

# Annual Audit Report for Scottish Forestry

For the year ended 31 March 2025

26 August 2025





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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Scottish Forestry or all weaknesses in your internal controls.

This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Audit Practice 2021). We do not accept any responsibility for any loss occasioned to any third part acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# 1 Headlines

# Headlines (1)

Summary of the key findings and other matters arising from the external audit of Scottish Forestry and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (Audit and Assurance Committee) and the Auditor General for Scotland.

## Financial statements

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

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

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

We are required to express an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

We received the first draft of the financial statements with working papers on 23 May 2025 which were presented on time. The quality of the Annual Report and Accounts and supporting working papers provided to audit were of a good standard.

The audit in 2024/25 has taken longer to complete and we have had to put more audit resource into financial statements work than would usually be expected due to the timeliness of some responses. There are still a number of outstanding items that require action, and they need to be cleared before an audit opinion can be issued. We have made a recommendation in our Action Plan at [Appendix B](#). Additional audit fee has been levied as set out on page 47.

During 2024/25, Scottish Forestry implemented a new financial ledger system, Advanced. As this was implemented during the year, we have undertaken procedures on both the old and new systems. This has included obtaining an understanding of the journals control environment for both and subsequently, testing a sample of journals. This included testing of the new system at a higher risk level than the old system, given it was the first year of implementation. Additional audit fee has been levied as set out on page 47.

Our findings are summarised on pages 6 to 29. We have identified one adjustment to the primary financial statements, which was due to a late invoice being received which needed to be accrued for. We have identified several disclosure amendments. These amendments are detailed at page 26. We have also raised six recommendations for management as a result of our audit work. These are set out in [Appendix B](#). There were four recommendations from 2023/24 which remained outstanding and we have followed up on as part of the 2024/25 audit. Three recommendations have been closed and one remains ongoing. Our follow up of recommendations from the prior year's audit are detailed in [Appendix C](#).

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

**We have issued an unmodified opinion on 26 August 2025.**



# Headlines (2)

Summary of the key findings and other matters arising from the external audit of Scottish Forestry and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance (Audit and Assurance Committee) and the Auditor General for Scotland.

## Wider scope and best value arrangements

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

In our External Audit Plan for the year ended 31 March 2025, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified one significant risks:

- **Financial sustainability** – future financial plans for 2025/26 and beyond.

Furthermore, central government bodies in Scotland have a legal duty to deliver "Best Value" in their services. This means they must make arrangements to ensure continuous improvement in their performance, while maintaining a balance between quality and cost, and consider economy, efficiency, effectiveness, equal opportunities and sustainable development. The Code of Audit Practice requires auditors to consider the arrangements put in place by Accountable Officers to meet their best value obligations.

Within this Report, we outline our work undertaken in response to each of the four wider scope areas including the arrangements in place within Scottish Forestry and conclude on the effectiveness and appropriateness of these arrangements based on the work carried out. Further details of the work undertaken are outlined on pages 30 to 44.

Scottish Forestry have arrangements in place to secure best value and we have considered these arrangements as part of our regular wider scope work. We have raised four recommendations for management as a result of our wider scope and best value work. These are set out in **Appendix B**.

We have followed up the wider scope recommendations made during our previous audits. There were two recommendations from the 2022/23 audit and two from the 2023/24 audit which were outstanding. Three of these remain ongoing and one has been closed. This is set out in **Appendix C**.

There remains a significant risk in respect of financial sustainability given the financial challenges Scottish Forestry faces over the longer term and continued receipt of one-year funding settlements provided by the Scottish Government.

## **2 Our approach to materiality**

# Our approach to materiality (1)

As communicated in our Audit Plan dated 25 March 2025, we determined materiality at the planning stage as £2.200 million based on 2.5% of prior year gross operating expenditure. On receipt of draft financial statements, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements.

Our approach to determining materiality is set out here.

Materiality area	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1,642,000	This is equivalent to approximately 2.5% of the gross expenditure for the period ended 31 March 2025. Our materiality has been updated to reflect the 2024/25 figures in the draft financial statements although there has been no change to the % outlined within our audit plan. In 2023/24, materiality was £1,066,000, which represented 1.9% of gross expenditure.
Performance materiality for the financial statements	£1,067,300	Performance materiality has been set at 65% of financial statements materiality. This reflects our risk-assessed knowledge of potential for errors occurring. 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. In 2023/24, performance materiality was £799,500 which represented 75% of our calculated materiality.

# Our approach to materiality (2)

Materiality area	Amount (£)	Qualitative factors considered
Reporting threshold	£82,100	This balance is set at 5% of materiality. In 2023/24, our trivial threshold was £53,300 and this was set at 5% of materiality.
<p>Auditable elements of the Remuneration and Staff Report:</p> <ul style="list-style-type: none"> <li>• Single total figure of remuneration for each minister and director</li> <li>• Pension cash equivalent transfer value (CETV) disclosures for each minister and director</li> <li>• Payments to past directors</li> <li>• Payments for loss of office</li> <li>• Fair pay disclosures</li> <li>• Exit packages</li> </ul> <p>The analysis of staff numbers and costs note has been audited at headline materiality.</p>	£25,000	<p>Due to the public interest in the specified 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 the specified remuneration disclosures.</p> <p>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.</p> <p>This approach is a change from our audit plan, which noted that only the salary and pension (CETV) disclosures for senior management and board members would be audited at this lower materiality.</p>



# **3 Overview of significant risks identified**

# Overview of significant risks identified

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

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs. A significant risk can be a significant risk due to error or due to fraud. For the purposes of the ISAs (UK), the auditor is concerned with fraud or suspected fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

As part of our consideration of risks relating to fraudulent financial reporting, we consider the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage income and expenditure in order to influence Scottish Forestry's year-end performance.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Findings
Risk 1 Management override of controls	Significant	↔	✓	Medium	●
Risk 2 Fraud in expenditure recognition	Significant	↔	✓	Medium	●
Risk 3 Data migration to the new finance system is not accurate or complete	Significant	↔	✗	Low	●

## Key:

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan
- No adjustment or change in disclosure required
- Non-material adjustment or change in disclosure required
- Material adjustment or change in disclosure required

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

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p><b>Management override of controls</b></p> <p>In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.</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 have:</p> <ul style="list-style-type: none"> <li>• documented an understanding of and evaluated the design effectiveness of management controls over journals (we completed this understanding for both E-Financials and Advanced);</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals and tested these journals identified (note, we tested a sample of journal on both the old and new systems);</li> <li>• challenged management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias;</li> <li>• tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration and;</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul>	<p>Our audit work has not identified any issues in respect of management override of controls.</p> <p>We are satisfied from our work performed that there has been no identified instances of management override of controls that would result in a material misstatement of the financial statements.</p> <p>Our work has identified opportunities for Scottish Forestry to enhance the journals control environment, and we have raised a control recommendation within <b>Appendix B</b>.</p>



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

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p><b>Fraud in Expenditure Recognition (completeness)</b></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"> <li>• Programme costs (support for forestry and the rural economy including grants paid to private woodland owners, Forestry Development Programmes and Timber Transport Fund).</li> <li>• Other administrations costs (includes the costs of shared central services provided to Scottish Forestry and other administration expenditure).</li> </ul> <p>Our testing will include a specific focus on year-end cut-off arrangements, including consideration of the completeness of grant accruals and provisions in relation to non-payroll/non-finance expenditure.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the 2024/25 FReM;</li> <li>• performed 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;</li> <li>• reviewed the judgements and estimates made by management when recognising accruals and provisions at year end within the financial statements and where appropriate challenged management accordingly.</li> </ul>	<p>Our audit work has not identified any material issues in respect of expenditure recognition.</p> <p>Our testing noted within the holiday pay accruals that the percentages for 2023/24 have been used in the entity's calculation of their holiday pay accrual, as opposed to the updated 2024/25 universal pension percentage. This has not resulted in a material variance however, we have raised a control recommendation around the review process.</p> <p>A late non-material audit adjustment was made to reflect a late invoice received for services, which had not been accrued for at year-end. This has been recorded as an audit adjustment on page 26. We have raised a control recommendation that late adjustments should only be posted where material.</p> <p>Please refer to <b>Appendix B</b> for further details on the control recommendations raised.</p>

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

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p><b>Data migration to the new finance system is not accurate and complete.</b></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 have:</p> <ul style="list-style-type: none"> <li>• reviewed the implementation process for the new ledger which included: <ul style="list-style-type: none"> <li>▪ upstream and downstream testing on the key modules</li> <li>▪ review of access to Advanced including user access rights, privileges and password protections</li> <li>▪ review of key documentation including project board minutes and reports made to the Board.</li> <li>▪ review of user access testing, incident/issue log and exception reporting.</li> <li>▪ review of approval process for the system to go-live and any roll-back plans in place.</li> </ul> </li> <li>• obtained an understanding of the new system including the IT general controls in place and controls in relation to journals including processing and authorisation;</li> <li>• reviewed the organisation's process for ensuring the data migration was complete and accurate; and</li> <li>• completed 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.</li> </ul>	<p>Our audit work has not identified any issues in relation to the accuracy and completeness of data to the new financial system. Our review of the new system did identify several issues related to security management and administrator access rights. These findings highlight potential risks to system integrity, data and compliance with best practices for access control.</p> <p>We have raised a recommendation within <b>Appendix B</b>.</p> <p>As this was a new significant risk in 2024/25, our Audit Plan from March 2025, noted additional fees were to be levied for work related to the data migration to the new financial ledger, although at planning, these could not be quantified until work was performed. We have levied additional as outlined on page 47.</p>

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

Risk identified in our Audit Plan	Audit procedures performed	Key observations
<p><b>Fraud in Revenue Recognition</b></p> <p>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> <p>(rebutted)</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited and</li> <li>• 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.</li> </ul> <p><b>Therefore, we do not consider this to be a significant risk for Scottish Forestry.</b></p>	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>



# **4 Other findings**

















# Other findings – key judgements and estimates (1)

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<b>Accruals</b> Other accruals – <b>£1.382 million</b>  Grant accruals – <b>£37.043 million</b>	<p>Scottish Forestry accrues for expenditure to ensure that all expenditure that is incurred during the financial year, but has not yet been billed, invoiced or paid for, is recording in the year to which it relates. Scottish Forestry has two main types of accruals:</p> <p><b>Manual accruals</b></p> <p>These are largely based on non-purchase order-based accruals. Examples include the holiday and flexi pay accruals and amounts due from other government bodies. These are often based on best available information.</p> <p><b>Grant accruals</b></p> <p>Given the planting season is during the latter part of the financial year, the majority of claims are submitted around year-end for which the required checks and inspection are undertaken after the year-end, resulting in a large accrual at the 31 March 2025.</p>	<p>We have performed substantive testing on a sample of manual accruals, Forestry Grant Scheme accruals, recurrent accruals and rural payment accruals.</p> <p><b>Conclusion</b></p> <p>Our work is concluded in this area, and we have not identified any material issues.</p> <p>Our testing noted that the percentages for 2023/24 have been used in the entity's calculation of their holiday pay accrual, as opposed to the updated 2024/25 universal pension percentage. This has not resulted in a material variance however, we have raised a control recommendation around the review process, please refer to <b>Appendix B</b> for further details.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>




# Other findings – information technology (1)

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
<b>E-Financials (to August 2024)</b>	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	All significant risks
<b>Advanced (from August 2024)</b>	ITGC assessment (design and implementation effectiveness only)	 Green	 Amber	 Green	 Green	All significant risks
<b>Casebook</b>	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	Fraud in Expenditure Recognition
<b>RPID</b>	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	Fraud in Expenditure Recognition

The deficiencies identified in terms of Advanced's security management arrangements has been set out on Page 13 of our Report. A separate IT action plan has been agreed with management.

## Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope



# Other findings

## Finance capacity:

Individuals involved in the preparation and reporting of financial information are qualified and experienced and have held finance positions at the organisation for numerous years. However, the finance team is relatively small, and during 2024/25, alongside the resource required for the implementation of the new finance system, there has been sickness leave resulting in team members completing a dual role to fill the gaps arising which has resulted in capacity issues.

Scottish Forestry are currently recruiting for two finance positions, with one being a temporary position to cover sick leave with an anticipated September start date and a further position expected to be advertised in late Autumn.

The audit in 2024/25 has taken longer to complete and we have had to put more audit resource into financial statements work than would usually be expected due to the timeliness of some responses.

There are still a number of outstanding items that require action, and they need to be cleared before an audit opinion can be issued.

We have made a recommendation in our Action Plan at [Appendix B](#). Additional audit fee has been levied as set out on page 48.

# **5 Communication requirements and other responsibilities**

# Communication requirements (1)

Issue	Commentary
<b>Matters in relation to fraud and irregularity</b>	<p>It is Scottish Forestry's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding Scottish Forestry's assessment of fraud risk, including internal control, fraud risk and any known or suspected frauds in year.</p> <p>We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</p>
<b>Matters in relation to related parties</b>	<p>We are not aware of any related parties or related party transactions which have not been disclosed in the Annual Report and Accounts.</p>
<b>Matters in relation to laws and regulations</b>	<p>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</p> <p>The Todrig Judicial Review remains ongoing and a hearing has been set for late Autumn 2025 when the Court of Session will hear the case and arguments from both parties.</p> <p>We have not identified any cases of money laundering or fraud at Scottish Forestry.</p>
<b>Written representations</b>	<p>A letter of representation has been requested from Scottish Forestry as required by auditing standards.</p> <p>We request specific representation around significant judgements.</p>
<b>Accounting practices</b>	<p>We have evaluated the appropriateness of Scottish Forestry's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts, which are documented within section 6 of this report.</p>



# Communication requirements (2)

Issue	Commentary
<b>National Fraud Initiative</b>	The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, receive matches for investigation. Scottish Forestry were involved in the previous matching exercise in 2024, and 91 matches were identified which require further investigations. At the time of drafting this report, Scottish Forestry have not yet processed any matches. A recommendation will be raised around the timely process of these matches. Please refer to <a href="#">Appendix B</a> .
<b>Other returns to Audit Scotland</b>	In accordance with the Audit Scotland Planning Guidance, as appointed auditors, we have prepared and submitted Fraud Returns and have contributed to shared intelligence for sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.

# Other responsibilities (1)

## Issue

## Commentary

### Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities.
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of National Record of Scotland's financial sustainability is addressed by our wider scope work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by Scottish Forestry meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of Scottish Forestry and the environment in which it operates
- Scottish Forestry's financial reporting framework
- Scottish Forestry's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's assessment of the appropriateness of the going concern basis of accounting and on the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified; and
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# Other responsibilities (2)

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Minor amendments have been made to the Annual Report and we are satisfied that there are no unadjusted material inconsistencies to report.</p>
<b>Auditable elements of Remuneration Report and Staff Report</b>	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the Financial Reporting Manual (FReM) 2024/25, and directions there under.</p> <p>We have audited the elements of the Remuneration Report and Staff Report, including the Fair Pay Multiple Disclosures, as required by the FReM. Due to delays across the public sector, the draft accounts did not include details of the executive pension disclosures due to a hold up in the calculation of CETV. This information was subsequently received by management and incorporated into the Annual Report and Accounts.</p> <p>We have issued an unmodified opinion on 26 August 2025.</p>
<b>Governance Statement</b>	<p>We are required to report on whether the information given in the Governance Statement is consistent with the financial statements and prepared in accordance with the requirements of the Financial Reporting Manual (FReM) 2024/25.</p> <p>No inconsistencies have been identified and we have issued an unmodified opinion on 26 August 2025.</p>
<b>Matters on which we report by exception</b>	<p>We are required by the Auditor General for Scotland to report on a number of matters by exception if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept;</li> <li>• the financial statements and the audit part of the Remuneration and Staff Report are not in agreement with the accounting records;</li> <li>• we have not received all the information and explanations we require for our audit; or</li> <li>• there has been a failure to achieve a prescribed financial objective.</li> </ul> <p>We have nothing to report on these matters.</p>

# Other responsibilities (3)

Issue	Commentary
Regularity	<p>The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance Accountability (Scotland) Act 2000.</p> <p>In our opinion in all material aspects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.</p>

# **6 Audit adjustments**



# Audit adjustments (1)

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

## Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement, the Statement of Financial Position, and the reported net expenditure of the organisation for the year ending 31 March 2025.

There were no unadjusted misstatements in the prior year which would have an impact on current year opening reserves.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Statement of Taxpayers' Equity £'000	Impact on total net expenditure £'000
<b>Accruals:</b>				
Dr Other Administration Costs – Shared Central Services	32			32
Cr Trade and Other Payables – Other Accruals		(32)		
Dr Trade and Other Receivables – Accrued Funding from SG		32		
Cr SOCTE (Movement of Balance with SG)			(32)	
<i>Being the adjustment to reflect a late invoice received for shared central services and the subsequent movement of balance with SG.</i>				

# Audit adjustments (2)

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
Review of Annual Report and Accounts (General)	We identified minor casting errors, figures which had not yet been included and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	✓
Other Information	We have identified minor amendments required to be made to the annual report to ensure it is consistent with the financial statements. These have been amended by management.	✓
Remuneration and staff report	<p>We identified the following issues within the Remuneration and Staff Report:</p> <p><b>Pension Benefits:</b></p> <p>The draft accounts did not include details of the executive pension disclosures due to a hold up in the calculation of CETV across the public sector. This was subsequently received by Scottish Forestry and incorporated into the Annual Report and Accounts.</p> <p>Negative values have been included for pension benefits within the 'Remuneration (including salary) and pensions entitlements' table. Based on FReM guidance, negative values incurred within remuneration/pensions should be disclosed as £nil. The note has subsequently been updated to reflect this change.</p> <p><b>Fair Pay Disclosure:</b></p> <p>Originally, the pay ratios in the fair pay disclosure were calculated using the actual remuneration of the highest paid director rather than the mid-point of the banding of the highest paid director, in line with the FReM. The calculation has subsequently been amended.</p> <p>An additional narrative disclosure was incorporated into the fair pay note to explain the exclusion of agency staff in the staff remuneration range as this would distort the values disclosed.</p>	✓

# Audit adjustments (3)

Disclosure	Misclassification or change identified	Adjusted?
Statement of Cash Flows	The impact of IFRS 16 of £65k has been classified as operating activities within the Statement of Cash Flows rather than financing activities. This balance is below trivial and not been adjusted for on this basis.	X
Note 1 – Accounting Policies	<p>The following amendments were made to the accounting policies:</p> <ul style="list-style-type: none"> <li>• The Basis of Accounts paragraph was updated to change to FReM reference to 2024/25 Government Financial Reporting (FReM).</li> </ul> <p>There is opportunities to enhance the disclosures in the following areas to ensure full compliance with the FReM:</p> <ul style="list-style-type: none"> <li>• Lessee Disclosures (in line with IFRS 16)</li> <li>• Pension Disclosures (in line with IAS 19)</li> </ul>	<p>✓</p> <p>X</p> <p>X</p>
Note 1.14 IFRS updates issued but not yet effective	<p>We identified that opportunities to enhance the IFRS updates issued but not yet effective note:</p> <ul style="list-style-type: none"> <li>• IFRS 17: Scottish Forestry do not currently explain the expected impact of IFRS 17 on the financial statements within its accounting policies.</li> <li>• 2025/26 FReM Changes: Scottish Forestry have not explained the changes to non-investment asset valuations or the guidance on accounting for social benefits within its accounting policies.</li> </ul>	X
Note 3 – Other Administration Costs	Note 3 includes a material other administration expenditure line – a narrative disclosure should be included to detail what elements make up this line.	X

# Audit adjustments (4)

Disclosure	Misclassification or change identified	Adjusted?
Note 8 – Financial Instruments	<p>The financial instruments note incorrectly included the following which are receivables/payables by statute or provides a contractual right to receive/provides goods/services and therefore, should not be classified as a financial instrument:</p> <ul style="list-style-type: none"> <li>• Trade &amp; other receivables: Balance disclosed updated to £23,192k as the balance had not been adjusted for the 'accrued funding from SG' balance of £21,898k.</li> <li>• Trade &amp; other payables (CY): Balance disclosed updated to £40,490k after the deferred income balance of £450k which does not meet the criteria of a financial liability in terms of IFRS 7 was removed.</li> <li>• Trade &amp; other payables (PY): Balance disclosed updated to £45,788k after the deferred income balance of £45k which does not meet the criteria of a financial liability in terms of IFRS 7 was removed.</li> </ul>	✓
Audit Fees	<p>Given the additional audit fee charged of £12,750, this has not been reflected within the Annual Report and Accounts.</p> <p>We have completed a reconciliation on page 47 of our Annual Audit Report.</p>	X
Task Force on Climate Related Financial Disclosures	<p>We have identified opportunities for Scottish Forestry to enhance their climate related disclosures in line with the Task Force on Climate Related Financial Disclosures (TCFD)'s recommended disclosures which became effective for the 2024/25 reporting period. We have raised a recommendation at <a href="#">Appendix B</a> for management to review during 2025/26.</p>	X

# **7 Wider scope and best value arrangements**



# Wider scope and best value arrangements

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 specified reporting criteria. 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 conclusions (1)

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. Within our audit plan we identified one significant wider scope risk in relation to financial sustainability.

As part of our ongoing audit work during the year, we have not identified any additional wider scope audit risks. We have followed up our prior recommendations at Appendix C.

Area	Risk Consideration and Focus	Risk Identified		2024/25 Conclusion
Financial Management	The arrangements in place at Scottish Forestry to ensure sound financial management, accountability and the arrangements to prevent and detect fraud, error and other irregularities	No		Scottish Forestry are required to deliver a balanced budget position by the Scottish Government. In 2024/25, Scottish Forestry had delivered an underspend of £5.449 million against its final budget. However, to date, during 2025/26, regular budget monitoring reports have not been prepared.
Financial Sustainability	The projected financial position of Scottish Forestry in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the council to effectively deliver services in the future	Yes		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 financial planning is challenging due to the Scottish Government decision to set one-year budgets, this should not prevent Scottish Forestry developing a medium-term financial strategy supported by shorter term detailed financial plans.
Vision, Leadership and Governance	The effectiveness of Scottish Forestry's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the council	No		The governance arrangements at Scottish Forestry are effective, and we have assessed that there is a good level of challenge and scrutiny at Audit and Assurance Committee (AAC) meetings.
Use of Resources to Improve Outcomes	How the Scottish Forestry demonstrates economy, efficiency and effectiveness through its use of financial and other resources	No		The latest iteration of Scottish Forestry's Corporate Plan covering the period 2025-2030 has been published in August 2025, with a new set of Key Performance Indicators developed. Scottish Forestry did not meet the woodland creation target in 2024/25 set by the Scottish Government. Scottish Forestry are currently developing their Workforce Plan in order to identify the required staffing cohort for the future

- G** Appropriate arrangements are in place, minor improvement recommendation made.
- A** Appropriate arrangements are in place, but improvement recommendation made.
- R** Significant risk identified and key recommendations made.

# Wider scope – Financial management (1)

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

Audit plan risk	Wider scope audit response	Conclusion																																								
No significant risk identified at planning.	<p><u>2024/25 Financial Performance:</u></p> <p>The main financial objective of Scottish Forestry is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. The original budget allocated to Scottish Forestry was £70.1 million however, it was revised upwards as part of the autumn and spring budget revision which resulted in a small increase of £0.184 million, resulting in a total budget of £70.281 million for 2024/25.</p> <p>Scottish Forestry delivered an underspend against budget in 2024/25, with a reported outturn of £64.882 million against the budget of £70.281 million, given an underspend of £5.449 million. Key details are outlined below:</p> <table><tr><th></th><th>Final Budget 2024/25 (£'000)</th><th>Actual Outturn 2024/25 (£'000)</th><th>Variance (£'000)</th></tr><tr><td>Income (Other)</td><td>(500)</td><td>(896)</td><td>396</td></tr><tr><td>Staff and Admin Costs</td><td>18,572</td><td>20,243</td><td>(1,639)</td></tr><tr><td>Programme Costs</td><td></td><td></td><td></td></tr><tr><td>- Forestry Grants Resource</td><td>45,340</td><td>38,465</td><td>6,875</td></tr><tr><td>- Cross Border Services</td><td>4,731</td><td>5,018</td><td>(287)</td></tr><tr><td>- Timber Transport</td><td>2,000</td><td>2,002</td><td>(2)</td></tr><tr><td></td><td><b>70,143</b></td><td><b>64,832</b></td><td><b>5,343</b></td></tr><tr><td>IFRS 16 – Direct Capital</td><td>138</td><td>0</td><td>138</td></tr><tr><td><b>Total</b></td><td><b>70,281</b></td><td><b>64,832</b></td><td><b>5,449</b></td></tr></table>		Final Budget 2024/25 (£'000)	Actual Outturn 2024/25 (£'000)	Variance (£'000)	Income (Other)	(500)	(896)	396	Staff and Admin Costs	18,572	20,243	(1,639)	Programme Costs				- Forestry Grants Resource	45,340	38,465	6,875	- Cross Border Services	4,731	5,018	(287)	- Timber Transport	2,000	2,002	(2)		<b>70,143</b>	<b>64,832</b>	<b>5,343</b>	IFRS 16 – Direct Capital	138	0	138	<b>Total</b>	<b>70,281</b>	<b>64,832</b>	<b>5,449</b>	In 2024/25, Scottish Forestry delivered an underspend of £5.449 million against their final budget of £70.281 million, which represents an underspend of 7.75% of total budget.
	Final Budget 2024/25 (£'000)	Actual Outturn 2024/25 (£'000)	Variance (£'000)																																							
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<b>Total</b>	<b>70,281</b>	<b>64,832</b>	<b>5,449</b>																																							

# Wider scope – Financial management (2)

## Audit plan risk

## Wider scope audit response

## Conclusion

No significant risk identified at planning.

### Scottish Forestry's Financial Management Arrangements

In 2025/26, for the first three months of the financial year, budget monitoring reports have not been prepared although high-level finance updates have been reported to the Executive Board and Audit and Assurance Committee. It is pivotal that management are provided with regular and accurate financial information on the financial position throughout the year with variances from budget being clearly explained and actions identified to resolve any adverse variances. This provides senior management and members with the opportunity to review, challenge and scrutinise financial performance. Given the increase in budget in 2025/26 from the previous financial year of £12.9 million, it is essential that outturn against budget is monitored to ensure Scottish Forestry utilise the funding available to them.

During 2024/25, Scottish Forestry successfully implemented their new financial management and expenses system, Advanced. A Project Board had been in place to support the implementation and transition from the previous system which was managed on behalf of Scottish Forestry by a service organisation.

### Finance Team

Individuals involved in the preparation and reporting of financial information are qualified and experienced and have held finance positions at the organisation for numerous years. However, the finance team is relatively small, and during 2024/25, alongside the resource required for the implementation of the new finance system, there has been sickness leave resulting in team members completing a dual role to fill the gaps arising which has resulted in capacity issues.

Scottish Forestry are currently recruiting for two finance positions, with one being a temporary position to cover sick leave with an anticipated September start date and a further position expected to be advertised in late Autumn.

To date, during 2025/26, regular budget monitoring reports have not been prepared. These should be prepared on a monthly basis to track outturn against budget and along scrutiny by members. We have raised an audit recommendation within **Appendix B**.

Financial policies and procedures have been reviewed, and we are satisfied the financial regulations are comprehensive, current and promoted within the body.


Scottish Forestry have successfully implemented their new financial management and expenses system during the financial year.

We have not identified any issues regarding the skills and capability of finance staff within the organisation. Given the size of the organisation, and with staff sickness and the implementation of the system, the finance team are stretched. The audit in 2024/25 has taken longer to complete than usual due to the timeliness of audit responses. Scottish Forestry are actively planning to fill two finance posts during 2025/26, albeit one being a temporary position. We have raised a recommendation in **Appendix B**.

# Wider scope – Financial sustainability (1)

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

This slide references the risk identified within our audit plan and audit procedures performed are outlined in response to our identification of a significant risk at the planning stage.

Risk identified in our Audit Plan	Audit procedures performed	Conclusion
We have identified a significant risk in relation to Scottish Forestry’s financial sustainability from our initial planning work in relation to future financial plans for 2025/26 and beyond.	<ul style="list-style-type: none"><li>• Sought to understand the future financial forecasts and plans for Scottish Forestry for 2025/26 and beyond, including key assumptions used, scenario planning, sensitivity analysis, risk analysis and the extent of any budget pressures and impact upon reserves.</li><li>• Considered the action Scottish Forestry is taking to address identified funding gaps and associated plans.</li></ul> <p>Scottish Forestry do not have formalised medium to long-term financial plans. Consecutive one-year funding settlements and the fluidity of changing priorities across the Scottish Government create challenges in the organisation’s ability to plan for the medium to longer term.</p> <p>Without forward looking plans, the financial sustainability of the organisation is difficult to forecast and the use of key assumptions, scenario planning, sensitivity analysis and risk analysis is more difficult to evidence.</p>	<div></div> <p>Scottish Forestry are subject to one-year budgets from Scottish Government. With increasing costs, the organisation are faced with difficult decisions and challenges, which fundamentally, require longer term financial planning. As such, a risk remains for financial sustainability.</p> <p>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.</p> <p>Scottish Forestry should develop a medium-term financial strategy supported by shorter-term detailed financial plans with detailed saving plans in place. These were recommendations raised as part of our previous audit and remains open for consideration and action by management. Please refer to <b>Appendix C</b> for further details.</p>



# Wider scope – Financial sustainability (2)

Audit plan risk	Wider scope audit response	Conclusion
We have identified a significant risk from our initial planning work, as set out in the description on page 38.	<p><u>Budgeting</u></p> <p>Scottish Forestry’s budget is set within the Scottish Budget which confirms the Scottish Government’s proposed spending and tax plans. The Scottish Forestry budget for 2025/26 was included within the budget published by the Scottish Government. This budget was laid before the Parliament in December 2024 and indicated that the budget for Scottish Forestry would be £83.1 million.</p> <p>Scottish Forestry is funded by grant income from the Scottish Government with a small amount of other income (£0.896 million). The main streams of expenditure for Scottish Forestry is grant expenditure (circa 73.2% of total expenditure) and staff costs (20.5% of total expenditure).</p> <p>Scottish Forestry undertake an annual budget process which forms part of the wider annual business plan process. This includes discussions taking place between the leadership team and Scottish Government regarding funding requirements.</p> <p>Whilst the 2025/26 Budget Bill increased Scottish Forestry’s overall budget, the Woodland Grants budget still remains c20% lower than the 2023/24 budget. As a result, Scottish Forestry have confirmed to Scottish Ministers that their Climate Change Plan target for tree planting, 18,000 ha in 2025/26, cannot be met. Discussions with Scottish Government on this are ongoing. Ministers have confirmed that planting activity in the range of 10,000 ha will be achieved in 25/26 as a result of the budget reduction and this has been included as a target in the Programme for Government.</p> <p>With broader pressure on Scottish Government’s resource and capital budget, Scottish Forestry are preparing for the possibility that in 2025/26 and beyond, they will not be fully funded. Fundamentally, this will mean that planting targets set by Scottish Government as part of the Climate Change Plan will not be achieved.</p> <p>During 2024/25, Scottish Forestry undertook a review of project what would benefit from alternative funding e.g. from the Woodland Carbon Code, to reduce contribution from the Forestry Grant Scheme. This reduced grant requirement freed up £2.26 million to be re-allocated within Scottish Forestry’s grants budget.</p>	<p>The Scottish Government require Scottish Forestry to set a balanced budget each year as a Non-Ministerial Department. Scottish Forestry have set a balanced budget for 2025/26.</p> <p>Without increased funding, Scottish Forestry have outlined Ministerial planting targets will be difficult to achieve and conversations with Scottish Government officials remain ongoing.</p>

# Wider scope – Financial sustainability (3)

Audit plan risk	Wider scope audit response	Conclusion
We have identified a significant risk from our initial planning work, as set out in the description on page 38.	<p><u>Medium-term financial planning</u></p> <p>Scottish Forestry does not have a medium-term financial strategy (MTFS). Longer term financial planning remains in development and no formalised plans have been agreed.</p> <p>Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from Scottish Government cover a one-year period, this should not prevent Scottish Forestry assessing their spending needs and options over a longer period.</p> <p>Scottish Forestry should endeavour to produce a financial strategy covering at least the next 5-year period, including projected levels of income and how spending will be funded. To enable Scottish Forestry to implement this strategy, detailed financial and savings plans that outline spending commitments and required savings over the short (one year) and medium term (two to five years) should be developed.</p>	Scottish Forestry should develop a medium-term financial strategy supported by shorter term detailed financial and savings plans. These were recommendations raised in our prior year audit and remains ongoing – see <a href="#">Appendix C</a> .

# Wider scope – Vision, Leadership and Governance (1)

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

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p><u>Governance Arrangements:</u></p> <p>The Strategic Advisory Group (SAG) comprises all function heads, the Chief Forester and four non-executive advisers. The SAG’s role is to support and provide advice to the CEO to help them reach robust and well-informed decisions. During the year, the SAG met on three occasions and discussed a wide range of topics including horizon scanning, updating governance arrangements, future working projects and the results of the People Survey.</p> <p>The Executive Board (EB), which comprises the Chief Executive and heads of the five functions, leads Scottish Forestry and oversees the day-to-day management and direction of the agency. EB deliver against agreed Agency priorities and programmes of work and provide information, advice and guidance on key corporate matters and decisions.</p> <p>The Audit and Assurance Committee (AAC) comprises the non-executive advisers and met four times during the financial year. The AAC provides advice and constructive challenge to the CEO, in particular in relation to their responsibilities for issues of risk management, governance, and associated assurance to support year-end accountability and reporting. In line with good practice, there is time available at the end of each meeting for the non-executive advisers to discuss matters with the External Auditors and Internal Audit without members of management being present.</p> <p>During the year, the Chair initiated another 360° effectiveness review of the committee and its members, which continues to adopt the SG Handbook checklist on AAC effectiveness, seeking views from each of the non-executives but also Management, Internal Audit and External Audit.</p> <p>All responsibilities of delegated authorities in relation to internal control are clearly documented within Scottish Forestry’s Framework Document as agreed with the Scottish Government.</p>	<p>Our review of attendance of members at Committee meetings and has not flagged any issues. We are satisfied that the governance arrangements are appropriate and operate effectively.</p> <p>Scottish Forestry operates in an open and transparent manner, publishing non-executive register of interests on the website and having regularly liaison with service users. Meeting minutes are available on the website.</p>

# Wider scope – Vision, Leadership and Governance (2)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p data-bbox="410 272 1829 321"><a href="#">Governance Statement</a></p> <p data-bbox="410 325 1829 564">Scottish Forestry's governance arrangements has been set out in the Governance Statement within the Annual Report and Accounts, which provides details on the composition and governance structure of Scottish Forestry and how that supports the achievement of the organisation's priority themes and will be signed off by the Accountable Officer (or relevant official). From our audit procedures performed, we have not identified any material misstatements within the Annual Report and Accounts.</p> <p data-bbox="410 571 1829 621"><a href="#">Risk Management</a></p> <p data-bbox="410 625 1829 863">Scottish Forestry maintains a strategic risk register which is derived from the high-level risks of the organisation, along with corporate risks within the organisation. Risks are evaluated by considering their probability of occurring along with their potential to impact on the outcomes expected of Scottish Forestry, the organisation's operations and its stakeholders. The risks and management's mitigating actions are reviewed by the Audit and Assurance Committee at every meeting.</p> <p data-bbox="410 868 1829 949">During 2024/25, internal audit completed a risk management review. The review was given a Limited Assurance with four medium recommendations, these included:</p> <ul data-bbox="410 953 1829 1318" style="list-style-type: none"> <li data-bbox="410 953 1829 1078">• Expand the risk management guidance to include originating source of a risk, roles and responsibilities in recording, assessing and escalating, a template format, and clearly identify the owner of the risk register(s);</li> <li data-bbox="410 1082 1829 1135">• Ensure that the risk register is supporting the overall achievement of the business objectives;</li> <li data-bbox="410 1139 1829 1220">• Ensure there is sufficient and effective reporting of risks providing the right information at the correct level of detail for specific forums; and</li> <li data-bbox="410 1225 1829 1318">• All staff are adequately aware of the requirements and their responsibilities relevant to risk management.</li> </ul>	<p data-bbox="1837 272 2440 435">Scottish Forestry have a suitable internal control framework to support the material accuracy of the Annual Report and Accounts.</p> <p data-bbox="1837 439 2440 602">With regards to risk management, Scottish Forestry should ensure they implement internal audit's recommendation as soon as possible.</p>

# Wider scope – Vision, Leadership and Governance (3)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p><u>Internal controls</u></p> <p>Internal audit activity is undertaken by the Scottish Government Directorate of Internal Audit and Assurance (SGDIAA). Internal audit undertook four internal audits reviews during the financial year, covering Risk Management (Limited Assurance), Forestry Grant Scheme (Substantial Assurance), Corporate Governance (Reasonable Assurance) and Woodland Carbon Code (Substantial Assurance). Internal audit also completed follow-up reviews on a number of previously audit areas.</p> <p>This resulted in an overall reasonable assurance opinion for the 2024/25 financial year with internal audit noting <i>‘some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature’</i>.</p> <p>Scottish Forestry report progress against internal audit recommendations at Audit and Assurance Committee meetings. The most recent report taken to the May meeting showed a high volume of outstanding internal audit recommendations that have yet to be fully implement by Scottish Forestry. Scottish Forestry should continue to report progress at the Audit and Assurance Committee meetings and seek to implement each of the recommendations in a timely manner.</p>	<p>Internal Audit reports produced during the year provided reasonable assurance over the adequacy of governance, risk management and internal control arrangements at Scottish Forestry.</p> <p>Scottish Forestry should continue to report progress on internal audit recommendations at the Audit and Assurance Committee meetings and seek to implement recommendations in a timely manner.</p>

# Wider scope – Use of resources to improve outcomes (1)

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

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	<p><u>Woodland Creation:</u></p> <p>In 2024/25, Scottish Forestry target was to plan in excess of 10,000 Ha of woodland, with a minimum 4,000 Ha of this being native woodland. Scottish Forestry planted 8,470 Ha during the year, with the key impact on planting figures being reduced budgets, 30% of green lighted budgets and compensatory planting not included within the final figure. The native woodland target was met with 5,300 Ha being planted.</p> <p><u>Performance Reporting:</u></p> <p>Scottish Forestry operates within the National Performance Framework set by Scottish Ministers and a performance framework is in place. Scottish Forestry has adopted a number of Key Performance Indicators (KPIs), which are measurable values that demonstrate how effectively the organisation is achieving its objectives. Performance is reported against these KPIs within the Annual Report and Accounts. With the introduction of the new Corporate Plan, a new set of targets and KPIs have been developed, which will be monitored against moving forward.</p> <p>Scottish Forestry produce an annual Key Performance Indicator report which lays out the measurements and definitions of their set of KPIs and performance against them to date. At the date of our report, this had not yet been published and is currently in production. Within the Annual Report and Accounts, Scottish Forestry have reported and provided narrative in relation to some of the key KPIs.</p> <p>Performance against national standards is reported within performance reports alongside other performance measures. There is limited benchmarking undertaken as there is limited scope to do this due to Scottish Forestry’s unique operations. Performance against the indicators has been mixed for 2024/25 when compared with 2023/24, with some improving and some worsening.</p>	<p>Scottish Forestry and the Scottish Government must work together to establish realistic tree planting targets within the current budget.</p> <p>Scottish Forestry have developed a new set of KPIs which have been included within the newly published 2025-2030 Corporate Plan.</p> <p>Performance against the new KPIs will be reviewed as part of the 2025/26 audit.</p>



# Wider scope – Use of resources to improve outcomes (2)

Audit plan risk	Wider scope audit response	Conclusion
<p>No significant risk identified at planning.</p>	<p><u>Corporate Planning:</u></p> <p>Since planning, the Corporate Strategy and Plan was launched via an all-staff broadcast and is now available on Scottish Forestry's website. The Corporate Plan, covering 2025-2030, is Scottish Forestry's overarching strategic document. It sets out the purpose and strategic objectives alongside high level priorities and actions which shape Scottish Forestry's activity. The Corporate Plan also includes Key Performance Indicators (KPIs) which are monitored to review progress against priorities. The Corporate Plan sets out four key strategic objectives:</p> <ol style="list-style-type: none"> <li>1. Carry out core regulatory and grant activities and cross-border responsibilities in a balanced and proportionate way to deliver on Scottish Forestry's vision on behalf of Scottish Ministers;</li> <li>2. Ensure Scotland's Forestry Strategy and sustainable forest management is central to environment, land use, economic policy and enables positive outcomes for stakeholders, the climate and communities;</li> <li>3. Build a diverse workforce of professional, skilled and passionate people, creating an environment to enjoy work and feel respected in line with Scottish Forestry's values and;</li> <li>4. Work collaboratively and innovatively, supported by fit-for-purpose and effective business systems and organisational infrastructure.</li> </ol> <p><u>Workforce Planning</u></p> <p>Scottish Forestry are currently developing their Workforce Plan in order to identify the required staffing cohort for the future. This should include coverage of affordability, the business needs and criticality of each role is reviewed to help support and identity key workforce trends and requirements across the organisation.</p>	<p>The refreshed Scottish Forestry Corporate Plan 2025-2030 is succinct and details the priorities and objectives that Scottish Forestry will work towards over the next five years.</p> <p>Scottish Forestry should develop a workforce plan ensuring that processes are in place to effectively manage its workforce needs. We have raised an audit recommendation within <b>Appendix B</b>.</p>

# Best value arrangements (1)

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.

The duty of Best Value, as set out in the SPFM, is:

- to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance,
- to have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

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

Guidance for Accountable Officers	Scottish Public Finance Manual 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.

## Best value arrangements (2)

Central government bodies in Scotland have a legal duty to deliver “Best Value” in their services. This means they must make arrangements to ensure continuous improvement in their performance, while maintaining a balance between quality and cost, and consider economy, efficiency, effectiveness, equal opportunities and sustainable development. The Code of Audit Practice requires auditors to consider the arrangements put in place by Accountable Officers to meet their best value obligations.

### Conclusion:

Scottish Forestry have arrangements in place to secure best value, as demonstrated in the Performance Report and Accountability Report. We consider these arrangements as part of our regular wider scope work.

The Accountability Report contains Scottish Forestry’s own assessment of the arrangements in place to secure best value. However, we have noted that the organisation has no mechanism for formally reviewing and reporting on the arrangements to secure best value. We recommend that Scottish Forestry should undertake a formal review of the best value assurance framework and complete an assessment of the organisation’s arrangements to secure best value. The outcome of this assessment should be reported to the appropriate Committee at the end of each financial year. Please see recommendation raised within

**Appendix B.**

# **8 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 and managers). In this context, there are no independence matters that we would like to report to you.

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

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and Scottish Forestry that may reasonably be thought to bear on our integrity, independence and objectivity.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the organisation 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 Scottish Forestry's board, senior management or staff.

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

# Fees and non-audit services (1)

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

External Audit Fee	Planned Fees	Final Fees	Fees for other non-audit services	Final Fees
Auditor Remuneration	£64,730	£76,480*	We confirm that for 2024/25 we did not receive any fees for non-audit services	Nil
Pooled Costs	-£5,340	-£5,340		
Sectoral Cap Adjustments	-£2,700	-£2,700		
2024/25 Audit Fee	£56,690	£69,440		

This Annual Audit Report was considered by the Audit and Assurance Committee on 19 August 2025 including agreement of audit fees.

\*Additional auditor remuneration is levied in total for £12,750. As detailed in our Audit Plan from March 2025, additional fees were to be levied for work related to the significant risk area of the data migration to the new financial ledger, although at planning, these could not be quantified until work was performed. An additional fee of £9,950 was incurred for work in relation to the new system. This included gaining an understanding of the new system and conducting testing of the new platform. Additionally, an understanding of the journals control environment was obtained for both E-Financials and Advanced and subsequently, journal testing was performed on both system. This included testing of the new system at a higher risk level than the old system, given it was the first year of implementation. Additionally, there was a significant amount of back-and-forth communication required to obtain appropriate sample evidence for multiple items, exceeding the expected norm, which incurred additional fee of £2,800. Where possible, we independently retrieved evidence directly from the system using the access provided to us. Note, the additional fee figures are estimated and final figures will be dependent upon the final closing time being as expected.

The fees reconcile to the financial statements as follows:

- fees per financial statements £57,000
- 2024/25 additional fee levied (as above) £12,750
- total fees per above £69,440

This covers all services provided by us and our network to Scottish Forestry, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

# Fees and non-audit services (2)

## Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work ([joanne.e.brown@uk.gt.com](mailto:joanne.e.brown@uk.gt.com)). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner, 8 Finsbury Circus, London, EC2M 7EA.

If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [transparency-report-2024-.pdf](#)



# 9 Appendices

# A. 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	●	
Confirmed no reliance on 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	●	●

### Respective responsibilities

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

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

### Distribution of this Annual Audit Report

This report is addressed to Scottish Forestry and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

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

Our communication plan	Audit Plan	Annual Audit Report
Views about the qualitative aspects of the organisation'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		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

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

# B. Action plan (1)

We set out here our recommendations for the organisation which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue	Recommendations
<div>●</div> <div>High</div>	<p><u>Advanced – Security Management:</u></p> <p>Our review of the new system identified several issues related to security management and administrator access rights. These findings highlight potential risks to system integrity, data and compliance with best practices for access control.</p>	<p>Prioritise and expedite the completion of all actions outlined in the IT action plan, with a particular focus on strengthening security management and addressing administrator access rights.</p> <p>Regular monitoring and reporting on progress should also be implemented to ensure timely resolution of identified risks and alignment with best practices.</p> <p><b>Management response:</b> Management will address the issues in the IT action plan and ensure that regular monitoring is carried out.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> December 2025</p>

## Key

- High – Significant effect on control system and financial statements
- Medium – Effect on control system and financial statements
- Low – Best practice for control systems and financial statements

# B. Action plan (2)

Assessment	Issue	Recommendations
<div>●</div> <div>High</div>	<p><u>Journals:</u></p> <p>Scottish Forestry’s new finance system lacks built-in Segregation of Duties (SoD) functionality, relying instead on manual controls for approvals. During our review of journal evidence within Advanced, we identified instances where offline approvals were not consistently attached in the system as supporting evidence.</p> <p>Furthermore, the linkage between the offline evidence and the corresponding journal was not always clear or readily traceable. This weakness in the evidence trail and reliance on manual processes increases the risk of errors, unauthorised postings, or insufficient auditability.</p> <p>Controls and processes should be enhanced to ensure robust documentation and clear alignment between journals and their supporting evidence before posting.</p>	<p>Enhance the control environment by implementing the following measures:</p> <ul style="list-style-type: none"> <li>• Integrate automated Segregation of Duties (SoD) functionality within the finance system to reduce reliance on manual controls and minimise the risk of unauthorised or erroneous postings.</li> <li>• Ensure that all journal entries are accompanied by clear supporting evidence to maintain a complete and traceable audit trail.</li> <li>• Develop and enforce a standardised process for linking offline approval evidence with corresponding journal entries, ensuring clarity and consistency before posting.</li> <li>• Conduct periodic reviews of journal postings and approval processes to identify and address any gaps in documentation or controls.</li> </ul> <p><b>Management response:</b> The approval and processing of non-system generated journals is currently under review with the journal backup and formal approval via email being saved on eRDM using the journal number as the file name. This will disseminated to all staff.</p> <p><b>Responsible officer:</b> Senior Finance Manager</p> <p><b>Implementation date:</b> December 2025</p>

## B. Action plan (3)

Assessment	Issue	Recommendations
<p>●</p> <p>Low</p>	<p><u>Holiday Pay Accrual:</u></p> <p>Our audit work identified that the incorrect pension percentages were used in the calculation of the holiday pay accrual. The percentages for 2023/24 have been used in the entity's calculation of their holiday pay accrual, as opposed to the updated 2024/25 universal pension percentage. This has not resulted in a material variance, which required any further reporting.</p>	<p>Implement a review process to ensure that the correct pension percentages are applied when calculating the holiday pay accrual, with updates verified against the applicable rates for each financial year.</p> <p><b>Management response:</b> When the data is received from FLS this will be checked to ensure that the correct pension percentages are being used and that the salary and NI is correct.</p> <p><b>Responsible officer:</b> Senior Finance Manager</p> <p><b>Implementation date:</b> March 2026</p>
<p>●</p> <p>Low</p>	<p><u>Climate Related Financial Disclosures:</u></p> <p>The Task Force on Climate Related Financial Disclosures (TCFD) issued recommended disclosures which should be adopted by public sector bodies which became effective for the 2024/25 reporting period.</p> <p>In their 2024/25 Annual Report and Accounts, Scottish Forestry have not considered enhancing their climate disclosures in line with the TCFD's recommended disclosures.</p>	<p>Scottish Forestry should review the recommended disclosures issued by the Task Force on Climate Related Financial Disclosures (TCFD) and incorporate into the 2025/26 Annual Report and Accounts.</p> <p><b>Management response:</b> Scottish Forestry will review the recommended disclosures and look to incorporate this into the 25-26 Annual Report and Accounts</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> February 2026</p>

## B. Action plan (4)

Assessment	Issue	Recommendations
<p>●</p> <p>Low</p>	<p><u>NFI:</u></p> <p>Scottish Forestry were involved in the previous NFI matching exercise in 2024, and 91 matches were identified which require further investigations. At the time of drafting this report, Scottish Forestry have not yet processed any matches.</p>	<p>Expedite the review and resolution of outstanding NFI matches to ensure timely investigation and compliance with data matching requirements. Establish a clear action plan with deadlines and allocate adequate resources to complete the exercises.</p> <p><b>Management response:</b> Due to staff sickness, this has not been reviewed but we will review the NFI matches and feed the outcome back to the August AAC.</p> <p><b>Responsible officer:</b> Senior Finance Manager</p> <p><b>Implementation date:</b> August 2025</p>
<p>●</p> <p>Low</p>	<p><u>Late Audit Adjustments:</u></p> <p>A late adjustment, although below the triviality threshold, was posted, necessitating additional audit procedures and work by the audit team to assess its impact. This resulted to changes across multiples notes within the financial statements.</p>	<p>To ensure an efficient and effective audit process, we recommend that management limits the posting of late adjustments to those that are above the materiality threshold. This approach will reduce unnecessary delays and additional audit procedures, while maintaining focus on adjustments that have a significant impact on the financial statements.</p> <p><b>Management response:</b> We will review late adjustments in future in light of this recommendation</p> <p><b>Responsible officer:</b> Senior Finance Manager</p> <p><b>Implementation date:</b> March 2026</p>



# B. Action plan (5)

Assessment	Issue	Recommendations
<p>●</p> <p>Medium</p>	<p><u>Finance Team Capacity:</u></p> <p>The finance team is currently under significant pressure due to the size of the organisation, staff absences, and the additional workload associated with the implementation of the new system. This has contributed to delays in the provision of audit evidence and has required multiple follow-ups by the audit team to obtain the necessary documentation. Management is actively planning to address resourcing constraints by recruiting for two finance positions in 2025/26, one of which is temporary.</p>	<p>To alleviate pressure on the finance team and improve the timeliness of audit evidence provision, we recommend expediting the recruitment process for the planned finance positions where possible. Additionally, management should consider whether further interim resourcing or reallocation of responsibilities within the team could provide immediate relief while longer-term staffing solutions are implemented. Ensuring adequate capacity within the finance team will support operational effectiveness and enhance collaboration during future audits.</p> <p><b>Management response:</b> We are currently working to increase capacity within the team so that at interim and final audit there will be more staff available.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> Ongoing</p>
<p>●</p> <p>Medium</p>	<p><u>Budget Monitoring Reports:</u></p> <p>For the first three months of the 2025/26 financial year, budget monitoring reports have not been prepared. This gap in financial oversight can result in limited visibility over the organisation's financial performance, including potential overspends, underspends, or emerging risks. Without regular budget monitoring, management may lack the information needed to make timely decisions, address variances, and ensure financial objectives are met.</p>	<p>Reinstate the preparation and review of regular budget monitoring reports as a priority to provide timely oversight of financial performance. Establish a clear timetable for preparing these reports and ensure they are reviewed by management and relevant committees. This process should include variance analysis, identification of risks, and actionable recommendations to address financial gaps.</p> <p><b>Management response:</b> Budget monitoring is not normally carried out in the first few months of the year. With sickness this year of a key member of the budgeting team, the process has been delayed by a month. The Senior Finance Manager and a Finance &amp; Business Support Manager have taken this forward for the month of July and a high-level budget monitoring report has been passed to EB with more detailed work being carried out at the end of August.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> August 2025</p>

## B. Action plan (6)

Assessment	Issue	Recommendations
<p>●</p> <p>Low</p>	<p><u>Workforce Planning:</u></p> <p>Scottish Forestry is in the process of developing its Workforce Plan to strategically assess and identify the optimal staffing requirements necessary to meet future organisational needs. This plan aims to ensure the organisation has the right skills, capacity, and structure in place to effectively support its long-term objectives and adapt to evolving challenges.</p>	<p>Finalise and implement the Workforce Plan with a focus on identifying future staffing needs based on organisational goals and anticipated challenges. Ensure the plan includes:</p> <ul style="list-style-type: none"> <li>• A skills gap analysis to address current and future capabilities required.</li> <li>• Succession planning to mitigate risks associated with turnover or retirements.</li> <li>• Flexible resourcing strategies to adapt to changing demands.</li> <li>• Regular reviews to keep the plan aligned with evolving priorities and operational objectives.</li> </ul> <p><b>Management response:</b> The report is currently being written and will be finalised and implemented during 2025-26.</p> <p><b>Responsible officer:</b> Director of Transformation and Corporate Services</p> <p><b>Implementation date:</b> March 2026</p>
<p>●</p> <p>Low</p>	<p><u>Best value assessment arrangements:</u></p> <p>The Accountability Report contains Scottish Forestry's own assessment of the arrangements in place to secure best value. However, we noted that there is no mechanism for formal review and reporting of the arrangements to secure best value.</p>	<p>Scottish Forestry should undertake a formal review of the best value assurance framework and complete an assessment of the organisation's arrangements to secure best value. The outcome of the assessment should be reported to the relevant Committee.</p> <p><b>Management response:</b> We will review the best value arrangements and ascertain the best mechanism to review and report on our arrangements.</p> <p><b>Responsible officer:</b> Director of Finance</p> <p><b>Implementation date:</b> February 2026</p>

# C. Follow up of previous recommendations (1)

We identified six issues in the 2023/24 audit of Scottish Forestry, which resulted in six recommendations being reported in our 2023/24 Annual Audit Report, four as part of the financial statement audit and two as part of the wider scope audit. Of the six recommendations raised as part of the 2023/24 audit, four have been actions and resultantly closed whilst two remain ongoing. Any progress on these ongoing actions will be followed up on as part of our 2025/26 audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<div>✓ Complete</div>	<p><b>Journals:</b></p> <p>Within our journals walkthrough, we identified the following:</p> <ul style="list-style-type: none"><li>(1) senior financial reporting personnel have the ability to post journal entries (e.g. Head of Finance and Business Support)</li><li>(2) individuals have the ability to prepare and post their own journal entries</li></ul> <p>Scottish Forestry’s policy is that journals do include segregation of duties however, there is an offline authorisation of journals which provides an opportunity to circumvent controls. There are compensatory controls in place through regular and month-end review of cost centres which would identify any material errors and/or anomalies. This is the same process in place as in the prior year, but given the new finance system, there are opportunities to ensure automated controls are in place</p>	<p><i><b>This recommendation related to a control weakness identified within journals controls in the old financial management system, E-Financials. During 2024/25, this system has now been replaced, therefore, we are marking this recommendation as complete.</b></i></p>

Assessment

✓ Action completed

X Not yet addressed

## C. Follow up of previous recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Complete	<b>E-Financials</b> After inspecting the journal user list at Scottish Forestry, we have noticed that one user still have an access account that is no longer required. This was an isolated issue and therefore we do not deem this to be a significant control deficiency.	<i><b>This recommendation related to a control weakness identified within journals controls in the old financial management system, E-Financials. During 2024/25, this system has not been replaced, therefore, we are marking this recommendation as complete.</b></i>
✓ Complete	<b>Lease Agreements</b> From our work in relation to IFRS 16 right of use assets, it was noted that Scottish Forestry do not have signed lease agreements/contracts for all new/extended leases. This could impact on the entity's records of leases including details on their lease register.	All new leases on buildings will be held on eRDM. Any missing lease agreements will be sought and saved onto eRDM.  <i><b>We are satisfied that management has responded to the recommendation and as such, satisfied this action has been completed. As part of our substantive testing, we did not identify any issues of obtaining lease agreements.</b></i>
X Ongoing	<b>Delegated Limits of Financial Authority</b> The Delegated Limits of Financial Authority document is out of date, with the last review of the document taking place in July 2020.	A revised first draft was circulated within the Finance and Business Support Team in April 2025. Feedback was received which is being updated into a second draft taking into account the changes of processes within the new finance system.  <i><b>Until finalisation of the updated document, this recommendation remains open and we will follow up as part of the 2025/26 audit.</b></i>

## C. Follow up of previous recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X Ongoing	<p><b>Savings Plan</b></p> <p>Scottish Forestry have no detailed medium terms savings plans in place and work is ongoing on an annual basis to ensure a balanced budget is achieved.</p>	<p>Discussion held within SET to frame the 2025/26 Budget.</p> <p>Director of Finance recommends a focus on people planning and hiring controls as people is the greatest cost after grants.</p> <p>Work is ongoing for the short-term savings planning but further work will be carried out to develop longer term planning which will involve the Executive Board and certain senior members of staff.</p> <p><b><i>With no formal savings plan in place, this recommendation remains open and we will follow up as part of the 2025/26 audit.</i></b></p>
✓ Complete	<p><b>Corporate Plan</b></p> <p>The latest iteration of Scottish Forestry's Corporate Plan covered the period 2020-2023 and is now out of date. An updated Corporate Plan was originally scheduled to be published in Autumn 2024, however. due to the reduction in funding as part of the 2024/25 budget process and changes with Cabinet priorities, Scottish Forestry have had to revisit many of their spending plans and priorities over future years.</p>	<p>The 2025-2030 Corporate Plan has been finalised and was released for publication on Scottish Forestry's website in August 2025.</p> <p><b><i>With the publication of the update Corporate Plan, we are satisfied that management has responded to the recommendation and as such, satisfied this action has been completed.</i></b></p>

## C. Follow up of previous recommendations (4)

We also identified two issues in the audit of Scottish Forestry's 2022/23 financial statements, which were followed up as part of the 2023/24 audit but remained ongoing. We have performed additional work in year to obtain assurance whether the recommendations has been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X Ongoing	<p><b>Financial Sustainability</b></p> <p>Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from SG cover a one-year period, this should not prevent National Records of Scotland assessing their spending needs and options over a longer period.</p> <p>National Records of Scotland does not currently have a medium-term financial strategy or have a formal savings plan for the short or medium term.</p>	<p>Following the issuance of the Corporate Plan and 2025/26 budget, work will commence on a rolling 24-month medium term plan using the 25/26 budget figures as the baseline.</p> <p><b>Scottish Forestry have yet to implement a medium-term financial strategy (MTFS). Longer term financial planning remains in development and no formalised plans have been agreed. This recommendation remains open and we will follow up as part of the 2025/26 audit.</b></p>
X Ongoing	<p><b>Performance Reporting</b></p> <p>The performance report does not have measurable targets and KPIs beyond planting to demonstrate Scottish Forestry's performance.</p> <p>There is a risk that Scottish Forestry cannot clearly demonstrate its contribution to the Scottish Government's net-zero aims.</p>	<p>A new set of KPIs has been developed in the newly publish 2025-2030 Corporate Plan. In future annual reports, Scottish Forestry aim to report in a more comprehensive manner the range of objectives we have met, more than focusing just on woodland creation.</p> <p><b>Until the performance report is updated to include measurable targets and KPIs beyond planting, this recommendation remains open and we will follow up as part of the 2025/26 audit.</b></p>



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