

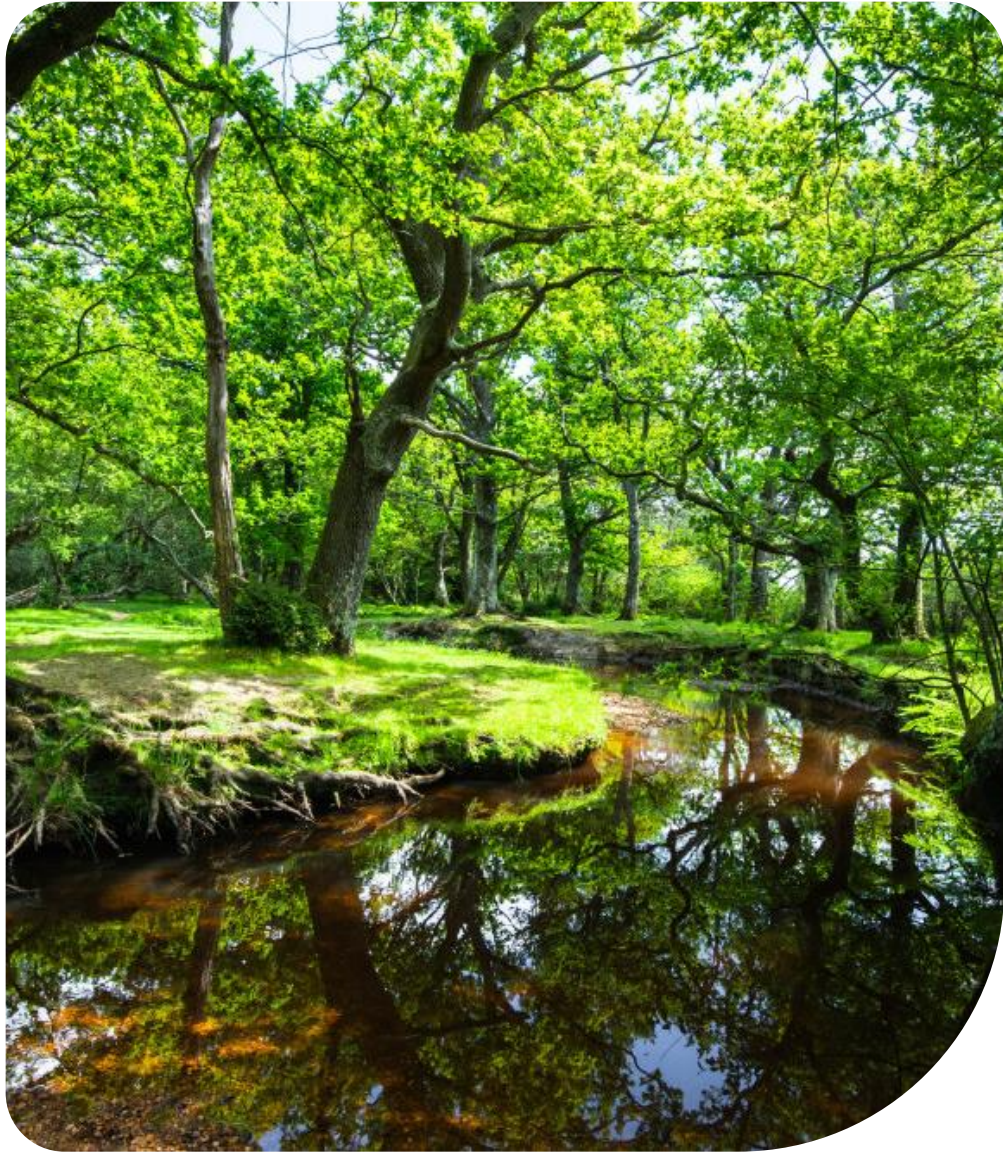


Scottish Forestry External Audit Plan

Financial year ending 31 March 2025

Prepared for those Charged with Governance and the
Auditor General for Scotland

25 March 2025



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01 Key developments impacting our audit approach

Key developments impacting our audit approach

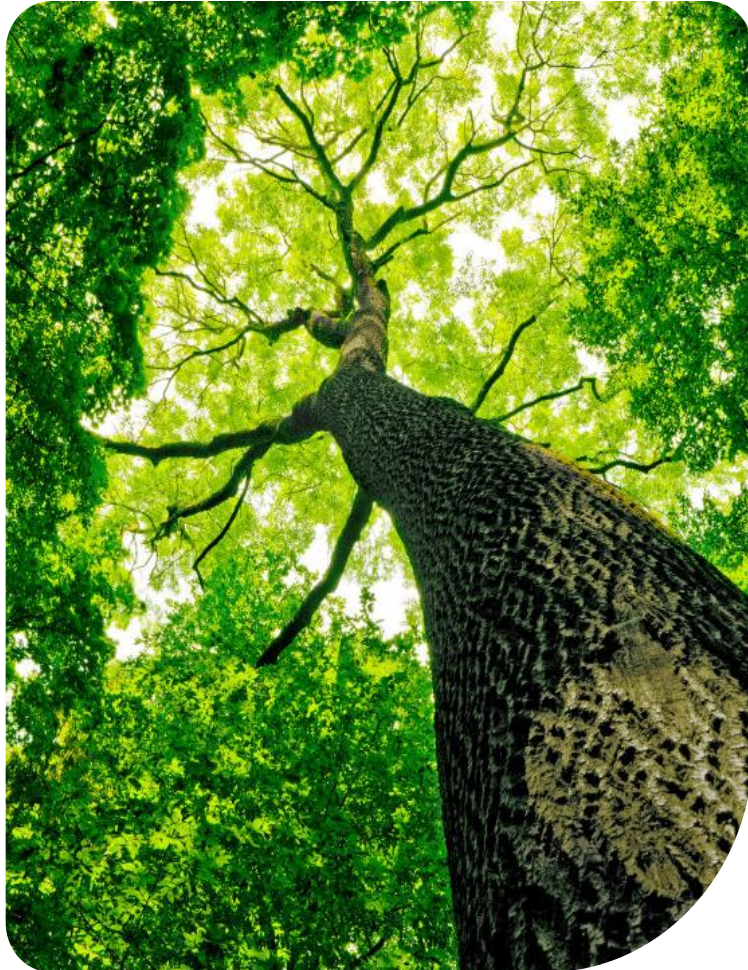
Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in the central government sector.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
 - We would like to offer a formal meeting with the Chief Executive (Accountable Officer) twice a year as part of our commitment to keep you fully informed on the progress of the audit.
 - At appropriate points within the audit, we would also like to meet informally with the Chair of your Audit and Assurance Committee, to brief them on the status and progress of the audit work to date.
 - We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our wider scope work in relation to financial management and financial sustainability.
 - Our wider scope work will also consider your arrangements relating to vision, leadership and governance and use of resources to improve outcomes.
 - We will continue to provide you and your Audit and Assurance Committee our insight on issues from a range of sources via our Audit and Assurance Committee updates.
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02 Introduction and Headlines

Introduction and headlines (1)



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of the Scottish Forestry for those charged with governance.
- We are appointed by the Auditor General as the external auditors of the Scottish Forestry for the five-year period 2022/23 to 2026/27.

Respective responsibilities

- The Code of Audit Practice (the Code) summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities, and that of the Scottish Forestry are summarised in the Appendix 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 the Scottish Forestry's financial statements that have been prepared by management with the oversight of those charged

with governance (the Audit and Assurance Committee). The audit of the financial statements does not relieve management or the Audit and Assurance Committee of your responsibilities.

It is your responsibility 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 Scottish Forestry and is risk based.

Other Audit Matters

We summarise other audit matters for the Audit and Assurance Committee awareness. This includes:

In accordance with the Code and planning guidance we also complete and submit a number of deliverables during the year, including sharing intelligence with Audit Scotland, and completing Audit Scotland data sets such as the information return for the National Fraud Initiative (NFI) process.

Consideration of going concern in accordance with Practice Note 10.

Introduction and headlines (2)

The audit plan sets out our risk-based audit approach for the Scottish Forestry. This plan outlines our initial risk assessment and is reported to those charged with governance (Audit and Assurance Committee) and will be shared with Audit Scotland.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Risk of fraud in expenditure recognition (PN 10) (completeness)
- Management override of control (ISA (UK) 240)
- Data migration to the new finance system is not accurate or complete

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

Materiality

We have calculated our planning materiality to be £2.200 million (PY: £1.066 million) for the organisation, which equates to 2.5% (PY: 1.90%) of your prior year gross expenditure as per the audited 2023/24 financial statements.

Performance materiality has been determined as £1.430 million (PY: £0.800 million) and is based on 65% (PY: 70%) of planning materiality.

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 calculated at 5% of materiality being £0.110 million (PY: £0.053 million).

Materiality (continued)

A lower materiality threshold will of £25,000 will be used on salary and pension (CETV) tables for senior management and board members.

We will revisit our materiality throughout our audit including at year-end to consider the draft unaudited financial statements for 2024/25.

Wider Scope and Best Value Audit

In accordance with the Code, our planning considers the Wider Scope and Best Value areas of audit.

We have identified the following wider scope significant risks and will conclude on these during the audit:

- Financial management – no significant risks identified.
- Financial sustainability – we have identified one significant risk relating to future financial plans for 2025/26 and beyond.
- Vision, Leadership and Governance - no significant risks identified.
- Use of Resources to Improve Outcomes – no significant risks identified.

Introduction and headlines (3)

Audit logistics

Our final visit will take place in May and June 2025. Our key deliverables are this Audit Plan and the Auditor's Annual Report. Our audit needs to be completed to final set of Annual Report and Accounts and draft Annual Audit Report in early July, appreciating our team moves onto the challenging local government audit season.

Audit fees were shared by Audit Scotland with Scottish Forestry in January 2025 and agreed by the Audit and Assurance Committee on 25 March 2025. Audit fees are paid to Audit Scotland, who in turn pay us.

We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise. Additional audit fees will be levied for the work undertaken on the new system (our work includes business processes and walkthroughs for the areas of significant risk of material misstatement on both the old and new systems, an understanding of IT general controls on the old and new systems, journals testing on both the old and new systems (at a higher risk level than prior year) and a review of the data transfer to ensure the migration is accurate and complete). At this stage, until planned procedures are undertaken, these cannot be quantified. Further details with regards to audit fees are included within section 8 of our plan.

At that planning stage, we can confirm that there are no planned non-audit services.

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.

Adding value through the audit

Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials. We use our LEAP audit methodology and data analytics to ensure delivery of a quality audit.

We aim to add value to Scottish Forestry through our external audit work by being constructive and forward looking, by attending meetings of the Audit and Assurance Committee and by recommending and encouraging good practice. In so doing, we will help Scottish Forestry promote improved standards of governance, better management and decision making and more effective use of resources.

03 Identified 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.

Significant risk	Description	Key aspects of our proposed response to the risk
Fraud in Revenue Recognition	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. (rebutted)	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Scottish Forestry, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited and • the only material revenue stream is co-financing income however, this income finished upon the UK's exit from the European Union and the number of eligible recurrent and rural priorities still eligible for funding reduces each financial year. Additionally, this funding is received from other department bodies, and as such, the inherent risk of material misstatement is low. <p>Therefore, we do not consider this to be a significant risk for Scottish Forestry.</p>



“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, going concern, related parties and similar areas. Management should also expect to provide to 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	Description	Key aspects of our proposed response to the risk
<p>Fraud in expenditure recognition (including grant accruals)</p>	<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. As set out in Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.</p> <p>Scottish Forestry's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such, we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.</p> <p>We therefore focus our risk on the following non-payroll expenditure streams:</p> <ul style="list-style-type: none"> - Programme costs (support for forestry and the rural economy including grants paid to private woodland owners, Forestry Development Programmes and Timber Transport Fund). - Other administrations costs (includes the costs of shared central services provided to Scottish Forestry and other administration expenditure). <p>Our testing will include a specific focus on year-end cut-off arrangements, including consideration of the existence of grant accruals and provisions in relation to non-payroll/non-finance expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate your accounting policy for recognition of expenditure for appropriateness and compliance with the FReM; • Perform detail testing of expenditure transactions at and around year-end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period; • Review the judgements and estimates made by management when recognising accruals and provisions at year end within the financial statements and where appropriate challenge management accordingly.

Significant risks identified (3)

Significant risk	Description	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>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.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and of transactions outside the course of business as a significant risk of material misstatement.</p>	<p>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 both on the old system and the new system; • 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 (note, we will select journals both on the old and new systems to ensure coverage across the full financial year); • 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 (5)

Significant risk	Description	Key aspects of our proposed response to the risk
<p>Data migration to the new finance system is not accurate and complete.</p>	<p>As part of its corporate transformation, Scottish Forestry has delivered a new Finance system (Advanced) with the go-live date in August 2024, which replaces the current service level agreement which the organisation has in place for financial system support, maintenance of the old finance system.</p> <p>The changes to the general ledger system represents a significant change to the accounting systems and process in place for 2024/25. There is an inherent risk that data migration to the new system is not accurate or complete, therefore, we have identified there to be a significant risk of material misstatement arising.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Undertake a review of the implementation process for the new ledger, which includes coverage of the following areas: <ul style="list-style-type: none"> • Upstream and downstream system testing for the key modules identified e.g. creditors. • Review of physical assess to Advanced including starters and leavers testing, review of user access rights and privileges and password protections. • Review of key documentation including project board minutes and reporting to the Executive Board. • Review of user access testing, incident/issue log and exception reporting. • Approval process for the system to go-live and review any roll-back plans in place. • Obtain an understanding of the new system including the IT general controls in place and controls in relation to journals including processing and authorisation. • Review the organisation’s process for ensuring the data migration was complete and accurate. • Complete a reconciliation of the closing balances in E-Financials to the opening balances in Advanced to ensure the transfer of balances at the date of implementation was accurate and complete. <p>During the course of our audit engagement, we will liaise with our IT audit team where relevant and continue to assess the appropriateness of our planned approach and update where appropriate.</p>

Other matters (1)

Other work

In addition to our expected responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We audit parts of your Remuneration and Staff Report in your Annual Report and check whether these sections of your Annual Report have been properly prepared (opinion). These procedures are performed to a lower materiality.
- 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 2024/25 (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 carry out work as appropriate for the Scottish Government consolidation process in accordance with audit instructions.
- We consider our other duties under the Code and planning guidance (2024/25) issued by Audit Scotland, as and when required, including:
 - supporting Audit Scotland in Section 22 reporting
 - review of central government technical guidance prior to issue by Audit Scotland

- providing regular updates to Audit Scotland to share awareness of current issues
- notifying Audit Scotland of any cases of money laundering or fraud.

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 audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report. We do not place reliance on the work undertaken by internal audit.

Interim testing

As part of our interim procedures, for the first nine months of 2024/25, we have undertaken testing of:

- Payroll - starters, leavers and changes in circumstances
- Payroll substantive analytical procedure

Other matters (2)

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.

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

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

Internal control environment

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 on both the old and new systems over:
 - Journal entries and other key entity level controls
 - Completeness of expenditure including programme costs, other administration costs and accruals.
 - The data migration to the new finance system

Our focus is on design and implementation of controls only all areas with the exception of grant accruals. We intend to assess and place reliance on the operating effectiveness of your controls relating to grant accruals during our audit.

04 Our approach to materiality

Our approach to materiality (1)

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

Matter Description

01 Determination

We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgement in the context of our knowledge of the business, including consideration of factors such as shareholder 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 the organisation for the financial year. Headline materiality at the planning stage of our audit is £2.200 million (PY: £1.066 million), which equates to 2.5% of your prior year gross expenditure. Performance materiality for the organisation has been set at £1.430 million (PY: £0.800 million) which is based upon 65% of materiality.

02 Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

Planned audit procedures

- We determine planning materiality in order to:
 - 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
- An item may be considered to be material by nature when it relates to:
 - instances where greater precision is required (e.g. the Senior Management and Board Member Remuneration and Pension CETV Tables)

Our approach to materiality (2)

Matter Description

03

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

04

Matters we will report to the Audit and Assurance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Assurance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Planned audit procedures

- We reconsider planning materiality 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.
- We report to the Audit and Assurance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.
- In the context of Scottish Forestry, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.110 million (PY: £0.053 million). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Assurance Committee to assist it in fulfilling its governance responsibilities.



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 (3)

	Amount (£)	Qualitative factors considered
Materiality for the organisation's financial statements	£2.200 million	<p>Our materiality has been set at 2.5% of prior year gross expenditure of the organisation as per the 2023/24 financial statements. In setting this threshold, the following factors have been considered:</p> <ul style="list-style-type: none"> • There were no significant findings in the 2023/24 audit report. • No significant deficiencies have been identified with the Scottish Forestry control environment. • The level of public interest in Scottish Forestry by the public and the Scottish Government.
Materiality for specific transactions, balances or disclosures – Remuneration Report	£25,000	<p>Due to the sensitivity of the disclosures to the users of the financial statements, a lower materiality threshold has been applied to the salary and pension (CETV) disclosures for senior management and board members. All other remuneration disclosures will be audited at headline materiality.</p>



05 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 application	Audit area	Planned level IT audit assessment
E-Financials (Old System)	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
Advanced (New System)	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only) Additional procedures will be undertaken in relation to new system in line with our significant risk outlined on page 13
Rural Payments and Services System (RP&S)	Grant Accruals	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
Casebook	Grant Accruals	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)

06 Wider scope and best value arrangements

Wider scope and best value arrangements (1)

Our responsibilities under the Code extend beyond the audit of the financial statements. The Code sets out four audit areas that frame wider scope into identifiable areas. These are as set out below:



Financial management

Has the body got sound budgetary process, financial capacity and the control environment and internal controls are operating effectively.



Financial Sustainability

How the body looks forward to the medium and longer term to consider whether the body is planning effectively to deliver its services or the way in which they should be delivered.



Vision, Leadership and Governance

How effective are the body's scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



Use of Resources to Improve Outcomes

How the body makes 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.

The Code also 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.

Wider scope and best value arrangements(2)

Risk assessment of the organisation’s wider scope arrangements

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work. From our initial planning work, we have identified one significant risk in relation to Financial Sustainability. We have not identified significant risks in relation to Financial Management, Vision, Leadership and Governance and Use of Resources to Improve Outcomes from our initial planning and risk assessment work. We will continue to review your arrangements before we issue our Annual Audit Report.

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 planning considerations
Financial Management	<p style="text-align: center;">G</p> <p>Appropriate arrangements were in place, with only minor improvement recommendations being made.</p>	<p>No significant risks has been identified.</p>	<p>Our initial planning work has not identified a significant risk in relation to Scottish Forestry’s arrangements for financial management.</p> <p>As part of our work, we will consider whether the body has effective arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.</p>

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Wider scope and best value arrangements (3)

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 planning considerations
Financial Sustainability	<p style="text-align: center; color: red; font-weight: bold; font-size: 2em;">R</p> <p>Significant risk identified. Our conclusion noted that Scottish Forestry do not prepare any longer-term financial plans, which makes it difficult to assess the financial sustainability of the organisation over the longer-term. Whilst we appreciate longer-term planning is challenging due to the current financial climate, this should not prevent the development of a medium-term financial strategy supported by shorter-term detailed plans.</p>	<p>Significant risk identified in relation to Scottish Forestry’s future financial plans for 2025/26 and beyond.</p>	<p>Our initial planning work has identified a significant risk in relation to financial sustainability.</p> <p>As part of our work, we will consider whether the body is planning effectively to continue to deliver it services.</p> <p>Additionally, we will seek to understand how Scottish Forestry identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans. We will also consider how the Scottish Forestry plans to bridge any funding gaps and identify achievable savings and future transformation whilst supporting the sustainable delivery of services in accordance with strategic and statutory priorities. This includes how the Scottish Forestry manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans and consider whether the body is planning effectively to continue to deliver services.</p>

Wider scope and best value arrangements (4)

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 planning considerations
Vision, Leadership and Governance	<p>G</p> <p>Appropriate arrangements were in place, with only minor improvement recommendations being made.</p>	<p>No significant risks has been identified.</p>	<p>Our initial planning work has not identified a potential significant risk in relation to Scottish Forestry’s arrangements for vision, leadership and governance.</p> <p>As part of our work, we will consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of Scottish Forestry.</p> <p>Additionally, we will consider the effectiveness of governance arrangements for delivery, which includes openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.</p>
Use of Resources to Improve Outcomes	<p>G</p> <p>Appropriate arrangements were in place, with only minor improvement recommendations being made.</p>	<p>No significant risks has been identified.</p>	<p>Our initial planning work has not identified a significant risk in relation to Scottish Forestry’s arrangements for use of resources to improve outcomes.</p> <p>As part of our work, we will consider the clarity of the 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 priority services.</p>

Wider scope and best value arrangements (5)

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:

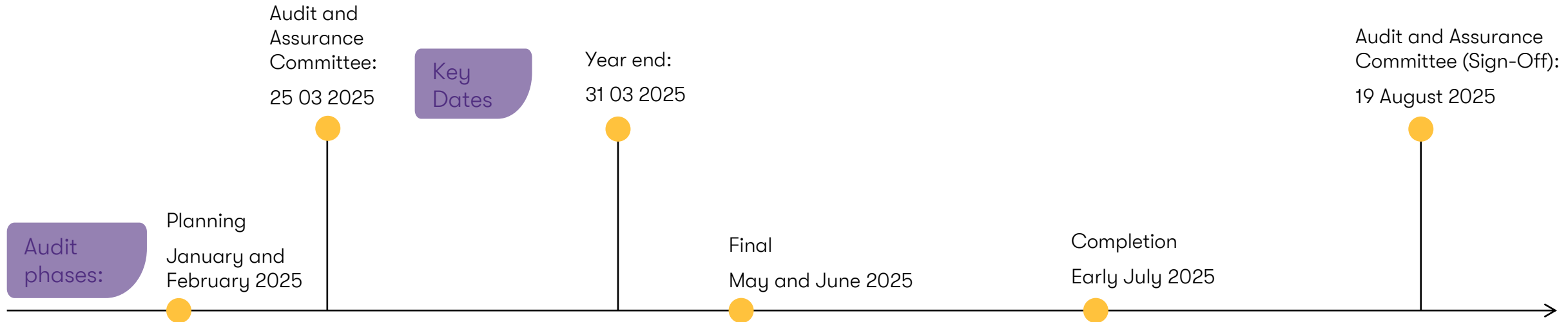
Guidance for Accountable Officers	Scottish Public Finance Manual themes
Vision and Leadership	Commitment and leadership, responsiveness and consultation and sound governance at a strategic and operational level
Effective Partnerships	Joint working, responsiveness and consultation
Governance and Accountability	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. 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.

07 Logistics

The Audit Timeline - Logistics (1)

We are required to submit audit plans to Audit Scotland by 31 March 2025, and it is anticipated that we will submit audited accounts and the Annual Audit Report after the target date of 30 August 2025 set by Audit Scotland. We have set out our planned timescales for the Scottish Forestry audit below:



Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management
- Issue the Audit Plan to management and Audit and Assurance Committee
- Review of key judgements and estimates
- Undertake payroll testing (first nine months of starters, leavers, changes in circumstances and payroll substantive analytic)

Key elements

- Audit team to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit and Assurance Committee
- Audit Findings presentation to Audit and Assurance Committee
- Annual Audit Report
- Finalise and sign financial statements and audit report

The Audit Timeline - Logistics (2)

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging our other audit engagements. Where additional resources are needed to complete the audit due to an audited body not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, audits which are delayed outside of agreed timelines may incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft accounts, comprising financial statements and related reports, of good quality, by the deadline you have agreed with us;
- prepare good quality working papers which support the figures included in the financial statements, in line with the working paper requirements schedule that we have shared with you, and make these available to us at the start of the year end audit visit;
- provide all agreed data reports to us at the start of the audit, which are fully cleansed and reconciled to the figures in the financial statements;
- ensure that all appropriate staff are available to us for queries over the planned period of the audit , or as otherwise agreed and;
- respond promptly and appropriately to all audit queries, within the agreed audit period.

Our team and communications

Angela L Pieri

Engagement Lead

T: 0161 214 6337

E: Angela.L.Pieri@uk.gt.com

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

Hannah L McKellar

Audit Manager

T: 0131 659 8568

E: Hannah.L.McKellar@uk.gt.com

- Audit team management
- Resource management
- Wider scope and best value reporting

Lucy X Bell

Audit Assistant Manager

T: 0131 659 8512

E: Lucy.X.Bell@uk.gt.com

- Day-to-day point of contact
- Audit planning/interim

Pool of technical specialists (e.g. valuation and IT audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual audit closure meeting 	<ul style="list-style-type: none"> • The Audit Plan • The Annual Audit Report • Progress and Sector Update Reports 	<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 (where appropriate)

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India. 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.

08 Fees and related matters

Our fee estimate

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 \(revised 2024\)](#) which stipulate 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.

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 with regard to 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 were shared by Audit Scotland with Scottish Forestry in January 2025 and approved at the Audit and Assurance Committee on 25 March 2025. Audit fees are paid to Audit Scotland, who in turn pay us.

We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise. Additional audit fees will be levied for the work undertaken on the new system (our work includes business processes and walkthroughs for the areas of significant risk of material misstatement on both the old and new systems, an understanding of IT general controls on the old and new systems, journals testing on both the old and new systems (at a higher risk level than prior year) and a review of the data transfer to ensure the migration is accurate and complete). At this stage, until planned procedures are undertaken, these cannot be quantified and will be followed up upon with our Annual Audit Report.

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year.

Entity	Audit Fee for 2023/24	Expected fees for 2024/25
External Audit Remuneration	£62,120	£64,730
Pooled Costs	£6,270	-£5,340
Sectoral Cap Adjustment	-£12,750	-£2,700
Total	£55,640	£56,690

At that planning stage, we can confirm that there are no planned non-audit services.

Our fee assumptions:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that Scottish Forestry will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit, including the Annual Governance Statement and Annual Report
- 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.

09 Independence considerations

Independence considerations

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 matters that we are required to report.

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 Scottish Forestry 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 entity or investments in Scottish Forestry 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 Scottish Forestry 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 Scottish Forestry.
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 organisation'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.

No non-audit services provided by Grant Thornton UK LLP have been identified. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Report at the conclusion of the audit.

10 **Communication of audit matters with those charged with governance**

Communication of audit matters with those charged with governance

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	●	●
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		●
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		●

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.

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.

11 Delivering audit quality

Delivering audit quality (1)

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service.

By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting.

The engagement leader always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality (2)

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

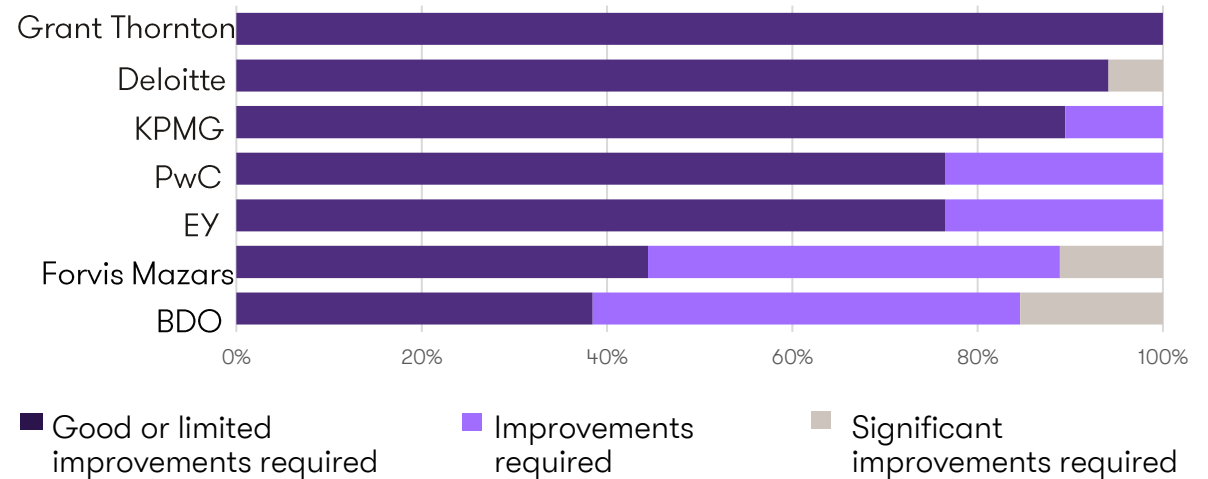
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and Scottish Forestry a chance to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Delivering audit quality (3)

Audit Quality Framework

The Audit Quality Framework (AQF) published by Audit Scotland sets out its approach to achieving high quality public audit by all auditors and providers. The AQF is the framework used to provide the Auditor General and the Accounts Commission with robust, objective, and independent quality assurance, over the work conducted on their behalf by Audit Scotland and external firms. This work includes delivering the respective performance audit and Best Value work programmes and the annual audits of public bodies across Scotland’s public sector.

Audit quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High-quality public audit provides the public, decision-makers, and politicians, with the assurance and information they need, and it helps Scotland’s Parliament hold public bodies to account. This is more important than ever when public services face rising demand and tightening budgets

Annual Audit Quality Report

Audit Scotland’s Audit Quality and Appointment (AQA) team prepares an annual Audit Quality Report to provide assurance on audit quality, including compliance with the Financial Reporting Council’s Ethical Standard, to the Auditor General for Scotland and the Accounts Commission.

This annual report summarises the AQA’s assessment of audit quality conducted on audit work, delivered by Audit Scotland and the six appointed firms (including Grant Thornton UK LLP) on behalf of the Auditor General for Scotland and the Accounts Commission on the 2022/23 audits. The report provides evidence that auditors have designed and implemented audit quality arrangements to assure the quality of their audit work and highlights areas for further improvement.

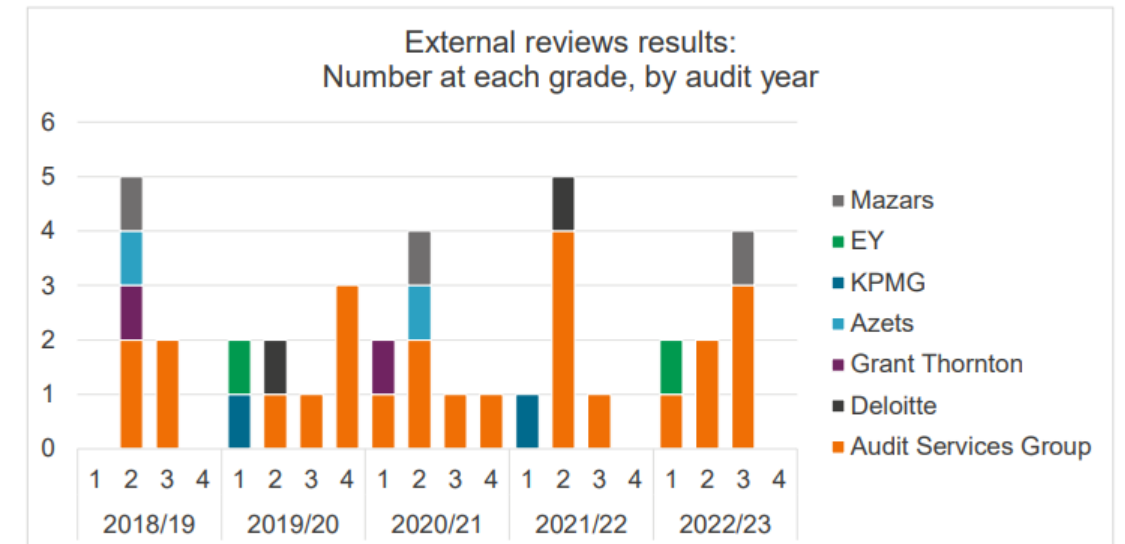
This report is available at [Quality of public audit in Scotland: Annual report 2023/24](#) and is published on annual basis.

Independent External Reviews

Independent external assurance offers the highest level of assurance to stakeholders. ICAEW replaced ICAS for 2021/22 independent reviews following a successful tendering exercise undertaken by Audit Scotland in 2022.

ICAEW review audit files to assess the quality of audit work and compliance with the International Standards on Auditing (UK), Financial Reporting Council’s Practice Note 10 and Audit Scotland’s Code of Audit Practice.

External reviews cover the firms and Audit Directors in Audit Scotland over a three-year cycle, with the external review results shown within the chart below for the last five financial years.



12 Appendices

Respective 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 Forestry

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 2024/25).
-



New or revised IFRS

The following IFRS Standards and amendments have been recently issued but have not yet been adopted by the FReM. All changes have been included for completeness but may not be relevant to Scottish Forestry.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries. It has been effective in the UK since **1 January 2023**.

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are effective in the UK from **1 January 2025**.

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 SPPI criteria, and includes updated disclosures for certain instruments. The amendments are effective in the UK from **1 January 2026**.

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**.

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**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

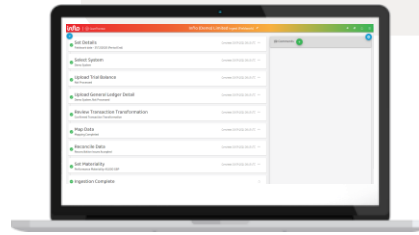
What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



02 Ingest

The general ledger and trial balance are uploaded into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

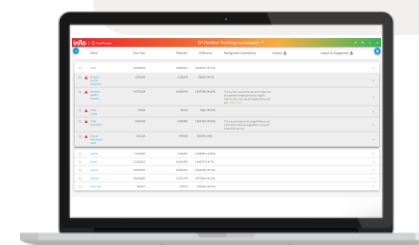


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focused approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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