,080.

The above fees are inclusive of VAT.

The audit fee is reflected within the financial statements.

# Appendices

# A. Communication of audit matters with those charged with governance (1)

## Our communication plan

	External audit plan	Annual Auditors' Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks.	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought.		●

# A. Communication of audit matters with those charged with governance (2)

Our communication plan	External audit plan	Annual Auditors' Report
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

**Respective responsibilities**

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

**Distribution of this Annual Audit report**

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

# B. Follow up of prior year recommendation

We identified the following recommendation in the audit of Scottish Futures Trust’s wider scope work in previous years. We have performed additional work in year to obtain assurance whether the recommendation from the prior year has been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p><b>Financial Sustainability</b></p> <p>With a challenging financial climate and uncertain economic future, there is a risk that funding for bodies such as SFT begin to reduce in future years as the government prioritises other areas of public spend. It is therefore more important now than ever that SFT look to implement and consider medium term financial planning.</p> <p><b>Recommendation</b></p> <p>It is important that SFT seeks to embed elements of these uncertainties within continuous financial planning and reviews including risk and sensitivity analyses over the medium to longer term to assess and mitigate against the impact of any future risks on delivery of the financial position before they crystallise.</p>	<p><b>Management update:</b></p> <p>We have carried out a comprehensive financial planning exercise, incorporating risk and sensitivity analysis over the next 5 financial years based on 2 different pay award scenarios. The results of this exercise has been summarised and will be presented to the SFT Board at its board meeting on 17th November.</p>



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