

**SCOTTISH RUGBY UNION
(SC748672)**

MINUTE OF A MEETING OF THE BOARD OF DIRECTORS

BY "TEAMS" VIDEO CONFERENCE CALL

Thursday 25 July 2024 at 10.00 am

Present: Lorne Crerar (Chair & Custodian Director)
Cheryl Black (Custodian Director)
Maxine Manditsch (Custodian Director)
Alison Milne (Custodian Director)
Colin Rigby (President & Custodian Director)
Keith Wallace (Vice-President & Custodian Director)

Attending: Robert Howat (RH) (Company Secretary, SRU)
Louise Mair (LM) (Johnston Carmichael LLP – auditors)
Grant Roger (GR) (Johnston Carmichael LLP- auditors)

Apologies: Ian Barr (Immediate Past President & Custodian Director)
David Grevemberg (Custodian Director)

ACTION

1. INTRODUCTION

The Chair noted that a quorum was present and opened the Meeting.

Apologies were received on behalf of IB and DG.

GR and LM were welcomed to the Meeting.

LC advised that the main purpose of the Meeting was to assist the Custodian Directors in considering and understanding the arrangements for the SRU Group and Company audit for the financial year ending 30 June 2024, which was the first full financial year covered by the governance arrangements implemented in November 2022.

The SRL Audit & Risk Committee had already met to consider and approve the audit plan and timetable from the perspective of SRL.

No conflicts of interest were declared.

2. FY23/24 AUDIT

2.1 Audit Plan & Timetable

GR and LM referred to the circulated paper, setting out the proposed audit plan and timetable, which was taken as read.

Questions were also taken and addressed during the presentation. The main areas discussed were:

- *Revenue projections/ FRP Reports* – GR confirmed that in considering questions around revenue projections and going concern, FRP's reports would be examined, together with external information relating to forecasts on future

revenues. Historic losses, costs, cash position, controls and processes would all be factored into the auditors' review of whether assumptions made about future revenues were reasonable and supportable.

Revenue generating initiatives would be considered in the context of revenue forecasts and assumptions, with sensitivity analysis applied.

In connection with the format and content of intended quarterly reporting, and this being done differently from the past, GR advised that Johnston Carmichael were not obliged to examine the format of such internal reports as part of their statutory obligations (it being a matter for the company) but were willing to provide an informal view on that and whether any material information was considered to be missing.

- *Scope & Entities covered* - the audit would cover the Company and SRL for the 13 month period 1 June 2023 to 30 June 2024. SRL's subsidiaries were dormant and did not need to be audited. The Thistle Rugby Trust fell outside of scope due to being a separate charitable entity which could not be consolidated into Group reporting.
- *Audit approach* – largely consistent year-on-year but with an earlier start. An interim audit had been undertaken in January 2024 with some initial sampling and work performed on systems and controls. The financial statements were prepared by a separate team within Johnston Carmichael.
- *Business environment changes* – largely already considered at the interim stage, with the auditors aware of personnel changes within SRL. The Custodian Directors confirmed there were no change in laws or regulations to highlight, but noted the interim nature of some senior appointments.

LM noted that the previous individuals had been in place during the initial work done in January 2024 but the interim nature of the replacements would be considered in the context of the operation of controls and systems applied in mitigating the impacts and risks arising from the changes that had occurred.

GR confirmed that this would not normally only be reported on by the auditors by exception- i.e. if an issue or an impact had been identified as a result of personnel changes.

- *Systems* – the previous CFO had instituted new and better financial systems although the Custodians queried whether an identified overspend on club rugby travel raised the question of whether the new systems had fully bedded in. GR advised that the amount involved fell within the materiality level for SRL but system coding and flows would be looked at as part of the audit. The costs were likely to have existed but there may have been anomalies in classification and reporting.

System testing was based on statutory reporting requirements. Internal management accounting and reporting was a matter for management and the directors. GR was comfortable that the statutory reporting during JC's appointment as auditors had been conducted correctly.

- *Key audit objectives* – the statutory objectives of the audit and those applying under International Accounting Standards were outlined, under reference to the proposed Audit Plan. These included: expressing an opinion on whether the

financial statements of the respective companies provided a true and fair view and had been properly prepared in accordance with UK GAAP; the consistency of the financial statements with the Directors' Report and Strategic Report and whether these had been prepared in accordance with applicable legal requirements; reporting by exception on records, information provision and disclosure of various kinds; the appropriateness of the use of the going concern basis for accounting and any material uncertainties; and explanations on the detection of irregularities, including fraud.

RH confirmed that usual practice in Scottish Rugby was for the Strategic Reports to be drafted by the CFO and then reviewed and approved by the SRL Directors for the SRL accounts, and by the Custodian Directors for the SRU and Group accounts.

- *Unadjusted misstatements* – unadjusted items would be identified and any adjusted and unadjusted misstatements would be reported, unless clearly trivial. Unadjusted misstatements would be included in the letter of representation. Audit findings would be discussed with management, a management letter issued and findings reported to the Board.
- *Fraud / risk of fraud* – the Custodian Directors present confirmed that they were not aware of any instances of fraud or attempted fraud affecting the Company in the course of the year. This would be considered again at the time of approval of accounts; a series of questions would be provided to RH for the respective Boards to then consider and answer ahead of approval.
- *Materiality* - overall materiality was set at 1.5% of revenue, with performance materiality set at 50% of that, and a triviality threshold of 5% of the materiality amount. The estimated amounts had been set out in the papers and would be finalised once the final revenue figure was known.
- *Significant risks* :
 - Revenue recognition – for the Group this would involve examining material revenue streams, such as tickets, broadcasting, hospitality, concerts, and other commercial income including Pro team revenues for completeness and accuracy. This would include examining the cut-off date and deferred income from season ticket sales. Reconciliation testing was expected to be more straightforward than prior years due to the change in year-end.

It was requested that the anticipated further breakdown and disclosure of commercial expenses in connection with 6Ns revenue and cost of the CVC arrangements be examined.

GR

- Management Override – a mandatory area – including review of journals, data analytics, and testing. Management estimation, e.g. discounting rate applied on CVC-related revenues, estimates of future URC and EPCR revenues would be examined.
- Completeness and occurrence of costs – including tests and sampling on wages and payroll and correlation with contracts. Particular attention would be paid to items classed as exceptional.
- *Other Group risks*:

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- *Going concern* – would be examined for SRU and the Group and how the inter-company balance was expected to unwind in future, taking account of the fact that SRU had received a letter of comfort from SRL for the prior year.
- *Litigation risk* – would be considered with the in-house legal team, with a review of legal fee nominals and claims.
- *SRU risk on revenue* - an SRU-only risk on revenue and transfer pricing would be examined. It was explained that revenue recognition risk was a mandatory area for examination under auditing standards unless it could be shown that there was no revenue.

RH confirmed that the Company did have revenue for the 23/24 financial year from the services fee to SRL, and following on from the recent transfer pricing exercise.

- *Audit quality and independence* – Johnston Carmichael continued to consider themselves to be independent within the meaning of the applicable regulatory and professional requirements. Non-audit services had been set out in the Plan.

These were checked with GR, as the audit partner, before being progressed to ensure the fee did not create an issue over independence and that the work was being done by separate teams within Johnston Carmichael.

- *Breaches of Ethical Standards or Firm's Ethics Policy* - no breaches had been identified during the period of appointment to the date of the Plan.
- *Timetable* – work had been done earlier in the year with some additional work underway, with the timetable agreed with management as deliverable.
- *Financial reporting / regulatory changes* - there were no significant regulatory developments to highlight.

In relation to the preparation and reporting of the statutory accounts for the respective companies and a question around the extent of reassurance for the Custodian Directors and stakeholders from the audit work to be performed, GR confirmed:

- (i) Separate letters of representation would be provided for SRU and SRL – these typically followed a standard template driven by auditing standards and were considered carefully. Drafts were prepared by the auditors and then sent to management for review and any adjustments before being presented to the respective Boards for approval.
- (ii) A completion report would be provided covering key risks and findings in connection with SRL, plus a standalone element for SRU
- (iii) The Custodian Directors would be taken through the audit report on the consolidated financial statements of the Group and Company. Additional time beyond that already diarised could be made available for further discussion if needed
- (iv) Johnston Carmichael signing an audit opinion covering the key audit objectives outlined earlier should provide a level of assurance for the Custodian

Directors and stakeholders, from an audit perspective. Further assurance could be taken from the Directors' own knowledge, questioning and the approval of the SRL financial statements by the SRL directors.

Following on from the detailed discussion that had taken place the elements of the proposed Audit Plan and timetable relating to the Group and the Company were **APPROVED**.

The Company Secretary confirmed that a "Townhall" online session on the accounts was being planned to brief member clubs ahead of the AGM, similar to the approach adopted in 2023. **RH**

A date for the SRL Audit & Risk Committee meeting to consider the draft financial statements would be identified, now that a new A&R Committee Chair had been recruited. **RH**

2.2 Audit Engagement Letter

Reference was made to the circulated draft. Adjustments had been made to Johnston Carmichael's standard terms and conditions to reflect comments made by SRL's legal team, consistent with prior years. JC's engagement was on a continuing basis, unless interrupted by notice or termination and did not need to be put to an AGM each year.

The proposed audit fee applicable to the SRU element was £13,835 + VAT (2023: £13,050) with the audit and other services for SRL leading to the overall total of £80,880 for the Group (2023: £76,300). It was confirmed that the split between the 2 companies reflected the separate and additional work needed for SRU - the additional set of accounts, additional meetings, lower materiality level and the different nature of the Company's activity.

Following consideration by the Committee the terms of the audit engagement letter between the Company and Johnston Carmichael LLP were **APPROVED**. The Company Secretary was **AUTHORISED** to sign the engagement letter on behalf of the Company.

GR and LM were thanked for their presentation and comments and left the Meeting at 10:47.

3. ANNUAL REPORT PLANNING

This was carried forward for discussion at a future SRU Board meeting.

4. AOB

There was no other business and the Meeting closed at 10:50, with thanks to those participating.

**APPROVED BY THE BOARD
26 JUNE 2025**