Grant Thornton

Annual Audit Report for Scottish Forestry

For the year ended 31 March 2026

18 August 2026



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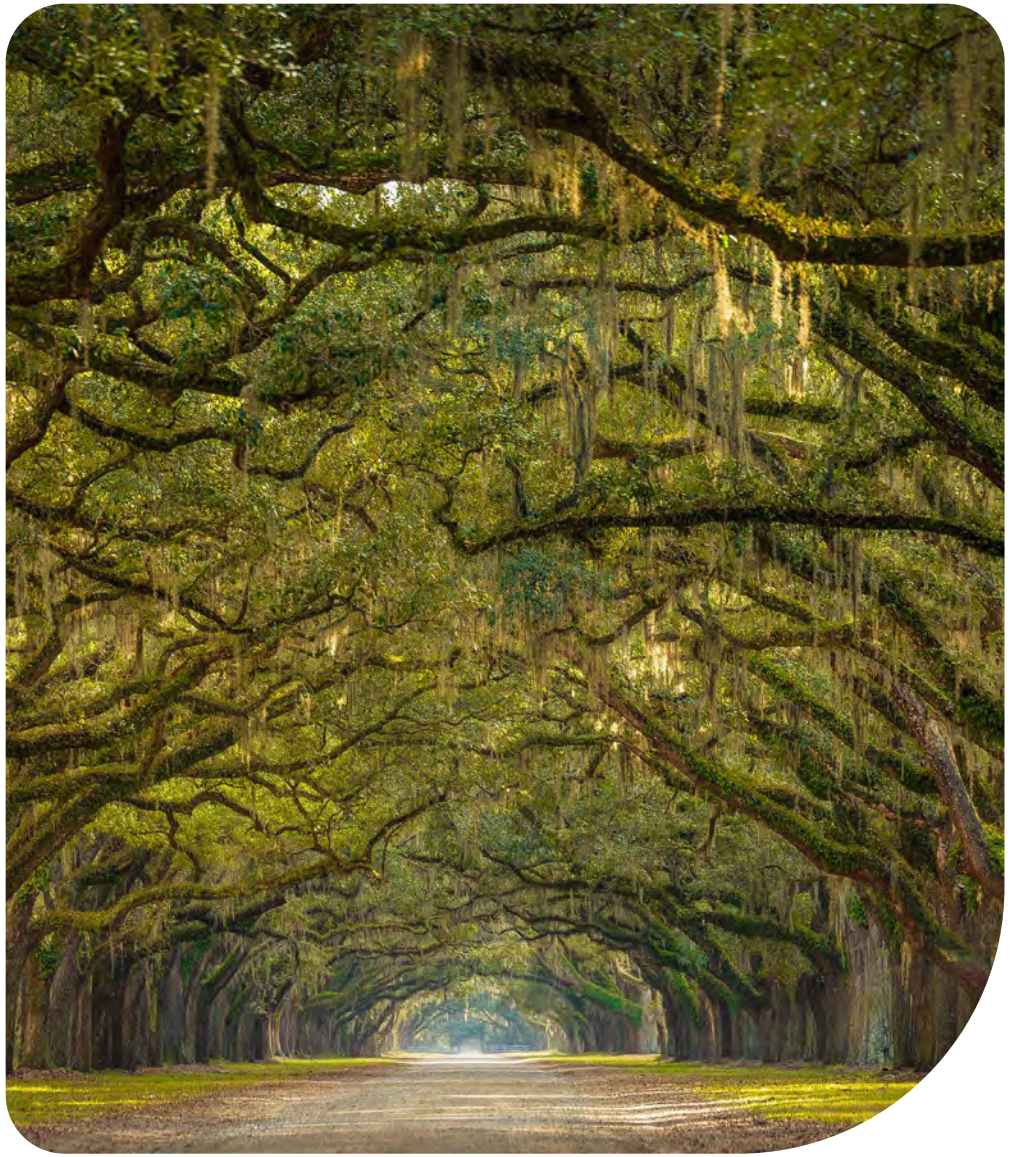


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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject 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.

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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 2026 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 2026 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 2025/26 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 2025/26 Financial Reporting Manual (FReM) and directions made thereunder by the Scottish Ministers;
- In all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issues by the Scottish Ministers; and
- Performance Report and Governance Statement are prepared in accordance with the FReM and are consistent with the financial statements.

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 and has been prepared in accordance with the requirements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of Scottish Forestry.

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 and has been prepared in accordance with the requirements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of Scottish Forestry.

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 22 May 2026 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.

Our 2025/26 audit has been completed in an appropriate timeline, with additional resource within the Scottish Forestry finance team supporting to improve the quality of working papers and has provided additional capacity to improve the timeliness of responses. We note that some delays were experienced due to Scottish Forestry being unable to provide direct access to relevant grants systems in sufficient time.

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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 2026 for those charged with governance (Audit and Assurance Committee) and the Auditor General for Scotland.

Financial statements

An adjustment of £0.927 million was identified and within 'Grant Accruals' to reflect updated information which had become available post year-end through the subsequent inspection and finalisation of some claims. This occurred towards the end of our audit as inspection, finalisation and payment of claims occurs post year-end. Significant additional audit work was required as a result, including re-assessing materiality; increased sample testing; and in-depth review of updated grant accruals data. As a result of this work, additional audit fee has been levied as set out on page 50.

Our audit findings have been summarised on pages 7 to 32. In addition to the adjustment of £0.927 million noted above, two further audit adjustments to the primary financial statements were identified totalling £1.270 million. Scottish Forestry have chosen to amend for all three of these.

Further, we have identified one immaterial projected audit adjustment totalling £0.775 million which has not been amended as it is not material. This is an extrapolated misstatement for grant accrual claims not yet paid, where the balance may be lower when claims are finalised. The decision not to amend does not impact on the audit opinion. These adjustments, alongside minor disclosure issues identified during our audit have been noted on pages 26 to 32.

In addition, we have raised four recommendations for management as a result of our audit work. These are set out in **Appendix B**.

We have also followed up on 14 prior year recommendations as part of our 2025/26 audit, of which 7 related to wider scope. The total is composed of 10 recommendations from 2024/25, 2 recommendations from 2023/24 and 2 recommendations from 2022/23. Of these recommendations, 9 have been closed and 5 remain ongoing. Our follow up of recommendations from prior year's audits are detailed in **Appendix C**.

Scottish Forestry have made appropriate progress in the implementation of audit recommendations during the year, which is evidenced by the number of prior year recommendations closed as implemented. Nonetheless, the Audit and Assurance Committee have a continued role to hold management to account in the progression of outstanding financial statements and wider scope recommendations.

We would like to take this opportunity to record our appreciation and thanks to management and the finance team for all of the assistance they have provided to support the completion of the external audit.

We issued an unmodified audit opinion on 18 August 2026.

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Headlines (3)

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 2026 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.

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 34 to 48.

We have assessed that Scottish Forestry maintain appropriate arrangements in respect of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Scottish Forestry have arrangements in place to secure best value, and we have considered these arrangements as part of our regular wider scope work.

As noted on page 5, we have followed up on the implementation of 7 wider scope recommendations made during previous audits. Of these, 4 were from 2024/25, 1 was from 2023/24 and 2 were from 2022/23. We have assessed that 4 remain ongoing and 3 are closed. These are set out in **Appendix C.**

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2 Our approach to materiality

Our approach to materiality (1)

As communicated in our Audit Plan dated 24 March 2026, we determined materiality at the planning stage as £1.643 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 2025/26 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	£1,676,000	This is equivalent to approximately 2.5% of the gross expenditure for the period ended 31 March 2026. Our materiality has been updated to reflect the 2025/26 figures in the draft financial statements although there has been no change to the % outlined within our audit plan. In 2024/25, materiality was £1,642,000, which represented 2.5% of gross expenditure.
Performance materiality for the financial statements	£1,257,000	Performance materiality has been set at 75% 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 2024/25, performance materiality was £1,067,300 which represented 65% of our calculated materiality.
Reporting threshold	£83,000	This balance is set at 5% of materiality. This reflects the threshold above which any individual misstatements identified will be reported to you. In 2024/25, our trivial threshold was £82,100 and this was set at 5% of materiality.

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Our approach to materiality (2)

Materiality area	Amount (£)	Qualitative factors considered
Auditable elements of the Remuneration and Staff Report: • Single total figure of remuneration for each minister and director • Pension cash equivalent transfer value (CETV) disclosures for each minister and director • Payments to past directors • Payments for loss of office • Fair pay disclosures • Exit packages The analysis of staff numbers and costs note has been audited at headline materiality.	£25,000	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. 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. 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.

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Detecting irregularities, including fraud (1)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Scottish Forestry and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks; International Financial Reporting Standards and the 2025/26 HM Treasury Financial Reporting Manual (FReM).
- We enquired of Senior Officers and the Chair of the Audit and Assurance Committee, concerning Scottish Forestry's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risk of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit and Assurance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of Scottish Forestry's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks relate to journal entries that altered Scottish Forestry's financial performance for the year and potential management bias in determining accounting estimates and the risk of fraud in income and expenditure recognition – particularly around year-end. Our audit procedures are documented within our response to the significant risk of management override of controls.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations included the potential for fraud in certain account balances and significant accounting estimates.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- Scottish Forestry's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- Scottish Forestry's control environment, including the policies and procedures implemented by Scottish Forestry to ensure compliance with the requirements of the financial reporting framework.

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3 Overview of significant risks identified

Overview of significant risks identified (1)

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
Management override of controls	Significant	●	●	Medium	●

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

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Overview of significant risks identified – financial statements (2)

Risk identified in our Audit Plan	Audit procedures performed	Key observations
Management override of controls In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls. 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. 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.	We have: • documented an understanding of and evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals and tested these journals identified; • challenged management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias; • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration and; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.	Our audit work has not identified any issues in respect of management override of controls. 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.

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Overview of significant risks identified – financial statements (3)

Description	Key aspects of our proposed response to the risk
Fraud in Expenditure Recognition Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". **(rebutted)**	Having considered the risk factors set out in ISA 240 and the nature of the expenditure streams at Scottish Forestry, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; • regular dialogue with the Scottish Government to monitor financial performance provides limited opportunity to manipulate the financial position. A large proportion of expenditure relates to resources consumed in the direction and control of day-to-day operations such as staff and wages, employee-related expenditure, premises, transport and supplies and services. These expenditure streams and processes are largely automated. Controls have also been designed and implemented to mitigate any fraud within these expenditure streams and therefore, the risk of fraud in expenditure recognition is deemed low. **Therefore, we do not consider this to be a significant risk for Scottish Forestry.**

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Overview of significant risks identified – financial statements (4)

Description	Key aspects of our proposed response to the risk
Fraud in Revenue Recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. **(rebutted)**	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Scottish Forestry, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • Operating and other income totalled £1.622 million in 2025/26 (2024/25: £0.896 million) which is immaterial to our audit; and • income received directly from the Scottish Government is deemed to be low risk, given its predictable nature and the controls surrounding the funding process. **Therefore, we do not consider this to be a significant risk for Scottish Forestry.**

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4 Other findings

Financial statements – key judgements and estimates (1)

As required, Scottish Forestry's accounting policies outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

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

Assessment

- 🔴 - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated.
- 🟠 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic.
- 🟡 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious.
- 🟢 - We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

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Other findings – key judgements and estimates (2)

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
Accruals Other accruals **– £3.197 million** Grant accruals **– £29.357 million**	Scottish Forestry accrues for expenditure to ensure that all amounts incurred during the financial year, but not yet been billed, invoiced or paid for, is recorded in the year to which it relates. Scottish Forestry has two main types of accruals: **Manual accruals** 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. **Grant accruals** 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 2026.	We have performed substantive testing on a sample of manual accruals, Forestry Grant Scheme accruals, recurrent accruals and rural payment accruals. **Conclusion** Our testing has identified three adjustments to the value of grant accruals. Our work in this respect remains in progress and we will update our conclusion upon completion. Due to timing of forest planting, the value of grant accruals is estimated at the point of drafting the financial statements using best available information. Thereafter, claims are inspected, finalised and paid post year-end, so it is necessary for these estimates to be revisited, up to the date of the audit opinion, to reflect available information. Data is available and procedures are in place to compare grant accrual values to final payments. However, no mechanism existed to ensure significant updates were communicated to finance or auditors. This resulted in an audit adjustment of £0.927 million to reduce year-end accruals based on updated information. Further, calculation and reporting errors have resulted in two additional misstatements totalling £1.270 million for amounts inappropriately accrued at 31 March 2026 despite being paid prior. An unadjusted misstated of £0.775 million has also been noted to project the misstatement of claims which remain unpaid at the audit opinion date. We have raised three recommendations on this basis, see **Appendix B**.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions which we consider cautious in relation to grant accruals.

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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.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Advanced	ITGC assessment (design and implementation effectiveness only)	● Green	● Amber	● Green	● Green	Management override of controls
Casebook	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	Grant accruals – *reported as this represents a key judgement of management.*
RPID	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	Grant accruals – *reported as this represents a key judgement of management.*

We have raised two IT recommendations in respect of security management arrangements within the Advanced system directly with management and these are not reflected within the present report.

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

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5 Communication requirements and other responsibilities

Communication requirements (1)

Issue	Commentary
Matters in relation to fraud and irregularity	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. 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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed in the Annual Report and Accounts.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. During 2025/26, a decision was reached in the Judicial Review of a forestry Environmental Impact Assessment (EIA) screening decision taking by Scottish Forestry, relating to a proposed woodland creation scheme at Todrig in South Scotland. The Judicial Review offered some important lessons for the work of Scottish Forestry, and the learnings from the decision are being taken forward in the organisation's regular updating of regulatory processes. We have not identified any other incidences of non-compliance from our audit work. We have not identified any cases of money laundering or fraud at Scottish Forestry.
Written representations	A letter of representation has been requested from Scottish Forestry as required by auditing standards. We have not requested any additional representations from management.
Accounting practices	We have evaluated the appropriateness of Scottish Forestry's accounting policies, accounting estimates and financial statement disclosures. 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.

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Communication requirements (2)

Issue	Commentary
National Fraud Initiative	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. Following a prior year audit recommendation, Scottish Forestry have reviewed outstanding matches and have reported on their findings appropriately. Therefore, our prior year recommendation has been closed as complete, see **Appendix B.**
Other returns to Audit Scotland	In accordance with the Audit Scotland Planning Guidance, as appointed auditors, we have prepared and submitted Fraud Returns and have contributed to shared intelligence for sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.

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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.

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Other responsibilities (2)

Issue	Commentary
Other information	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. Minor amendments have been made to the Annual Report, and we are satisfied that there are no unadjusted material inconsistencies to report.
Auditable elements of Remuneration Report and Staff Report	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) 2025/26, and directions thereunder. We have audited the elements of the Remuneration Report and Staff Report, including the Fair Pay Disclosures, as required by the FReM. Minor changes have been noted, see pages 31 to 32. 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 and incorporated into the Annual Report and Accounts.
Governance Statement	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) 2025/26. No inconsistencies have been identified.
Matters on which we report by exception	We are required by the Auditor General for Scotland to report on a number of matters by exception if, in our opinion: • adequate accounting records have not been kept; • the financial statements and the audit part of the Remuneration and Staff Report are not in agreement with the accounting records; • we have not received all the information and explanations we require for our audit; or • there has been a failure to achieve a prescribed financial objective. We have nothing to report on these matters.

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Other responsibilities (3)

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

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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 in 2025/26

We have identified three misstatements that management has adjusted for, as set out below. The impact of these adjustments will alter the primary Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flow and Statement of Changes in Taxpayers Equity, as well as disclosure notes within the Annual Report and Account's including expenditure, trade and other payables and financial instruments.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
Duplication of manual grant contract			
Dr Trade and other payables	0	66	0
Cr Programme costs expenditure	(66)	0	(66)
Being the duplication of a manual contract element of a grant accrual resulting in overstatement of expenditure.			
Over-accrual of claims paid pre-year end			
Dr Trade and other payables	0	1,204	0
Cr Programme costs expenditure	(1,204)	0	(1,204)
Being the inappropriate accrual of claims which had already been paid prior to year-end.			

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Audit adjustments (2)

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 in 2025/26

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
Re-assessment of grant accruals			
Dr Trade and other payables	0	927	0
Cr Programme costs expenditure	(927)	0	(927)
Being the reduction of grant accruals for the impact of subsequent inspection and payment decision prior to account sign-off.			
Overall impact	(2,197)	2197	(2,197)

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Audit adjustments (3)

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 unadjusted misstatements in 2025/26

The table below provides details of all non-trivial errors which we identified during the course of our 2025/26 audit which management decided not to amend within the final set of financial statements.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
Re-assessment of grant accruals				Value determined is based on a projection only and is not material.
Dr Trade and other payables	0	775	0	
Cr Programme costs expenditure	(775)	0	(775)	
Being the reduction of grant accruals for the projected impact of subsequent inspection and payment decision taken following sign-off.				
Overall impact	(775)	775	(775)	

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Audit adjustments (4)

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 unadjusted misstatements (prior year)

There were no unadjusted misstatements identified during the course of the prior year audit that impacted on the primary financial statements.

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

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Audit adjustments (5)

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 have identified various 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 amended by management where necessary.	Yes
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 where necessary.	Yes
Remuneration and Staff Report (Pension Benefits)	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. Following receipt of the required information, this will be subsequently amended by Scottish Forestry and incorporated in the Annual Report and Accounts.	Yes
Remuneration and Staff Report	We have identified the following adjustments required to the Remuneration and Staff Report during our audit procedures: 1. Senior Officer Remuneration • Zahid Deen's salary should be updated to £85k-90k, currently £80k-85k. 2. Fair Pay Disclosure • Average salary movement should be updated to 2.8%, currently 2.9%. • Salary range should be updated to £30k to £97k, currently £30k to £93k. Management agreed to amend the above in the final version of the annual report and accounts.	Yes

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Audit adjustments (6)

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?
Statement of Changes in Taxpayers' Equity	We identified that the 'Funding from SG' figure disclosed within the SOCTE inappropriately disclosed the net funding position (£67,966k) as opposed to disclosing both elements separately i.e. cash funding (£80,905k) and movement of balance with Scottish Government (-£12,939k). This issue impacted the current year balance only. Management agreed to amend. This was a change to the disclosure split only and had no impact on the primary financial statements.	Yes
Note 1 – Accounting Policies	During our review of accounting policies, we identified that the PPE accounting policy disclosed within the draft financial statements was not in compliance with the FReM following changes for 25/26. Management agreed to review and amend.	Yes
Note 7 – Financial Instruments (Assets)	We identified that 'Accrued Funding from SG' of £8,961k has been inappropriately excluded from the balance of trade and other receivables disclosed within financial assets. As the amount reflects an obligation to transfer funding to Scottish Forestry, the amount should be included. This issue impacted the current year balance only. Management agreed to amend. This is a memorandum disclosure note and does not impact the primary financial statements.	Yes
Note 7 – Financial Instruments (Liabilities)	We identified that 'Deferred Income' of £1,378k has been inappropriately included in the balance of trade and other payables disclosed within financial liabilities. As these amounts do not reflect an obligation to transfer cash by Scottish Forestry, the amount should be excluded. This issue impacted the current year balance only. Management agreed to amend. This is a memorandum disclosure note and does not impact the primary financial statements.	Yes

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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.

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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. 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		2025/26 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 2025/26, Scottish Forestry delivered an underspend of £13.952 million against budget, driven by reduced levels of planting achieved which is intrinsically linked to financial outturn. Regular budget monitoring arrangements have been reinstated which supports effective scrutiny of financial performance.
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 entity to effectively deliver services in the future	No		Scottish Forestry have carried out work during 2025/26 to develop a 10-year financial forecast which will support medium to long-term financial planning; and the development of organisational savings plans in the future. This work will allow the organisation to better assess their sustainability over the long-term. However, work remains in progress, and the current forecast requires further development to ensure it is sufficiently robust. Management have planned further work to refine the assumptions and support their understanding within the organisation during 2026/27.
Vison, 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 entity	No		Governance arrangements within Scottish Forestry continue to be effective and support the effective operation of the organisation. We have assessed the level of challenge and scrutiny within meetings, including the Audit and Assurance Committee (AAC) and have concluded this is sufficiently robust to challenge management decision-making and performance.
Use of Resources to Improve Outcomes	How the Scottish Forestry demonstrates economy, efficiency and effectiveness through its use of financial and other resources	No		Scottish Forestry's Corporate Strategy and Plan 2025-2030 was published in August 2025 and includes a suite of developed key performance indicators (KPI's) to support performance assessment. Outturn against KPI's was reported in the Annual Report and Accounts. Scottish Forestry did not meet their woodland creation target from Scottish Government in 2025/26, but the organisation continued to exceed native woodland creation targets. Workforce planning is being developed to support improved future deliver.

- appropriate arrangements in place, with minor improvement recommendations
- appropriate arrangements in place, with improvement recommendations
- significant risks identified or key recommendations made

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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.	2025/26 Financial Performance: Scottish Forestry's primary financial objective is to ensure that financial outturn for the year is within the budget allocated by Scottish Ministers. For 2025/26, the initial budget allocated within the Scottish Government Budget 2025/26 was £83.130 million. However, this was subsequently revised as part of the Autumn (£0.158 million increase) and Spring (£1.371 million decrease) budget updates. This resulted in a reduced final budget allocation of £81.917 million for the year. An underspend position was delivered against budget for 2025/26, with a reported outturn of £67.965 million. This reflected an overall underspend of £13.952 million. Details of the underspend by expenditure stream have been provided below:	For 2025/26, Scottish Forestry delivered an underspend of £13.952 million against their final budget of £81.917 million, which represents an underspend of 17.03% of total budget. The underspend has been driven by reduced expenditure within Programme Costs due to woodland creation targets not being achieved. Reduced expenditure was also experienced for non-cash IFRS 16 expenditure.

	Final Budget 2025/26 (£'000)	Actual Outturn 2025/26 (£'000)	*Variance 2025/26 (£'000)*
Income (Other)	(500)	(1,622)	(1,122)
Staff and Admin Costs	22,595	23,957	1,362
Programme Costs			
- Forestry Grants Resource	51,500	38,697	(12,803)
- Cross Border Services	5,101	4,709	(392)
- Timber Transport	2,000	2,102	102
	80,696	***67,843***	***(12,853)***
IFRS 16 – Direct Capital	1,221	122	(1,099)
Total	***81,917***	***67,965***	***(13,952)***

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Wider scope – Financial management (2)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	Scottish Forestry's Budget Setting & Financial Management Arrangements Annual budgets are based on budget allocations provided by Scottish Ministers as part of the annual Scottish Government budget. Following announcement of the budget position in the Scottish Government Budget, the finance team produce a baseline budget utilising prior year outturn, expected uplifts and expected activity levels. The Scottish Government Budget 2026/27 was published in March 2026, and detailed a total budget for the year of £87.7 million. Following delays in the budget monitoring process experienced early in the year, regular budget monitoring reports began to be presented to the Executive Board from July 2025. A standing agenda item has been included in all meetings since with a regular report being presented by the Director of Finance or Senior Finance Manager depending on availability. In addition to Executive Board reporting, a monthly meeting is held between the Chief Executive, Director of Finance, Corporate Affairs and Communications, and the finance team to discuss key matters relating to financial management including budget performance, future forecasting and procurement activity. These reports provide management and members with information on budget outturn to date, forecast year-end outturn, budget award progress and resourcing updates. Further, the reports detail variances in income and expenditure by stream to support the identification of slippage or significant variances which require mitigating action. The production of these reports supports both senior management and members to review, challenge and scrutinise the financial performance of Scottish Forestry. The continuation of these budget monitoring arrangements is vital, particularly given the budgetary increase of £5.8 million provided for 2026/27 to ensure that the organization is effectively utilising available budget.	Following our prior year recommendation, Scottish Forestry have produced regular budget monitoring reports since July 2025. These reports have been provided to members at each meeting of the Executive Board, and have supported the effective review, challenge and scrutiny of financial performance during the year. On this basis, our prior year audit recommendation has been closed, see **Appendix C.** Financial policies and procedures have been reviewed, and we are satisfied the financial regulations are comprehensive, current and promoted within the body.

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Wider scope – Financial management (3)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	Finance Team As in prior years, individuals involved in the preparation and reporting of financial information within Scottish Forestry are suitably qualified and experienced – with a number having been in post for a number of years. In addition, during 2025/26, additional resource was brought in to the finance team through the recruitment of a Finance Business Partner and Financial Accounting Manager. The additional capacity has supported a return to more appropriate audit timelines with an increased quality of working papers and providing additional capacity to achieve improved timeliness of responses. We are satisfied that the finance team maintains sufficient and appropriate resource to allow them to effectively carry out their role.	We are satisfied that individuals involved in the preparation and reporting of financial information within the organisation maintain appropriate knowledge, skills and experience to perform their role. Following the recruitment of additional resource to the finance team during 2025/26, we recognised an improvement in both the quality of working papers and timeliness of responses during our audit. Therefore, we have closed our prior year recommendation in this respect, see **Appendix C**.

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Wider scope – Financial sustainability (1)

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

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	Budgeting Annually, Scottish Forestry's budget is set by Scottish Government during the Scottish Budget process. For 2026/27, the budget was laid before Parliament in January 2026 and detailed a total funding package worth £87.7 million. Scottish Government funding supports a significant proportion of Scottish Forestry expenditure annually, with low levels of other income being generated from operations (2025/26: £1.622 million). The primary expenditure streams are grant expenditure (61.9% of total expenditure) and staff costs (21.9% of total expenditure). Scottish Forestry are expected to set a balanced budget on an annual basis. An budget process is undertaken which forms part of the wider annual business planning. Senior management hold regular discussions with the Scottish Government regarding the funding requirements for the year; as well as the expected activity levels. For 2026/27, Scottish Forestry are projecting a budget overspend of £0.75 million, and management are continuing to develop short, medium and long-term savings plans to support a balanced outturn. Although the 2026/27 Scottish Budget reflects a general increase to the overall budget for Scottish Forestry, we note that the Woodland Grants budget continues to be set annually and remains circa 24% lower than in 2023/24. Nonetheless, Scottish Forestry have continued to experience challenges in achieving the reduced targets set out in the Climate Change Plan following this reduction. During 2025/26, Scottish Forestry achieved 7,300 Ha of woodland creation against a 10,000 Ha target (2024/25: 8,470 Ha against 10,000 Ha target). For 2026/27, this target will increase to 12,000 ha and management assess that sufficient funding is available to support this activity. Woodland creation schemes administered by Scottish Forestry operate over a significant number of years from land preparation, to planting and ultimately harvest. Scottish Forestry have noted that single year funding settlements for woodland grants continue to affect outturn against targets, particularly as short-term settlements impact developer confidence given the long-term nature of projects. Scottish Forestry will continue to engage with Ministers on the impact of woodland creation outturn and the strategies required to meet future targets.	Scottish Government require Scottish Forestry, as an executive agency, to set a balanced budget annually. Current forecasts are projecting an overspend position of £0.75 million at 2026/27 year-end, and management are continuing the development of internal savings plans to achieve balanced outturn. Scottish Forestry have continued to experience challenges in achieving reduced Climate Change Plan targets following reductions in funding in 24/25. During 2025/26 7,300 Ha of woodland creation was achieved, against a target of 10,000 Ha. Continued engagement will be required with Scottish ministers to develop longer term strategies to ensure future targets can be met.

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Wider scope – Financial sustainability (2)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	Medium-term financial planning During 2025/26, Scottish Forestry have taken significant steps in the development of the medium to long term financial planning through the production of their first 10-year long range financial forecast. The forecast aims to redirect organisational focus to strategic medium and long term planning supported by appropriate financial forecasts and scenario planning. The forecast has been developed utilising an analysis of all current income and expenditure streams, alongside staff levels, Scottish Government planting targets and expected funding levels. The development of a long-term financial forecast marks a significant step for Scottish Forestry, and will support the organisation to clarify their financial sustainability over a longer period. Continued development of the forecast will also support the organisation to identify affordability or savings gaps at an early stage, and utilise these to develop organisation-wide savings plans to support their continued sustainability. The forecast remains in continuous development, and management have planned further work for Autumn 2026 which will focus on refining the long-term forecast and underlying assumptions to ensure these are fit for purpose. A review of each income and expenditure streams is also planned to support management to better understand the alignment to strategic objectives and controllability of each stream. Scottish Forestry should continue their work to develop the 10-year financial forecast to ensure this is fit for purpose and can form the basis of future strategic planning, including the development of detailed financial and savings plans which outline spending commitments and required savings over the short (one year) and medium (two to five years) term.	Scottish Forestry have made significant progress in the development of their 10-year financial forecast during 2025/26 which will support the organisation with medium to long-term financial planning. Management should continue to develop this plan to ensure that the underlying assumptions are fit for purpose, and utilise the forecast to develop detailed financial and savings plans in the future. Recommendations were raised during our prior year audits in this regard, and these remain ongoing – see **Appendix C.**

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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.	Governance Arrangements: Scottish Forestry's governance arrangements rely on several groups and committees who are responsible for the management, oversight and scrutiny of the organisation's operations. The Executive Board (EB) is tasked with the role of leading Scottish Forestry and overseeing the day-to-day management and direction of the agency. It comprises the Chief Executive Officer (CEO), and the heads of all functions. It is the objective of the EB to deliver against agreed Agency priorities and programmes of work, whilst providing information, advice and guidance on key corporate matters. The Strategic Advisory Group's (SAG) role is to provide strategic advice and guidance to the CEO, with a view to ensuring robust and well-informed decisions are reached. SAG comprises all function heads, the Chief Forester for Scotland and three non-executive members. During the year, the SAG met on four occasions. The Audit and Assurance Committee (AAC) supports the CEO through the provision of advice and constructive challenge across various topics, in particular the issues of risk management, governance and associated assurance to support year-end accountability and reporting. The AAC is comprised of three non-executive advisers and met four times during the financial year. In line with good practice, time is made available at the end of each meeting for non-executive members to discuss any matters privately with both external and internal auditors. Responsibilities in respect of internal control are clearly documented within the Framework Document. This is agreed with Scottish Government and was recently updated in September 2025. Scottish Forestry's CEO took an extended leave of absence between August 2025 and March 2026. Appropriate interim arrangements were put in place during this period to ensure continuation of effective governance, including updates to the scheme of delegation. This ensured continuity was maintained and evidenced the adaptability of senior management within the organisation.	We reviewed attendance of members at Committee meetings during the year and have not identified any issues. Appropriate governance arrangements are in place within Scottish Forestry and have operated effectively during the year – including, the implementation of interim arrangements to support an extended leave of absence for the CEO. Scottish Forestry operates in an open and transparent manner. Non-executive registers of interests and meeting minutes are publicly available on the Scottish Forestry website; and the organisation undertakes regular consultation with service users.

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Wider scope – Vision, Leadership and Governance (2)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	Governance Statement Scottish Forestry have set out their governance arrangements in the Governance Statement included within the Annual report and Accounts. This provides details on the composition and governance structure of the entity and how that supports the achievement of the organisation's priority themes. The Annual Report and Accounts will be signed off by the Accountable Officer to in line with their responsibilities. Based on our audit procedures, we are satisfied that there are no material inconsistencies between the Governance Statement and the Annual Report and Accounts. Risk Management A strategic risk register is maintained by Scottish Forestry which is developed from the high-level risks facing the organisation, alongside corporate risks within the organisation. Risks are evaluated through a consideration of their probability of occurring and their potential to impact on the outcomes expected from Scottish Forestry, their operations or their stakeholders. Risks and associated mitigating actions put in place by management are reviewed by the Audit and Assurance Committee at every meeting. Following the completion of an internal audit review on Risk Management in 2024/25, Scottish Forestry have made a number of improvements to their risk management arrangements during the year. These include: • Executive Board endorsed the sharing of the strategic risk register as part of the management information process within Scottish Forestry. • Expansion of guidance available to all staff on the organisations risk management approach, including the publication of new guidance on understanding risk, roles and responsibilities and identifying, assessing and addressing risk. • Development and implementation of new targeted training for individuals based on their role in the risk management process.	Scottish Forestry have a suitable internal control framework to support the material accuracy of the Annual Report and Accounts. Following the review of risk management by internal audit in 2024/25, Scottish Forestry have taken appropriate steps to implement all recommendations during 2025/26.

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Wider scope – Vision, Leadership and Governance (3)

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	Internal controls Scottish Forestry's internal audit activity is undertaken by the Scottish Government Directorate of Internal Audit and Assurance (SGDIAA). Internal audit undertook three assurance reviews during the year, covering Stakeholder Engagement (Reasonable Assurance), Programme and Project Management (Limited Assurance) and Financial Management and Budgeting (Reasonable Assurance). Internal audit also complete follow-up reviews on the implementation of recommendations from previous years audit work. Internal audit provided an overall reasonable assurance opinion for 2025/26 with internal audit noting: *"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'.* Scottish Forestry report progress on implementation of internal and external audit recommendations to the Audit and Assurance Committee. Regular updates are provided at all meetings to support effective scrutiny of management performance. During the year, management have effectively progressed recommendations, with over 20 internal audit recommendations and 9 external audit recommendations being closed – including all historic recommendations from with 2023 and 2024 internal audits. This work has strengthened the internal control environment providing additional assurance to management and members over Scottish Forestry's operations. Todrig Judicial Review During 2025/26, a decision was reached in the Judicial Review of a forestry Environmental Impact Assessment (EIA) screening decision taking by Scottish Forestry, relating to a proposed woodland creation scheme at Todrig in South Scotland. The Judicial Review offered some important lessons for the work of Scottish Forestry, and the learnings from the decision are being taken forward in the organisations regular updating of regulatory processes.	Internal Audit reports produced during the year provided reasonable assurance over the adequacy of governance, risk management and internal control arrangements at Scottish Forestry. Scottish Forestry have effectively progressed the implementation of audit recommendations during the year, including the closure of historic recommendations relating to 2023 and 2024. Regular reporting of progress to the Audit and Assurance Committee should be maintained to support the continuation of this work in future years. In response to the Todrig Judicial Review, Scottish Forestry are taking forward learnings as part of the organisations regular updating of regulatory processes.

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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.	Woodland Creation: In 2025/26, Scottish Forestry's target was to plant 10,000 Ha of woodland, with a minimum of 4,000 Ha being new native woodland. In-year, Scottish Forestry achieved 7,220 Ha of woodland creation and of this, 4,240 Ha were native woodland. Performance against these targets are impacted by a variety of factors, including: reduced budgets, inflationary pressures, adverse weather, resource and capacity availability, stakeholder opposition and exclusion of compensatory planting from the overall area achieved. The Judicial Review in respect of a woodland creation scheme at Todrig also impacted outturn, as some partners sought to assess the outcome prior to progressing applications. Performance Reporting: Scottish Forestry operates within the National Performance Framework set by Scottish Ministers and a performance framework is in place. Following the implementation of the Corporate Strategy and Plan 2025-2030, Scottish Forestry has adopted a new suite of Key Performance indicators (KPI's), which are measurable and demonstrate how the organisation is achieving its objectives. Scottish Forestry has reported performance against all KPI's within their Annual Report and Account, including the measurements and definitions of their KPI's and current year outturn. As noted, Scottish Forestry did not achieve their woodland creation target for 2025/26, but native woodland creation targets were met, and KPI performance has progressed in several areas. 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 2025/26 when compared with 2024/25, with some improving and some worsening.	Woodland creation target for the 2025/26 financial year has not been met due to several factors. However, native woodland creation targets have continued to be met and exceeded. Scottish Forestry and Scottish Government should continue to work collaboratively to develop actions which will support the achievement of future planting targets. Performance against KPI's during 2025/26 have generally been positive, with 10 out of 17 KPI's being met; or progress being made towards a multi-year target. Trend analysis of performance against the new KPI's will be reviewed as part of the 2026/27 audit, once multiple years of performance data is available.

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

Audit plan risk	Wider scope audit response	Conclusion
No significant risk identified at planning.	Corporate Planning: Scottish Forestry launched their Corporate Strategy and Plan 2025 – 2030 in October 2025 and is now publicly available on Scottish Forestry's website. The document presents an overarching strategy for the work of Scottish Forestry over the five-year period, including setting out the organisations purpose and strategic objectives alongside high-level priorities and actions which will shape future activity. A new suite of Key Performance Indicators (KPI's) were also detailed within the plan which will be used to monitor managements progress against their four strategic objectives. Performance against the KPI's has been detailed within the Annual Report and Accounts, with a majority of indicators reflecting improved performance – although woodland creation targets continue to be missed. Workforce Planning Scottish Forestry have continued to develop their Workforce Plan during the year, in order to identify the required staffing cohort for the future. The plan will seek to assess affordability, current and future business needs, and the criticality of each role. Upon completion, the plan will support management to identify key workforce trends and the requirements across the organisation to support appropriate decision making. We will continue to follow-up on the progress made in this area during our 2026/27 audit.	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. Scottish Forestry are continuing to develop their Workforce Plan which will support senior management to ensure appropriate actions are in place to manage the organisation's workforce needs. Our prior year audit recommendation in this respect remains ongoing, see **Appendix C**.

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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.

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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. During our prior year audit, we noted that the organisation does not have a mechanism for formally reviewing and reporting on arrangements to secure best value. On this basis, we recommended 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, with the outcome of this assessment reported to the appropriate Committee at the end of each financial year.

At the time of writing, the report is still being prepared and our prior year audit recommendation remains ongoing, see **Appendix C**.

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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.

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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
Auditor Remuneration	£67,190	£77,190*
Pooled Costs	£5,030	£5,030
Sectoral Cap Adjustments	-£13,070	-£13,070
2024/25 Audit Fee	**£59,150**	**£69,150**

Fees for other non-audit services	Final Fees
We confirm that for 2025/26 we did not receive any fees for non-audit services	**Nil**

This Annual Audit Report was considered by the Audit and Assurance Committee on 18 August 2026 including agreement of audit fees.

*Additional auditor remuneration of £10,000 has been levied. This is reflective of additional audit procedures which required to be undertaken following the identification of misstatements within 'Grant Accruals'. The engagement team were required to undertake substantial work in response to these issues, including re-assessing our audit materiality thresholds; re-performance of audit testing over some balances; and a detailed analytical review of grant variances. The additional fee value is estimated and will be finalised based on the final closing work for our audit being completed in the timeline expected.

The fees reconcile to the financial statements as follows (rounded to £'000 in the financial statements):

- fees per financial statements £59,150
- additional fee levied (as above) £10,000
- total fees as above £69,150

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.

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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). 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 our 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 **grant-thornton-transparency-report-2025.pdf**

Quality

Grant Thornton publishes an annual Audit Quality Report, which sets out details of the actions we have taken over the past year to meet our audit quality framework and provides a forward look on our plans for the future. For more details, see **audit-quality-report-2026-final.pdf**

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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 in due course.

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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.

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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 2025/26 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
● High	1. Advanced – Administrator Access Our review of the Advanced general ledger users identified several individuals within the financial team who maintain 'administrator' privileges. There is a risk that such user access permissions could allow for inappropriate or unauthorised changes to be made, including the ability to circumvent audit relevant controls.	Scottish Forestry should undertake a review of user access permissions within Advanced to ensure that current access rights are appropriate. Where possible, 'administrator' access privileges should be restricted only to those users who have a business-critical need for such permissions; and who are not involved within the financial reporting process. **Management response:** *The Director of Finance, Corporate Affairs and Communications has reviewed the number of administrators and their access and found that three ensures resilience for the business, continuity and leave etc. We would not wish to drop below this. Due to the One Advanced system being managed by the Finance & Business Support Team, and with no alternative team currently available within the organisation or within SG or FLS, the administrators have been and will continue to the Senior Finance Manager, Finance Accounting Manager and one of the Finance & Business Support Managers.* *The role of Administrators will continue to be reviewed by the Director on an annual basis or if circumstances change.* **Responsible officer:** *Director of Finance, Corporate Affairs and Communications.* **Implementation date:** *July 2026*

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

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B. Action plan (2)

Assessment	Issue	Recommendations
● High	2. Grant Accruals – Post Year-End Review Our review of grant accruals identified that management do not maintain a formal process for review of the year-end grant accrual to assess continued accuracy prior to the Annual Report & Accounts being signed. There is a risk that, without such a review, material inaccuracies could arise as the accrual is not updated to reflect subsequent inspection and payment decisions which reduce expenditure.	Scottish Forestry should design and implement a process of regular review of grant accrual balances post year-end to ensure that the balance remains materially accurate. Documentation of the review should be maintained and this should continue to be updated on an ongoing basis to ensure that any material movements in the accrual balance can be reflected in the financial statements. **Management response:** *We will introduce a process which will build on the existing arrangements for expenditure and budget forecasting throughout the year and will operate alongside the accruals process. From April to July each year, the Grants Team will undertake a monthly review of all accruals, considering payments made by RPID on our behalf, together with any other relevant supporting information. The outcome of each review will be communicated to the Finance & Business Support Team within a few days, ensuring that any material variances through this review process will be reflected in the Annual Report and Accounts.* **Responsible officer:** *Director of Grants & Regulations* **Implementation date:** *December 2026*

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

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B. Action plan (3)

Assessment	Issue	Recommendations
● High	3. Grant Accruals – System Data Reporting We identified that a reporting error within the Casebook systems reporting environment had resulted in several claims paid between December 2024 and February 2026 being inappropriately accrued at 31 March 2026. If the reporting error is not investigated and corrected, there is a risk that claims could be inappropriately accrued resulting in material inaccuracies in the financial statements.	Scottish Forestry should undertake an investigation to determine the root cause of the reporting error which has resulted in paid claims being accrued. Once identified, the cause should be corrected to ensure that Casebook reporting provides accurate data on unpaid claims which required to be accrued. **Management response:** *The reporting issue was identified through Operational Delivery's existing review processes and was investigated and corrected when Operational Delivery manually chased up the status of these previous year capital claims. This demonstrates that the controls currently in place are operating effectively in identifying and resolving anomalies in the underlying data. We will correct the cause of the anomaly in the report and report any future error to Finance & Business Services promptly.* **Responsible officer:** *Director of Grants & Regulations* **Implementation date:** *September 2026*

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

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B. Action plan (4)

Assessment	Issue	Recommendations
● Medium	4. Grant Accruals – External Audit System Access During our audit, Scottish Forestry were unable to facilitate access for members of the engagement team to relevant grant systems – Casebook and RP&S – to support our testing. This resulted in delays to the completion of our audit work and required significant additional client team capacity to support the collation of evidence.	Scottish Forestry should take steps to ensure that the requisite access to both the Casebook and RP&S systems can be provided to members of the external audit team in future years, ensuring that audit work can be completed as efficiently as possible. **Management response:** *Acknowledge that during this year's audit, the provision of Casebook access to the external audit team was delayed due to technical issues relating to system access arrangements.* *To address this, a formal process will be developed and documented to ensure that all the requisite accesses and permissions, including for Casebook access is agreed and provisioned in advance of future audits, subject to security, information governance and data protection requirements. This process will be established well in advance, by February 2027, and be operational for the interim audit. In addition, we will establish a single point of SF contact to ensure all queries, planning across teams, preparing capacity for high volume times and relationship management issues are effectively managed, to address these points.* **Responsible officer:** *Director of Finance, Corporate Affairs and Communications.* **Implementation date:** *March 2027*

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

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C. Follow up of previous recommendations (1)

We identified ten issues in the 2024/25 audit of Scottish Forestry, which resulted ten recommendations being reported in our 2024/25 Annual Audit Report, six as part of the financial statement audit and four as part of the wider scope audit. Of the ten recommendations raised as part of the 2024/25 audit, 7 have been actioned and resultantly closed, whilst 3 remain ongoing. Any progress on these ongoing actions will be followed up as part of our 2026/27 audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Complete	1. Advanced – Security Management: 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	Advanced access restrictions have been approved. The Director of Finance no longer retains journal posting access. Head of Finance approves any changes to staff access rights and the Interim Finance Director approvals any changes relating to the Head of Finance and signs off the monthly access reports. An independent review of all journals is undertaken prior to posting. ***We are satisfied that management have responses to the recommendation and have implemented appropriate controls. As such, satisfied action has been completed. As part of our substantive testing, we did not identify any issues with journal user access.***
✓ Complete	2. Holiday Pay Accrual: 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.	Additional review processes have been put in place to ensure that the pension percentages used in the holiday pay accrual are obtained from the correct source and are appropriate. ***Substantive testing of the holiday pay accrual has been undertaken during our audit and we have identified no issues with the methodology applied. Satisfied that management have implemented an appropriate review process and action has been completed.***

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of previous recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Complete	3. Journals: 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. 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. Controls and processes should be enhanced to ensure robust documentation and clear alignment between journals and their supporting evidence before posting.	All journals since August 2025 have backup stored and have been countersigned via email. Periodic review takes place on all journals prior to posting. **Management have responded to the recommendation and we are satisfied this action has been completed. Substantive testing has been completed of journal entries posted in-year and appropriate evidence of approval and supporting documentation was received for all samples. Satisfied action has been completed.**

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C. Follow up of previous recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X Ongoing	4. Climate Related Financial Disclosures: 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. 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.	Scottish Forestry is currently too small to have these as a mandatory requirement, but management are working with their sustainability champion to implement more information in future years. ***Consideration of this recommendation has been undertaken by management, but no changes have been made to climate disclosures in 2025/26. This recommendation remains open and we will follow up as part of our 2026/27 audit.***
✓ Complete	5. NFI: 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.	NFI process has been amended during the year and all existing matches have been reviewed by management. Reporting on progress was provided to the Audit and Assurance Committee during the year. ***We are satisfied that management has responded to the recommendation and have implemented appropriate action to resolve this. Reporting to the Audit and Assurance Committee on the review of all matches was undertaken in August 2025. Satisfied this action has been completed.***

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C. Follow up of previous recommendations (4)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Complete	6. Late Audit Adjustments: 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.	Management acknowledge the impact that the processing of late adjustments had on the audit process. This has been noted and management will seek to avoid any similar adjustments in future. ***No unexpected late audit adjustments were posted by management during our 2025/26 audit. We are satisfied that management have appropriately responded to this recommendation and the action has been completed.***
✓ Complete	7. Finance Team Capacity: 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.	Finance team capacity has increased during 2025/26 with the permanent appointments of a Financial Accounting Manager (supporting with day-to-day financial management and the annual accounts process) and a Finance Business Partner (supporting budgeting, budget monitoring and financial planning). ***Additional capacity has been recruited to the finance team during the year. This has supported the return to more appropriate audit timelines during 2025/26 with an increased quality of working papers and providing additional capacity to achieve improved timeliness of response. Satisfied the action has been completed.***

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C. Follow up of previous recommendations (5)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Complete	8. Budget Monitoring Reports: 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.	Budget monitoring was reinstated from P3 and regular reports have been provided to the Executive Board (EB) and Audit and Assurance Committee (AAC) at each of their meetings since. ***We have confirmed that regular budget monitoring has been reinstated during 2025/26, with regular updates provided to Executive Board and Audit and Assurance Committee. Satisfied that management has responded to the recommendation and action has been completed.***
X Ongoing	9. Workforce Planning: 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.	Development of the Workforce Plan has continued during the year, but this has not yet been finalised. ***Workforce Plan is continuing to be developed but has not yet been finalised. This recommendation remains open and we will follow up as part of the 2025/26 audit.***

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C. Follow up of previous recommendations (6)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X Ongoing	10. Best value assessment arrangements: 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.	Scottish Forestry management are about to undertake a review of the best value arrangements for 2025/26 and will report this to a future Executive Board (EB) meeting. ***Work is continuing within Scottish Forestry to develop a formal review of best value arrangements and this will be reported to the Executive Board. Until finalisation of this review, this recommendation remains open and we will follow up as part of the 2026/27 audit.***

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C. Follow up of previous recommendations (7)

We identified two recommendations raised in the 2023/24 audit of Scottish Forestry which were followed up in 2024/25 but remained ongoing. We have performed additional work in year to obtain assurance whether the recommendations have 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
✓ Complete	11. Delegated Limits on Financial Authority The Delegated Limits of Financial Authority document is out of date, with the last review of the document taking place in July 2020.	Management review has been undertaken of the Delegated Limits of Financial Authority during 2025/26 and this was approved by Executive Board in December 2025. ***With approval of the revised Delegated Limits on Financial Authority document during 2025/26, we are satisfied that management has responded to the recommendation and it has been completed.***
X Ongoing	12. Savings Plans Scottish Forestry have no detailed medium term savings plans in place and work is ongoing on an annual basis to ensure a balanced budget is achieved.	Savings requirements have been discussed by the Executive Board as part of setting the 2026/27 budget. A more detailed plan is being incorporated into the work currently being undertaken by the Finance Business Partner and will be presented to the Executive Board for approval in future. ***No formal savings plans have been developed for the 2025/26 or 2026/27 financial years to date. This recommendation remains open and we will follow up as part of the 2026/27 audit.***

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C. Follow up of previous recommendations (8)

We identified two recommendations raised in the 2022/23 audit of Scottish Forestry which were followed up in 2024/25 but remained ongoing. We have performed additional work in year to obtain assurance whether the recommendations have 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	13. Financial Sustainability 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 Scottish Forestry assessing their spending needs and options over a longer period. Scottish Forestry does not currently have a medium-term financial strategy or have a formal savings plan for the short or medium term.	Progress has been made during the year to develop a 10-year financial forecast which will support financial planning in the medium to long-term. This work is being progressed by the Finance Business Partner and will continue during 2026/27. ***Medium to long-term financial strategy remains in development and no formalised plan has been agreed. This recommendation remains open and we will follow up as part of the 2026/27 audit.***
✓ Complete	14. Performance Reporting The performance report does not have measurable targets and KPIs beyond planting to demonstrate Scottish Forestry's performance. There is a risk that Scottish Forestry cannot clearly demonstrate its contribution to the Scottish Government's net-zero aims.	The Corporate Plan 2025 – 2030 has incorporated a suite of KPI's, including several focussed on Scottish Forestry's contribution to net zero aims. Progress against these KPI's has been reported in the Annual Report and Accounts. ***Management have implemented an updated suite of KPI's as part of the Corporate Plan 2025-2030. Appropriate reporting on performance against these has been included in the Annual Report and Accounts for 2025/26. We are satisfied that management has responded to the recommendation and this has been completed.***

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