Forestry Commission Scotland and Forest Enterprise Scotland

Annual report on the 2012/13 audit

AUDIT SCOTLAND

Prepared for Forestry Commission Scotland, Forest Enterprise Scotland and the Auditor General for Scotland

October 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Key Messages

2012/13

We have given an unqualified opinion that the financial statements of Forestry Commission Scotland (FCS) and Forest Enterprise Scotland (FES) for 2012/13 give a true and fair view of the state of the bodies' affairs and of their net expenditure/ income for the year.

FCS outturn was a £0.5m saving against budgeted net expenditure as a result of minor underspends across a number of areas.

The national forest estate now appears within the FES accounts. FES achieved a surplus of £5m, mainly due to a £43m gain on revaluation of biological assets.

Overall FCS and FES governance arrangements, systems of internal control and arrangements for the prevention and detection of fraud were sound. FCS and FES participated in the National Fraud Initiative (NFI) for the first time and this provided a positive assurance for the effectiveness of their internal control systems.

Outlook

We confirm the financial sustainability of FCS and FES on the basis of their financial position and projected financial summaries to 2015/16. However, there are number of significant financial pressures including the loss of mineral right income following the administration of Scottish Coal and the potential exposure to remediation costs for an opencast mine site. The financial position going forward is becoming more challenging, with limited increases in funding coupled with increasing cost pressures.

Forestry Commission Wales became part of Natural Resources Wales (NRW) on 1 April 2013 and although NRW are still using the Forestry Commission GB shared services, this may not continue. Management continue to assess the potential risks to FCS and FES.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Forestry Commission Scotland (FCS) and Forest Enterprise Scotland (FES). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.

2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.

3. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control. This report has been prepared for the use of FCS and FES and no responsibility to any third party is accepted.

4. Appendix A is an action plan setting out the high level risks we have identified from the audit. Management have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that FCS and FES understand their risks and have arrangements in place to manage these risks. FCS and FES Accountable Officers and other members of the respective Management Boards should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.

5. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Audit and Risk Committee and after the accounts have been laid before parliament.

Matters to be reported

Conduct and scope of the audit

6. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit were outlined in our Annual Audit Plan presented to the Audit and Risk Committee on 5 March 2013, and follow the requirements of the Audit Scotland Code of Audit Practice.

7. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fees for FCS and FES audits were disclosed in the annual audit plan and, as we did not carry out any additional work outwith our planned audit activity, the fees remain unchanged.

Audit opinion & accounting issues

8. We have given an unqualified opinion that the financial statements of FCS and FES for 2012/13 give a true and fair view of the state of the bodies' affairs and of their net expenditure/income for the year. The audit opinion was formally issued and signed on 19 July 2013.

9. The unaudited financial statements and supporting documentation were submitted for audit on 5 June 2013. The issues arising from the audit were discussed with FCS and FES Heads of Finance throughout the audit process and at the clearance meeting on 9 July 2013. They were also included in a summary matters arising schedule issued to management on 9 July 2013.

10. The working papers, provided with the financial statements, were of a high standard and the staff provided excellent support to the audit team allowing us to complete our on-site fieldwork within the agreed timescales.

11. FCS and FES are required to follow the Government Financial Reporting Manual (FReM) and we confirmed that the financial statements had been properly prepared in accordance with these accounting requirements.

12. We also confirmed that the expenditure and income in the financial statements were in accordance with applicable legislation and Ministerial guidance, the Budget (Scotland) Act for and legislation governing sums paid out of the Scottish Consolidated Fund (refer to paragraph 14).

Significant findings during the financial statements audit

13. The only significant change, required to the financial statements as a result of the audit process, was outlined in our International Standard on Auditing (ISA) 260 report, presented to the Audit Committee on 19 July 2013:

- **FES:** total income and net assets increased by £2.6 million, with the majority of this adjustment (£2.4 million) correcting an understatement in biological assets due to an error in the revaluation process.

Spring budget revision

14. We also reported that on 28 March 2013 FCS obtained additional funding of £0.15 million from the Scottish Consolidated Fund (SCF) as part of the spring budget revision. The SCF paid this amount into the FCS bank account prior to the statutory budget approval, which came into effect on 31 March 2013. The effective date was a non-banking day and meant that the amount could not be paid over correctly within the 2012/13 financial year. We did not modify our audit opinion on regularity because:
    - We accepted that FCS management received the funding "in good faith" and that there appeared to be an issue with the effective date of the Amendment Order
    - FCS demonstrated that these funds had not been applied
    - FCS repaid this amount to the SCF on 3 July 2013.

Unallocated revaluation reserve balances

15. Within the requirements of the Accounting Standard (IAS16 Para 41), organisations can choose to make adjusting entries to the revaluation reserve throughout an assets life or at disposal. In order to do this, a record must be kept of how any reserve balance is allocated to individual assets. We reported that the following FES revaluation reserve balances have not been allocated to individual assets in accordance with accounting requirements:
    - for vehicles, machinery and equipment (VME) unallocated credit balances of £1.3 million for past revaluation gains
    - also for VME debit balances of £0.2 million allocated against assets, but not moved from revaluation reserve to the general fund
    - for "other land" unallocated credit balances totalling £33 million.

    Management have given a clear commitment to allocate these revaluation reserve balances to the individual assets in 2013/14.

Action point 1

Forest estate valuation

16. Significant elements of the financial statements were subject to a full professional valuation exercise during 2012/13. A new valuer was appointed for the national forest estate valuation whilst other land and buildings were valued internally. Except for the issue outlined in paragraph 13, which has been corrected, we confirmed that there were no other errors in the valuations which would have a significant impact on the 2012/13 financial statements.

Felled timber valuation

17. In our 2011/12 annual audit report we highlighted the risk that the use of forest district (FD) average "unit price" in the valuation of felled timber, at roadside and at stump, did not

accurately reflect the value of timber inventories and work-in-progress. A new valuation approach, based on the analysis of inventories by product type and relevant unit price, was implemented for the 2012/13 financial statements. We confirmed that this approach was appropriate and accurately disclosed in the financial statements.

Prior year adjustments

18. In 2012/13 the accounting for the national forest estate moved from FCS to FES. This resulted in major changes to 2012/13 FCS and FES financial statements, including the restatement of 2011/12 comparatives. In our annual audit plan we highlighted the risk that FCS and FES financial statements might be materially misstated due to this significant change in accounting policy. However, the required accounting changes were implemented correctly.

Whole of Government Accounts

19. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. In 2012/13 FCS and FES were, for the first time, required to submit a separate consolidation pack to support their WGA return to the Scottish Government.

20. FCS and FES submitted the consolidation pack well ahead of the deadline of 14 August 2013. We found no significant errors in the consolidation pack or the WGA return.

Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.

2012/13 Outturn

22. The Scottish Government provides FCS and FES with a budget allocation for the year, which originates from the Spending Review settlement and is subsequently passed in the Scottish Parliament as part of the Budget (Scotland) Act, authorising the Scottish Government's spending plans for the year. During the year revisions are approved in the autumn and spring budget revisions. FCS and FES are expected to manage their budgets in accordance with the Financial Memorandum and Scottish Public Finance Manual and ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers.

23. The initial 2012/13 budget of £65.5 million had been increased to £66.85 million due to the additional capital funding for FES shovel-ready projects of £1.2 million (£0.7 million for David Marshall Lodge and £0.5 million for Queens View visitor centres) and the additional funding towards FCS Forestry Development Programmes of £0.15 million. The budget reporting throughout the year presented an accurate forecast of the overall financial outturn of £66.4 million, as indicated in Table 1.

Table 1: Resource Budget

	Initial Budget (£m)	Final Budget (£m)	Actual Outturn (£m)	Under / (Over) utilised
Resource DEL	63.500	57.750	57.275	0.475
Capital DEL	2.000	9.100	9.118	(0.018)
Total	**65.500**	**66.850**	**66.393**	**0.457**
Allocated to FCS	42.400	36.350	33.693	2.657
Allocated to FES	23.100	30.500	32.700	(2.200)

Source: 2012/13 FCS and FES performance monitoring papers and 2012/13 annual report and accounts

FCS annual audit outturn

24. FCS incurred net expenditure of £66.4 million during 2012/13 (2011/12 restated - £64.1 million net income). This was a £0.5 million saving against the budgeted outturn as a result of minor underspends across a number of areas. In line with last year, the most significant elements of expenditure were programme expenditure on grants paid to woodland owners of £17 million (20%), forestry development programmes of £9 million (11%) and FES funding of £33 million (39%).

FES annual outturn

25. FES achieved a surplus of £5 million in 2012/13 (2011/12 restated - £354 million surplus). The main reason for the reduction in surplus is a significantly lower gain on revaluation of biological assets of £43 million in 2012/13 (£354 million in 2011/12).

26. The largest elements of FES expenditure of £141 million were similar to 2011/12:
    - timber harvesting and marketing of £23 million (2011/12 - £22 million)
    - forest protection and maintenance costs of £30 million (2011/12 - £29 million)
    - communities, recreation and tourism expenditure of £17 million (2011/12 - £19 million).

27. Income from sales of timber was £57 million, a 3% decrease on 2011/12.

2012/13 Financial position

28. The financial position of FCS and FES remains stable; however we note some significant potential financial pressures in paragraphs 37 and 38.

29. Income and expenditure on activities have been projected to 2015/16 based on continuing funding from Scottish Government in line with the Scottish Government's budget proposals for 2013/14 to 2015/16. FCS and FES recognise that the combined pressures of declining revenue funding and increasing cost pressures will continue to impact on their financial management.

FCS financial position

30. The FCS statement of financial position shows net assets of £2 million, which is comparable to the restated 2011/12 net assets.

FES financial position

31. FES net assets of £2,047 million are broadly in line with the restated 2011/12 net assets of £2,014 million.

Capital projects

32. The main FES capital construction activities during 2012/13 were upgrades of David Marshall Lodge, Queens View and Galloway visitor centres. The Mull Pier project, to enable transport of timber from the island, has also been started. There has been some slippage in the shovel-ready capital programme, but the Scottish Government has agreed that FES could apply the unspent funding of £0.2 million for Queens View during 2013/14. It also provided an additional £0.5 million for this project, resulting in £0.7 million total for 2013/14.

33. The capital projects mentioned above will continue during 2013/14. Refurbishments of Aberfoyle district office and mechanical workshops are also planned.

Financial planning

34. FCS and FES produce three-year financial plans (currently two-year due to spending review cycle 2013/14 and 2014/15) which are updated on an annual basis to form the annual budget.

35. Arrangements for budget setting and monitoring are good in both organisations, with management closely monitoring income and expenditure against budget and reporting financial results to FCS and FES Management Boards on a monthly basis. Quarterly budget monitoring reports are also presented to the National Committee for Scotland which is responsible for giving strategic direction to all of the Forestry Commission's activities in Scotland on behalf of Scottish Ministers.

2013/14 Budget

36. The 2011 spending review outlined the 2013/14 FCS and FES combined budget of £64 million, (£41.3 million for FCS and £22.7 million for FES). Additional capital funding for "shovel-ready projects" of £3.2 million (including £1 million for the Great Glen Way and £0.8 million for the West Highland Way) has increased the total budget to £67 million.

37. The latest FCS budget monitoring report to the Scottish Government for August 2013 shows FCS forecast in-line with budget and FES highlighting £3.5 million of pressures. We have been advised that the pressure of potential loss of £1.3 million income from Scottish Coal (following its administration) will be managed within FES finances. The £2.2 million expenditure for land purchase is expected to be funded by the Scottish Government through the autumn budget revision. There may be further changes to the budget as a result of the spring budget revision.

38. In addition to the potential loss of income due to the liquidation of Scottish Coal in April 2013, there may also be a potential liability for remediation works associated with opencast mines on some of the FES owned sites. Funding of around £1.7 million may be available through the Scottish Government restoration bond but this has not been confirmed yet. We have been advised that FCS and FES are actively trying to resolve this issue with the help of their solicitors and mineral agents. However there is still a great deal of uncertainty over a potential future liability and compensatory funding.

Financial forecasts beyond 2013/14

39. The settlement outlined in the 2011 spending review identified a 2014/15 budget of £63.1 million (£41.4 million for FCS and £21.7 million for FES). The draft Scottish 2014/15 budget, announced on 11 September 2013, increased the FCS allocation by £1 million. The 2015/16 forecast is in line with the 2014/15 budget, but could be subject to change as a result of any further changes to spending plans announced by the Scottish Government.

40. The reduction in funding over the next two years means that savings will need to be found from across the business. Management have highlighted the following potential pressures on income and expenditure.

- Pressures on staffing - These are ongoing due to issues such as plant health and initiatives such as renewables. Tree diseases continue to be a significant business risk for FCS and FES. FCS has asked the Scottish Government for an additional £3 million funding to cover a variety of plant health costs.
- Pressures on grant expenditure - This may continue, as levels of demand for grants are likely to continue to rise. However, it has been confirmed that EU Rural Development Programme (RDP) transition arrangements for 2014/15 and 2015/16 will allow FCS continued access to EU co-financing, resulting in a flat lined budget of £36 million for Scottish RDP grants.
- Other pressures - These may include impact of changes in exchange rates and/ or the timber market and future pay rises.

Follow-up of "Scotland's Public Finances: Addressing the challenges"

41. In August 2011 Audit Scotland published a report "Scotland's public finances: Addressing the challenges". The report provided an overview of the scale of budget cuts expected to be faced by the Scottish public sector in the period from 2010/11 to 2014/15, and how public bodies were beginning to respond to the challenges of reducing expenditure. In 2012/13 we followed up this report to assess progress made by FCS and FES against key recommendations.

42. We identified a number of good practice areas such as clear matching of resources to the strategic goals, good budget monitoring processes and a strong record in achieving efficiency savings targets. We highlighted the following areas which require continued monitoring:

- Forestry Commission Wales became part of Natural Resources Wales (NRW) on 1 April 2013 and whilst NRW are still using the Forestry Commission GB shared services, this may not continue. It is currently unclear what effect this will have on shared services provision. We have been advised that an agreement is in place with NRW to ensure they continue paying their share of 'residual' costs so that shared service savings are met. However, the three countries (Scotland, England and Wales) are yet to agree a way forward. There is a team in place managing the NRW transition and currently assessing potential impacts of any changes on FCS, FES and on Forestry Commission England.

- The corporate plan 2012-15 does not adequately spell out the consequences of reduced budgets on the ability of FCS and FES to deliver services and outcomes. This is currently not an issue, as so far administration and running costs reductions have not affected the main priorities of the organisations. However, if any further efficiency savings begin to affect service delivery, FCS and FES should ensure this is clearly identified within the future corporate planning process.

Workforce management

43. At the end of 2012/13 FCS staff headcount was 140 full time equivalents (FTE), a 1% increase from 2011/12. FES had 821 FTE at the end of 2012/13, an increase of 3% on previous year. These staff increases were mainly due to the apprenticeship and student placement schemes in FES and due to FCS employing more staff to deal with plant health problems. However, FES also lost 11 staff through a Voluntary Early Release (VER) in 2012/13 and two staff left due to compulsory redundancy. No further VER scheme is planned for 2013/14.

44. In line with the Scottish Government's policy, FCS and FES continue to operate a general policy of no compulsory redundancies. External recruitment is limited, with all cases having to be approved by the FCS Deputy Director. Staffing numbers are monitored by FCS and FES Management Boards and by cost centre managers against pre-determined base line figures.

45. Last year we reported that FCS and FES had no specific workforce plans in place and we were advised that they would be prepared for 2013/14. However, due to appointing a new HR business partner later than planned, the plans have not yet been finalised. We have been advised that the HR business partner is currently in the process of preparing them.

Action point 2

Corporate governance and systems of internal control

Overall governance arrangements

46. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements. Overall we found that FCS and FES have sound governance arrangements in place which include appropriate committees overseeing key aspects of governance.

47. As part of our Role of Boards follow-up audit in June 2012 we reported that no performance appraisal arrangements were in place for members of the National Committee for Scotland. We have been advised that this is still work in progress and should be finalised by the end of the 2013/14 financial year.

Accounting and internal control systems

48. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

49. During 2012/13 we carried out a review of the main financial systems common to FCS and FES (payroll, the financial ledger, trade payables, trade receivables, capital accounting, cash and ICT controls) as well as of FCS grants and FES timber inventories. We focused on the key controls in place within each of the systems. We also reviewed some of the controls in FES systems at a local level during our visit of Dumfries & Borders Forest District in March 2013. Specifically, we reviewed controls over timber income and timber inventories as well as selected aspects of capital accounting controls.

50. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. We reported in our key controls report in May 2013 that FCS and FES internal controls for the systems tested operated effectively and this allowed us to take planned assurance on these systems for the audit of the 2012/13 financial statements. We identified a small number of control weaknesses which management agreed to rectify.

51. In our annual audit plan we highlighted that the accounting for FCS grants was processed via the Scottish Government's main accounting system, with FCS receiving monthly invoices for payments. The invoices did not allow FCS to drill down to individual claims so as to reconcile them with the records maintained by its grants department. This issue has been resolved and FCS will be receiving supporting documentation for invoices on a quarterly basis from 2013/14. In addition, internal audit will provide assurance to FCS by performing controls and substantive testing of rural priorities grants on an annual basis.

52. Internal audit is an important element of FCS and FES governance structures. Every year we carry out an assessment of the adequacy of the internal audit function to identify those areas of internal audit work on which we can place reliance. The internal audit service is provided by the Forestry Commission GB shared services and we concluded that they had effective standards and reporting procedures.

Public Services Network (PSN)

53. FCS and FES, like many public sector bodies, use Cabinet Office sponsored arrangements to share electronic data with other public sector bodies. The Government Secure Intranet (GSi) is the mechanism that allows them to share data and services. FCS and FES are required to reapply annually to be allowed to connect to the government secure network. This year the government is replacing GSi with the Public Services Network (PSN).

54. From November 2012 all applicants have to apply to connect to PSN which means complying with the stricter PSN Code of Connection. The new security requirements of the Code of

Connection are challenging, with the aim of providing a substantial level of trust between organisations. We understand that FCS and FES are still in the process of completing the transition to PSN. They had been given an accreditation extension until 13 September 2013; however, as they had been unable to demonstrate compliance by this date they are now in the escalation process which will last around three months.

55. FCS and FES departmental security and IT shared services are currently working with the Cabinet Office to ensure their accreditation is approved before the end of the escalation process. Work necessary to enable both organisations to meet the compliance requirements is high priority for all relevant divisions.

Action point 3

Prevention and detection of fraud and irregularity

56. In our annual audit plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud within FCS and FES are sound, although it should be noted that no system can eliminate the risk of fraud entirely.

57. In 2012/13 FCS and FES participated in the National Fraud Initiative (NFI) for the first time. The NFI is a UK-wide data matching exercise, which matches electronic data within and between participating bodies to prevent and detect fraud.

58. In October 2012 FCS and FES uploaded the required data (creditor payments, creditor standing data and payroll data) to the NFI secure website. Fair processing notices were issued to staff and creditors to inform them that their details were being used in this way. In January 2013 the analysis of the NFI data by the Audit Commission returned a set of 1,227 matches to FCS and FES, with 267 matches recommended for further investigation. On investigation of these matches only one duplicate payment was identified which had already been detected through internal checking processes. The results of this exercise have provided positive assurance for FCS and FES that their systems of internal control are operating effectively.

Standards of conduct and arrangements for the prevention and detection of corruption

59. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Best value

Arrangement for best value

60. Accountable officers are required to put in place appropriate arrangements to satisfy their duty of best value.

61. We reported in our 2011/12 annual audit report that FCS and FES responded to the guidance on Best Value in Public Services (issued by the Scottish Government in March 2011) by conducting a comprehensive best value review in March 2012, but had not yet agreed an approach to future best value reviews. In October 2012 FCS Management Board agreed a programme of further reviews until 2017/18 to ensure continuous improvement in securing best value within FCS and FES. The areas for best value review were identified using Audit Scotland's Best Value toolkits. They were grouped into three broad categories, each with an assigned owner, responsible for ensuring that the reviews are carried out timeously. Three best value reports (one out of each category) will be presented to the Board in each financial year. Reviews of business sustainability, financial management and risk management were completed during 2012/13.

National performance reports

62. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Summaries of recently published reports that are relevant to the Audit and Risk Committee are provided below.

Managing early departures from the Scottish public sector (May 2013)

63. This report is designed to help public bodies improve their management and reporting of early release schemes. The report is available at -

http://www.audit-scotland.gov.uk/docs/central/2013/nr_130523_early_departures.pdf.

64. Some pointers on good practice are included in the report, such as:

- demonstrating that schemes are value for money
- making sure schemes are clear, well-designed and meet business needs
- reporting openly on the costs and savings
- ensuring good scrutiny over schemes and particularly of exit packages for senior executives.

65. As mentioned in paragraph 43, only a small number of FES staff left through a Voluntary Early Release (VER) and no further VER scheme is planned for 2013/14. Our testing confirmed that exit packages were in accordance with policies and procedures. No FCS staff left under this scheme.

Renewable energy (September 2013)

66. This report looks at public sector action and investment in developing renewable energy and what has been delivered to date.

67. The key message of the report is that the Scottish Government has a clear strategy for renewable energy that is linked with other policy areas, and it has made steady progress so far. However, achieving its overall goals will be challenging and depends on private sector investment.

68. The report highlights that renewable energy is one of FCS eight work programmes. The approach taken by FCS to deliver the Scottish Government’s aim of developing renewable energy projects on the national forest estate is outlined in one of the report's case studies. The report is available at -

http://www.audit-scotland.gov.uk/docs/central/2013/nr_130912_renewable_energy.pdf.

Acknowledgements

69. We would like to express our thanks to the staff of FCS and FES for their help and assistance during this year's audit which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Action Plan

Issues and Planned Management Action

Action Point	Refer Para No	Issue Identified	Planned Management Action	Responsible Officer	Target Date
1	15	**Unallocated revaluation reserve balances** Some of the revaluation reserve balances have not been allocated to underlying assets. *There is a risk that any movements in valuation or disposals of individual assets are not properly accounted for in the statement of comprehensive net income/ expenditure.*	These unallocated revaluation reserve balances will be allocated to the individual assets in 2013/14.	FCS/ FES Financial Accountant	31 March 2014
2	45	**Workforce planning** In our 2011/12 annual audit report we highlighted that FCS and FES had no specific workforce plans in place and we were advised that they would be prepared for 2013/14. However, workforce plans have not yet been finalised. *There is a risk that the factors and impacts of a significant change in staffing levels are not fully considered and planned for.*	Due to appointing a new HR business partner later than planned the workforce plans have not yet been finalised. The HR business partner is currently in the process of preparing FCS and FES workforce plans.	HR Business Partner	31 March 2014

Action Point	Refer Para No	Issue Identified	Planned Management Action	Responsible Officer	Target Date
3	55	**Public Services Network** FCS and FES have so far been unable comply with the new Public Services Network (PSN) code of connection, necessary to continue the Cabinet Office sponsored data-sharing arrangements with other public bodies. *There is a risk of interruption to the existing data-sharing arrangements*.	Information Services will be implementing changes to the IT systems during September, October and November to ensure the FC is compliant with government requirements for secure IT systems. This will apply to all systems within all parts of the FC organisation. We do not expect this to have a significant impact on users of the IT systems. The main change will be to remove 'privileges' from the standard user account.	Departmental Security Officer	30 November 2013