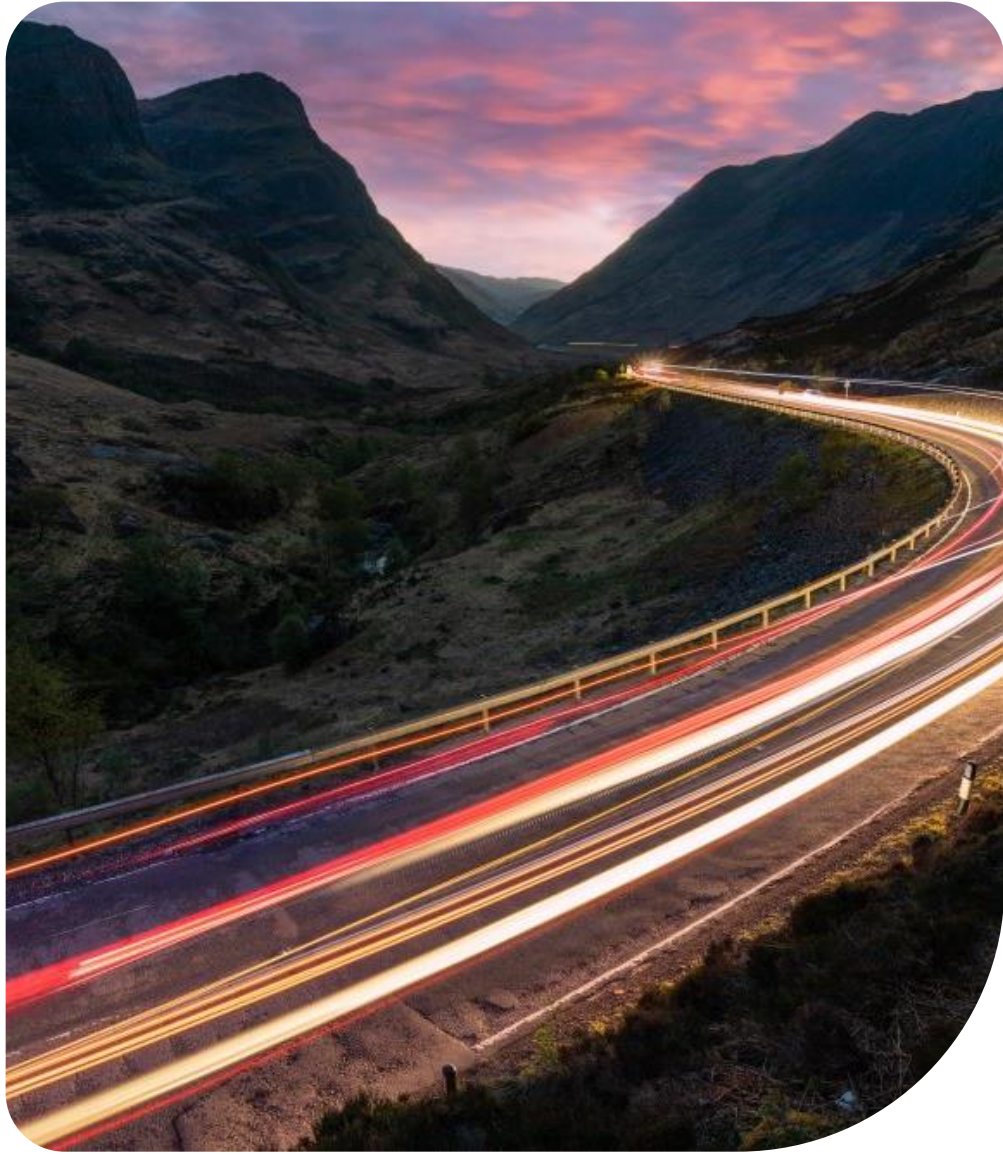




Scottish Futures Trust Limited and its Group External Audit Plan

For the year ending 31 March 2026

14 January 2026



Contents

| Section | Page |
|---|------|
| 1. Introduction and headlines | 03 |
| 2. Significant risks | 06 |
| 3. Other matters | 13 |
| 4. Materiality | 16 |
| 5. Group Audit | 19 |
| 6. IT audit strategy | 21 |
| 7. Wider scope and best value | 23 |
| 8. Logistics | 27 |
| 9. Audit fees | 30 |
| 10. Independence matters | 33 |
| 11. Communication of audit matters with those charged with governance | 35 |
| 12. Appendices | 38 |

01 Introduction and headlines

Introduction and headlines (1)

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Scottish Futures Trust Limited ('SFT') and its Group for those charged with governance.

Respective responsibilities

The Code Of Audit Practice ('the Code'), published by Audit Scotland, summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities, and that of SFT and the Group are summarised in Appendix B of this Audit Plan. We draw your attention to this and the Code.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on SFT and its group's financial statements that have been prepared by management with the oversight of those charged with governance, the Group Audit Committee.

The audit of the financial statements does not relieve management or the Group Audit Committee of your responsibilities. It is the responsibility of SFT to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. As part of our wider

scope work, we will consider how you are fulfilling these responsibilities. Our audit approach is based on a thorough understanding of SFT's business and is risk based.

Significant risks

At planning, in accordance with the ISA's (UK) and Practice Note 10 (Revised 2020) 'The Audit of Public Sector Financial Statements' issued by the Public Audit Forum we have identified the following significant financial statement audit risks:

- Management override of controls (ISA (UK) 240);
- Valuation of investments (valuation);
- Valuation of the net pension fund asset/liability (valuation);

We will communicate significant findings on these areas, as well as any other significant matters arising from the audit to you in our Annual Audit Report (ISA 260) Report.

Introduction and headlines (2)

Materiality

We have determined planning materiality to be £240,000 (PY £235,000) for SFT, which equates to 2.5% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £12,800 (PY £11,800).

Wider scope and best value audit

In accordance with the Code, our planning considers the wider scope and best value areas of audit.

No significant risks were identified in relation to financial sustainability, financial management, vision, leadership and governance or use of resources to improve outcomes, further details can be found on pages 28-34 of this report. We will continue to review your arrangements in this area and report findings and conclusions as part of the Annual Audit Report.

Audit logistics

Our fieldwork visit will take place in July and August. Our key deliverables are this Audit Plan, our Auditor's Annual Report and Audit Opinion.

Our fee for the audit is £45,930, subject to SFT delivering a good set of financial statements and working papers and no significant matters arising during the audit. The fee is set by Audit Scotland and where we can charge additional fees, is covered within that letter, dated 15 January 2025.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Group Audit

SFT is required to prepare group financial statements that consolidate the financial information of Scottish Futures Trust Investments Limited.

02 Significant risks

Significant risks identified (1)

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge management in areas that are complex, significant, or highly judgmental, which may be the case for accounting estimates, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements, management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (2)

| Significant risk | Risk relates to | Description | Planned audit procedures |
|------------------------------------|-----------------|---|---|
| 1. Management override of controls | SFT and Group | 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>In addressing this audit risk we will:</p> <ul style="list-style-type: none"> • Document our understanding of and evaluate the design effectiveness of management's key controls over journals; • Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals; • Test the high risk journals we have identified; • Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness; • Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. |

Significant risks identified (3)

| Significant risk | Risk relates to | Description | Planned audit procedures |
|--|-----------------|---|---|
| 2. Valuation of the pension fund net liability | SFT and Group | <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 events.</p> <p>However, we have concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the 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>In addressing this audit risk we will:</p> <ul style="list-style-type: none"> • Obtain 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 evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • Assess the accuracy and completeness of the information provided by SFT to the actuary to estimate the liability; • Test the consistency of the pension fund net liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • Undertake 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. • Request and obtain pension protocol assurance letters from the Lothian Pension Fund Auditor. |

Significant risks identified (4)

| Significant risk | Risk relates to | Description | Planned audit procedures |
|------------------------------------|-----------------|--|---|
| 3. Valuation of SFTi's investments | Group | <p>The Scottish Government granted SFT Limited capital funds which SFT Limited used to provide capital contributions to SFTi Limited for investment in subordinated debt and share capital in special purpose vehicles and working capital in hub companies. The Scottish Government also provided repayable grant to SFT Limited which is invested into SFTi Limited 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>In addressing this audit risk we will:</p> <ul style="list-style-type: none"> • Evaluate management's processes for valuing investments and gain an understanding over the valuation process • Review 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. • Review the component auditor file to gain assurance over your workings to calculate the fair value of equity investments held by SFTi Limited to ensure these are accurate. We will also review the component auditor file to gain assurance over the assumptions used in the fair value calculation to ensure these are reasonable. • Review the component auditor file to gain assurance over managements expected credit loss assessment in relation to financial assets. |

Significant risks identified (5)

| Significant risk | Risk relates to | Description | Planned audit procedures |
|---|-----------------|---|---|
| 4. Risk of fraud in revenue recognition | SFT and Group | Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at SFT Limited and the Group, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited due to the majority of revenue received being grant funding from the Scottish Government. <p>Therefore, we do not consider this to be a significant risk.</p> |

Significant risks identified (6)

| Significant risk | Risk relates to | Description | Planned audit procedures |
|---|-----------------|---|--|
| 5. Risk of fraud in expenditure recognition | SFT and Group | <p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition".</p> | <p>Having considered the risk factors set out in ISA 240 and the nature of the expenditure streams at SFT Limited and the Group, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • regular dialogue with the Scottish Government to monitor financial performance provides limited opportunity to manipulate the financial position. <p>A large proportion of SFT's expenditure relates to advisory fees and payroll costs. These expenditure streams and processes are largely automated. Controls have also been designed and implemented to mitigate any fraud within these expenditure streams and therefore the risk of fraud in expenditure recognition is deemed low.</p> <p>Therefore, we do not consider this to be a significant risk.</p> |

03 Other matters

Other matters (1)

Auditor Responsibilities

We have a number of audit responsibilities as set out in the Code and Planning Guidance 2025/26 issued by Audit Scotland:

- We audit parts of your Remuneration and Staff Report in your Annual Report and check whether these sections have been properly prepared (opinion).
- We read the sections of your Annual Report which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in the FReM (opinion).
- We carry out work in order to express an opinion on whether in all material respects, expenditure was incurred and income applied in accordance with applicable enactments and guidance issued by the Scottish Ministers (opinion).
- We consider our other duties under the Code and planning guidance (2025/26), as and when required, including:
 - Review of Central Government Technical guidance prior to issue by Audit Scotland.
 - Supporting Audit Scotland in Section 22 reporting, where relevant.

- Providing regular updates to Audit Scotland to share awareness of current issues
- Notifying Audit Scotland of any cases of money laundering or fraud

Going concern assessment

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a “SORP-making body” for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 was updated in 2020 to take account of revisions to ISAs (UK), including ISA (UK) 570 (Revised September 2019) on going concern.

(continued overleaf...)

Other matters (2)

Going concern assessment (...continued)

PN 10 allows auditors to apply a 'continued provision of service approach' when auditing going concern in the public sector, where appropriate. Audit Scotland also issued further guidance in a going concern publication in December 2020.

Within our wider scope work we will conclude on Scottish Future Trust's arrangements to ensure financial sustainability.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be considered as part of our audit.

However, the procedures will not be as extensive as the procedures adopted for the significant risks we have identified and highlighted in this Audit Plan.

Other material balances and transactions

During our initial audit planning we will develop our understanding of your control environment (design and implementation) as it relates to the preparation of your financial statements. In particular we will:

- Consider key business processes and related controls

- Assess the design of key controls over all significant risks we have identified. This will include key controls over:
 - Journal entries and other key entity level controls (Group and Company)
 - The completeness and accuracy of information provided to calculate the valuation of investments (Group only)
 - The review of valuation outputs including key assumptions made by the valuer and significant movements in investments (Group only)
 - The completeness and accuracy of information provided to the actuary to perform the valuation of the net pension fund liability (Group and Company)
 - The review of actuarial outputs including key assumptions made by the actuary and significant movements impacting the net pension liability (Group and Company)

Our focus is on design and implementation of controls only. We do not intend to assess, or place any reliance on the operating effectiveness of your controls during our audit.

04 Materiality

Our approach to materiality (1)

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and not only applies to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| Matter | Description | Planned audit procedures |
|--------|--|---|
| 1 | <p>Determination</p> <p>We have determined planning materiality (financial statement materiality) at the planning stage of the audit based on professional judgement in the context of our knowledge of SFT and its group, including consideration of factors such as public expectations, industry developments, financial stability and reporting requirements for the financial statements. We have determined financial statement materiality based on a proportion of the gross operating costs of SFT and the group for the financial year.</p> | <p>We determine planning materiality to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements. |
| 2 | <p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p> | <p>An item may be considered to be material by nature when it relates to:</p> <ul style="list-style-type: none"> – instances where greater precision is required (e.g.. senior officer remuneration and audit fees). |
| 3 | <p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p> | <p>We reconsider planning materiality on receipt of the draft statement of accounts and if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p> |



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality (2)

| Materiality area | 2025/26 planning materiality | Qualitative factors considered |
|--|----------------------------------|--|
| Headline materiality for the financial statements | SFT: £240,000 Group: £245,000 | This is equivalent to approximately 2.5% of the gross expenditure for the period ended 31 March 2025 (2024/25: 2.5%). |
| Performance materiality for the financial statements | SFT: £180,000 Group: £183,250 | Performance materiality has been set at 75% of financial statements materiality (2024/25: 75%). Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. |
| Reporting threshold | SFT: £12,800 Group: £12,300 | This balance is set at £12,800 which is 5% of materiality (2024/25: 5%). All misstatements above this threshold will be reported. |
| Performance materiality for the senior officer remuneration disclosure | SFT: £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. |

05 Group audit

Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient and 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.

| Component | Risk of material misstatement to the group | Planned audit approach and level of response required under ISA (UK) 600 Revised | Response performed by | Risks identified | Auditor |
|---|--|--|-----------------------|---|-----------------------|
| Scottish Futures Trust Limited (SFT) | Yes | Full scope audit performed by Grant Thornton UK LLP. | Group auditor | <ul style="list-style-type: none"> Management override of controls (ISA (UK) 240) Valuation of the net pension fund asset/liability | Grant Thornton UK LLP |
| Scottish Futures Trust Investments Limited (SFTi) | Yes | Full scope audit performed by Grant Thornton UK LLP. | Component auditor | <ul style="list-style-type: none"> Valuation of investments | Grant Thornton UK LLP |

Fraud and Litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Involvement in the work of component auditors

In order to use the work of the component auditor, we will require access to relevant component auditor documentation to complete our group audit. The nature, timing, and extent of our involvement in the work of the Grant Thornton SFTi audit team will begin with a discussion of risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the audit documentation, and meeting with appropriate members of management.

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06 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

| IT system | Audit area | Planned level of IT audit assessment |
|-------------------------------|---|---|
| Dynamics 365 Business Central | Financial reporting | A detailed review of the IT General Controls related to security management, development and maintenance and technology infrastructure will be carried out for the 2024/25 financial year on this in scope systems. We will look to gain assurance on the work performed in year in relation to the design effectiveness and implementation of IT General Controls for the current financial year and update our understanding of any changes in the system since the prior financial year. We will review any changes identified in key controls from the prior year and assess the impact of any changes on the planned audit approach. |
| Cascade | Payroll, pensions and remuneration report | A detailed review of the IT General Controls related to security management, development and maintenance and technology infrastructure will be carried out for the 2024/25 financial year on this in scope systems. We will look to gain assurance on the work performed in year in relation to the design effectiveness and implementation of IT General Controls for the current financial year and update our understanding of any changes in the system since the prior financial year. We will review any changes identified in key controls from the prior year and assess the impact of any changes on the planned audit approach. |

07 Wider scope and best value

Wider scope risks identified at planning

Our responsibilities under the Code of Audit Practice extend beyond the audit of the financial statements. The Code of Audit Practice sets out four areas that constitute the wider scope of public audit in Scotland. These are summarised in the following table.

| Area | Meaning |
|--------------------------------------|---|
| Financial management | Having sound budgetary processes. Audited bodies should understand the financial environment and whether internal controls are operating effectively. |
| Financial sustainability | Being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. |
| Vision, leadership and governance | Audited bodies 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. |
| Use of resources to improve outcomes | Audited bodies 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. |

We consider each of these areas through our audit planning process forming our risk assessment.

Based on our planning procedures we have not identified any significant risks in relation to Financial Sustainability, Financial Management, Vision, Leadership and Governance and Use of Resources to Improve Outcomes. We will complete our work in accordance with the code with our findings and recommendations of wider scope work performed will be communicated through the Annual Audit Report. Should a wider scope risk emerge we will reconsider our wider scope approach as appropriate.

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.

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. 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 themes |
|--|---|
| Vision and Leadership | Commitment and leadership Responsiveness and consultation Sound governance at a strategic and operational level |
| Effective Partnerships | Joint working Responsiveness and consultation |

Best value (2)

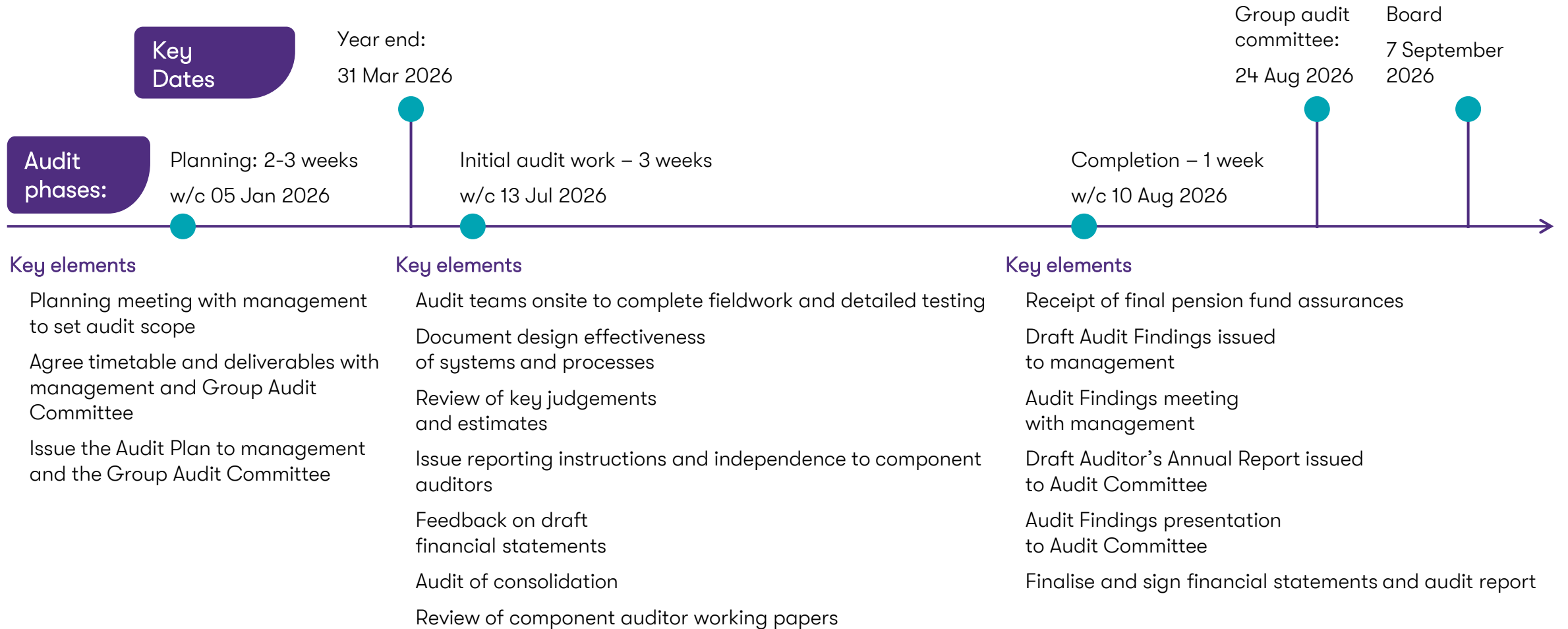
| Guidance for Accountable Officers | Scottish Public Finance Manual themes |
|--|--|
| Governance and Accountability | Responsiveness and consultation Commitment and leadership Accountability |
| Use of resources | Sound management of resources Use of review and options appraisal |
| Performance Management | 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 their annual audit. For central government bodies we are required to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations as part of our risk-based wider-scope audit work.

08 Logistics

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Joanne Brown (planning)
 Angela Pieri (fieldwork & completion)
 Engagement Leader

- Key contact for senior management and Group Audit Committee
- Overall quality assurance

Cathy Smith (planning)
 Andrew Wallace (fieldwork and completion)
 Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Cameron McIntyre
 Audit Senior

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

| | Service delivery | Audit reporting | Audit progress | Technical support |
|--------------------------------|--|---|--|--|
| Formal communications | <ul style="list-style-type: none"> • Annual client service review | <ul style="list-style-type: none"> • The Audit Plan • The Auditor’s Annual Report | <ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log | <ul style="list-style-type: none"> • Technical updates |
| Informal communications | <ul style="list-style-type: none"> • Open channel for discussion | | <ul style="list-style-type: none"> • Communication of audit issues as they arise | <ul style="list-style-type: none"> • Notification of up-coming issues |

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

9 Audit fees

Audit fees (1)

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed in ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC on audit quality and public sector financial reporting. This includes, for Audit Scotland contracts, meeting the expectations of the Audit Scotland Quality Team and the Scottish quality framework.

Audit fees have yet to be shared by Audit Scotland with the Director of Corporate Services and Investment.

Audit Scotland set the baseline audit fee. We can increase the fee, from the baseline, for the inclusion of additional risks, new technical matters or specific client matters identified.

We are required to consider all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which state that the Engagement Lead must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Fee Assumptions

In setting the below fees, it is assumed that Scottish Futures Trust will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audits
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Audit fees (2)

Expected audit fees for 2025/26

| Service | Fees set by Audit Scotland |
|--|----------------------------|
| External auditor's remuneration for the audit of SFT Limited and the Group | £45,930 |

The fee is constructed as follows:

Auditor Remuneration: £44,100

Pooled Costs: £1,820.

Audit Scotland have increased the auditor remuneration for 2025-26 by 4.3% as communicated to you by Audit Scotland.

10 Independence matters

Independence considerations

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

| Matter | Conclusions |
|---|---|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity. |
| Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals. |
| 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 the Group 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 the Group. |
| 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 the Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard). |

We confirm that there are no significant facts or matters that impact on our independence at planning 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 have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance (1)

| Our communication plan | Audit Plan | Annual Audit 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 and Key Audit Matters | ● | |
| Planned use of internal audit | ● | |
| 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 ICB's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures | | ● |

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Annual Audit Report will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (2)

| Our communication plan | Audit Plan | Annual Audit Report |
|---|------------|---------------------|
| Significant findings from the audit | | ● |
| Significant matters and issue arising during the audit and written representations that have been sought | | ● |
| 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 | | ● |

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.

12 Appendices

A. IFRS reporting

New and Future standards

New or revised accounting standards that are in effect for reporting periods beginning on or after 1 January 2025

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help investors understand their impact on a company's financial performance and cash flows. The amendments are effective from **1 January 2026**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments (e.g. instruments with features linked to environmental social and governance (ESG) targets). The amendments are effective from **1 January 2026**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is effective in the UK from **1 January 2027**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from **1 January 2027**.

B. Responsibilities

The Code sets out auditor responsibilities and responsibilities of the audited body. Key responsibilities are summarised below. Please refer to the Code for further detail.

Scottish Futures Trust Limited

Your responsibilities include:

- Maintaining adequate accounting records and working papers
- Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
- Establishing and maintaining a sound system of internal control
- Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
- Maintaining standards of conduct for the prevention and detection of fraud and other irregularities
- Maintaining strong corporate governance arrangements and a financial position that is soundly based
- Establishing and maintaining an effective internal audit function.

External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
- Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
- Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope work

Providing assurance on specified returns and other outputs (where required), as specified in guidance issued by Audit Scotland

- Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required.
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2025/26).



C. Progress against prior year audit recommendations

We identified the following issue in our 2023/24 audit of SFT’s financial statements, which resulted in a recommendation being reported in our 2023/24 Auditor’s Annual Report. We followed up on the progress against this recommendation as part of our 2024/25 audit, however at the end of the audit, the recommendation remained open.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|------------|--|---|
| Closed | <p>Financial Sustainability</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>Recommendation</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>Management update:</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> <p>Auditor conclusion:</p> <p>In November 2025, management prepared for the Board a 5 year medium term financial strategy, following the Scottish Governments development of its own MTFS. More information can be found on page 30.</p> |



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

