APPENDIX E

Forestry Commission Scotland and Forest Enterprise Scotland

Annual report on the 2013/14 audit

AUDIT SCOTLAND

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

July 2014

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.

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Key Messages

We have given an unqualified opinion that the financial statements of Forestry Commission Scotland (FCS) and Forest Enterprise Scotland (FES) for 2013/14 give a true and fair view of the state of the bodies' affairs and of their net expenditure/ income for the year.

Accounting adjustments between revaluation and general fund reserves have been made to reflect the realised element (due to sales) in prior years for disposals of other land, buildings and VME. A similar adjustment for forest estate land and trees will be determined and actioned in 2014/15.

Following the administration of the Scottish Coal Company Ltd and Aardvark TMC Ltd in spring 2013, FES disclosed a contingent liability for the potential exposure to remediation costs for the forest estate sites with opencast mines. A provision has not been recognised in 2013/14 due to a number of uncertainties around the level of restoration that will be accepted by the East Ayrshire planning authority, the associated restoration costs and the level of funding available in the form of bonds. We will continue to monitor this in 2014/15.

Introduction

1. This report is the summary of our findings arising from the 2013/14 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. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management. However this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of FCS and FES and no responsibility to any third party is accepted.

4. Appendix 1 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. 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.

6. 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

7. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the audit committee on 7 March 2014, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.

8. 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 2013/14 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

9. We have given an unqualified opinion that the financial statements of FCS and FES for 2013/14 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 18 July 2014.

10. We received the unaudited financial statements on 30 May 2014, in line with the agreed timetable. The working papers were of a high standard and officers provided excellent support to the audit team which enabled us to complete our on-site fieldwork by the planned target date of 8 July 2014.

11. The main changes to the FCS and FES financial statements during the audit are detailed below. There was no overall effect on the net expenditure/ income in the Statement of Comprehensive Net Expenditure/ Income (and net assets recorded in the Statement of Financial Position).

    - **FCS**: Relatively minor classification adjustments were made within net expenditure of £0.384m.
    - **FES:** A classification correction of £0.573m was made between overstated non-current assets held for sale and biological assets, forest estate and other land.
    - **FES:** The book value of felled timber (£35.691m) was moved from the net cash outflow from investing activities to the net cash outflow from operating activities (within the Statement of Cash Flows).
    - **FES:** An adjustment of £0.395m was made to the realised element of the revaluation reserve due to disposals of buildings and VME (vehicles, machinery and equipment), against the general fund.

12. 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. 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 and legislation governing sums paid out of the Scottish Consolidated Fund.

Significant findings and key judgements (ISA260)

FCS

13. In our view there are no issues that would require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

FES

14. During the course of the audit we identified the following significant issues that we are required to communicate in accordance with ISA 260.

Unallocated revaluation reserve balances for forest estate land and trees not apportioned to biological assets

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 have been advised that management are unable to allocate revaluation reserve balances for forest estate land and trees to individual assets and this is disclosed in the accounting policies.

16. The total value of the revaluation reserve balance for forest estate is £781 million. Since 2004/05 approximately 5% of forest estate has been disposed (£43 million), or around 0.5% annually over this period.

17. As the realised element of the revaluation reserve has never transferred to the general fund on disposal, the revaluation reserve balance will become increasingly overstated (and the general fund understated). Through discussion, we have agreed with officers that adjustments will be made in 2014/15 to the revaluation reserve to represent the realised element of forest estate disposals. This will be calculated annually on the basis of the relative proportion of the revaluation reserve to the total asset value.

Action point 1

Potential liability for restoration costs of the forest estate sites with opencast mines

18. Following the administration of the Scottish Coal Company Ltd and Aardvark TMC Ltd in spring 2013, FES now discloses a contingent liability for the potential exposure to remediation costs for the five forest estate sites with opencast mines. A provision was not recognised in 2013/14 due to a number of uncertainties around the level of restoration which may be

accepted by East Ayrshire planning authority, the associated restoration costs and the level of funding available in the form of restoration bonds.

19. Restoration costs have been estimated at £21.2 million by the external mineral consultants, based on the initially planned restoration to the original (agricultural) state. However, we have been advised that sustainable restoration may be achieved within the available bonding of £12.8 million, subject to planning authority approval. Management expect that around 90% of these bonds, held in favour of East Ayrshire planning authority, will be awarded to FES.

20. FES has already received funding of £1.75 million through the Scottish Government restoration bond for one of the five sites. This is included within FES cash balance as at 31 March 2014 (see paragraph 36). In addition, there is a possibility of further coal extraction at a few sites and this may contribute further funding towards the restoration. On the basis of the assumptions outlined above, we have been advised the forest estate land may be restored to an acceptable standard without any further liability for FES. We will continue to monitor this position 2014/15.

Losses and special payments

21. During 2013/14, FES concluded a compensation payment for £2 million for the loss of peat cutting rights following a land acquisition. The issue was concluded at the request of the Scottish Government and was funded by them.

Prior year adjustments

22. 2012/13 transactions and balances in FES financial statements have been adjusted for the following reasons:

- Unallocated revaluation reserve balances of £1.3 million were allocated to the individual VME (vehicles, machinery and equipment) assets to ensure compliance with IAS16. This was agreed with management last year as reported in our 2012/13 ISA260 report.
- 2012/13 revaluation reserve and general fund were adjusted by £1.2 million to account for the movement of the realised element of revaluation reserve to general fund for disposals of other land.

23. We have reviewed the above prior-year adjustments and are satisfied that they are appropriate and correctly stated in FES financial statements.

Whole of Government Accounts

24. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. FCS and FES are required to submit separate consolidation packs to support their WGA return to the Scottish Government. FCS and FES plan to submit packs in July 2014.

25. We were advised by the National Audit Office in June 2014 that the 2013/14 certification threshold had been increased from last year and as a result, there was no audit certification required for the FCS and FES 2013/14 WGA returns.

Financial position

2013/14 Outturn

26. 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.

27. FCS and FES operated within the resource budgets for 2013/14 as detailed in Table 1 below. £63.8 million was initially allocated to FCS and FES for 2013/14 (£41.3 million for FCS and £22.5 million for FES). As announced in December 2012, additional funding of £3.15 million for shovel ready projects increased the total budget to £66.95 million.

28. This was subsequently further increased to £70.13 million due to the additional funding of £2.18 million for Fannyside Muir following the autumn budget revision and additional £1 million for SRDP grants provided through the spring budget revision. However, the additional SRDP support was not drawn down by FCS, as the gross expenditure on SRDP grants had been lower than estimated.

Table 1: 2013/14 Resource Budget

	Initial Budget (£m)	Final Budget (£m)	Actual Outturn (£m)	Under / (Over) spend
Resource DEL	62.300	65.381	64.080	1.301
Capital DEL	4.650	4.750	4.755	(0.005)
Total	**66.950**	**70.131**	**68.835**	**1.296**
Allocated to FCS	44.500	38.896	37.600	1.296
Allocated to FES	22.450	31.235	31.235	0

Source: 2013/14 FCS and FES performance monitoring papers and 2013/14 annual report and accounts

FCS annual outturn

29. FCS incurred net expenditure of £68.8 million during 2013/14 (2012/13 - £66.4 million). This was a £1.3 million saving against budgeted net expenditure due to the timing of the SRDP grants and the impact of EU co-financing support.

30. In line with last year, the most significant elements of expenditure were programme expenditure on grants paid to woodland owners of £17.8 million (26%), forestry development programmes of £7.1 million (10%) and funding provided to FES of £31.2 million (45%).

FES annual outturn

31. FES achieved a surplus of £11.1 million in 2013/14 (2012/13 - £5.2 million). The main reason for an increase in surplus is higher timber income of £65.2 million, an increase of £8.1 million on last year. This is as a result of a buoyant timber market and an additional harvesting programme in Galloway Forest District (due to necessary removal of larch, infected with Phytophthora Ramorum, to prevent spore dispersal to other areas). Gain on the revaluation of biological assets of £41.1 million was slightly lower than last year (£42.9 million in 2012/13).

32. The largest elements of FES expenditure of £144.9 million were similar to 2012/13:
    - timber harvesting and marketing of £24.2 million (2012/13 - £23.2 million)
    - forest protection and maintenance costs of £30.0 million (2012/13 - £30.3 million)
    - communities, recreation and tourism expenditure of £17.6 million (2012/13 - £17.2 million).

2013/14 Financial position

33. The financial position of FCS and FES remains stable. 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 2014/15 and 2015/16.

FCS financial position

34. The FCS statement of financial position shows net assets of £2.4 million, which is comparable to 2012/13 net assets of £2.3 million.

FES financial position

35. FES net assets of £2,081 million are broadly in line with 2012/13 net assets of £2,047 million and biological assets also remain relatively stable at £862 million.

36. Overall the FES financial framework details the FCS subsidy and how much funding can be carried forward (10% of the turnover). At 31 March 2014, FES carried £15.5 million of unspent cash to the following financial year. The majority of this cash balance (£9.2 million) was unspent as at 31 March 2014 due to the timing of payments for invoices and capital purchases. In addition, £1.75 million received through the Scottish Government restoration bond has been carried over (see paragraphs 18 - 20 for details) and an additional £1 million has been dedicated to the ongoing tree health issues. We have been advised that FES management are considering setting up a new reserve for unspent cash to increase the transparency of control and to enable flexibility in years with a less buoyant timber market and to allow for annual variations in replanting (see paragraph 44).

FES capital projects

37. The main FES capital construction activities during 2013/14 were upgrades of David Marshall Lodge and Queens View visitor centres with the total value of £3.2 million. Galloway visitor

centres project, with a total value of £4.5 million, was also completed and included the construction of a new visitor centre at Kirroughtree and refurbishment at Clatteringshaws.

38. Construction of the Fishnish Pier on Mull, to enable transport of timber from the island was another large capital project, with the final elements planned for completion in 2014/15 and 2015/16 which will bring the project spend to £2.9 million. In addition, Aberfoyle and Torlundy offices were refurbished/ extended at a cost of £0.5 million, the latter in partnership with Scottish National Heritage (SNH). SNH contributed £0.25 million towards the cost of the Torlundy office extension and this facilitated the successful co-location of the SNH Fort William office with FES.

39. Similar to last year, there has been some slippage in the shovel-ready programme and FES will apply the unspent funding of £1.3 million in 2014/15 for the Great Glen Way and West Highland Way path upgrades as well as for Cairnbaan workshop improvements and Glenrigh project. FES is planning to finalise these projects by the end of quarter one of the current (2014/15) financial year.

40. In addition, the Cuningar Loop project with a £5.7 million total budget is scheduled to be completed in December 2014. This is a complex reclamation project to provide green infrastructure in a regeneration area within South Lanarkshire as part of the FCS Woods In and Around Towns (WIAT) 2011-14 programme to improve the quality of life for people living and working in urban Scotland.

2014/15 Budget

41. The Draft 2014/15 Scottish Government budget identified a combined budget of £64.1 million, (£42.4 million for FCS and £21.7 million for FES). Management expect this to be reduced (as per the 2011 spending review) to £63.1 million through either autumn or spring budget revision (due to the transfer of lead responsibility for the Central Scotland Green Network (CSGN) Trust to the Scottish Government's Natural Resources Division).

42. The most recent FCS and FES budget monitoring reports cover the period to May 2014 and show FCS forecast in-line with budget with FES highlighting a £10.1 million additional spend at this stage, mainly due to an increase in planned land acquisitions as part of FES repositioning programme and increased expenditure on communities, recreation and tourism. However, this is balanced by the £15.5 million of cash carried over from 2013/14 financial year.

Replanting

43. Replanting has recently been an area of considerable media attention, with Scotland's forestry and timber industry body ConFor stating that not enough trees are being planted now to meet expected demand for wood in 50 to 100 years time.

44. 2013/14 financial statements state that 8,430 hectares of woodland have been created in 2013/14, with 528 hectares on the National Forest Estate, giving the rolling three-year average of 790 hectares. This falls short of FES performance target of creating an average of

1000 hectares on a rolling three-year basis. We reported in our 2013/14 Key Controls Report that in Moray & Aberdeenshire Forest District 11% of the clear-felled areas were not replanted within the five-year replanting target as required by the UK Woodland Assurance Standard (UKWAS). This may have wider implications as an increase in the afforestation rate is one of the key Scottish Government's policies to ensure it meets the statutory targets for reducing greenhouse gas emissions.

Workforce management

45. In the last two years we reported that FCS and FES had no specific workforce plans in place and last year we were advised that they would be prepared for 2014/15. At the time of writing this report, the plans have not yet been finalised due to staffing issues. However, we have been advised that FCS and FES have taken forward a number of essential elements. In particular, a talent management programme has been launched as a response to the fact that a number of senior posts are likely to become vacant in the medium term. The programme is a key part of FCS and FES succession planning, along with the annual graduate recruitment programme.

46. A recruitment panel is in operation in FES and a list of priority posts for creation has been prepared. This is regularly reviewed by the FES Management Board and will allow FES to deploy resources in the best way to meet business priorities. In FCS a review of staffing structure in Conservancies is ongoing. Age profile has also been reviewed and plans have been put in place to improve gender diversity across both organisations. In addition, plans are being developed to devolve some areas of Forestry Commission’s shared services (such as business sustainability, procurement and human resources) to ensure that FCS and FES have the necessary skills and resources required to deliver their own services should there be any further changes to the structure of Forestry Commission on an UK basis.

Corporate governance and systems of internal control

Overall governance arrangements

47. 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.

48. 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. These have now been implemented and will be updated on an annual basis.

49. One of the significant governance risks in 2012/13 FCS and FES financial statements was a potential adverse impact of incorporating Forestry Commission Wales into the newly created body Natural Resources Wales (NRW) on 1 April 2013. In particular, there was a risk of increased costs for the delivery of shared services to FCS and FES.

50. We have been advised that this is no longer disclosed as a key risk in 2013/14 FCS and FES financial statements because an agreement is in place with NRW to ensure they will continue paying their share of 'residual' costs so that shared service savings are met. In addition, as mentioned in paragraph 46, FCS and FES are considering to devolve some shared services to the country level. The Business Strategy Working Group was established in September 2013 as a recognition that Forestry Commission as a whole needed to respond to the increased divergence of approaches in the three countries (England, Wales and Scotland) and to ensure it is ready to cope with potentially significant future changes. The group has been tasked with directing the programme of devolving the delivery of shared services to each of the countries.

Accounting and internal control systems

51. 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.

52. During 2013/14 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). We also reviewed some of the controls in FES systems at a local level during our visit of Moray & Aberdeenshire Forest District in March 2014. Specifically, we reviewed controls over timber income and timber inventories as well as selected aspects of non-timber inventories, capital accounting and non-payroll expenditure controls. We focused on the key controls in place within each of the systems.

53. 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 2014 and our review of ICT controls have been reported in a separate letter to management. 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 2013/14 financial statements.

54. 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 shared services and we concluded that they had effective standards and reporting procedures.

55. 2013/14 was the last year of the Scottish Rural Development Programme (SRDP) (2007 – 2013) which was held open for applicants for longer than initially intended to smooth the transition to the next SRDP (2015 – 2020). The next SRDP was submitted to the European Commission in June 2014 and the Scottish Government is expecting approval in winter 2014. This should allow the main elements of the next SRDP, including forestry options, to open in January 2015.

56. During the transitional 2014/15 year, SRDP transition arrangements will allow FCS continued access to EU co-financing. FCS is planning to continue extending the scope of the (domestically funded) planning grants for woodland creation proposals. This is to encourage applicants to prepare woodland creation applications which will be ready to submit when the new SRDP opens in 2015.

Public Services Network (PSN)

57. FCS and FES, like many public sector bodies, use Cabinet Office sponsored arrangements to share electronic data with other public sector bodies. Last year the Government Secure Intranet (the mechanism for sharing data and services) was replaced in with Public Services Network (PSN). Compliance with the stricter PSN Code of Connection had to be demonstrated before the transition to PSN could be completed. FCS and FES completed the transition in February 2014 when the Cabinet Office approved their accreditation by issuing a certificate, valid until September 2014.

58. Forestry Commission IT shared services incurred £0.2 million expenditure in 2013/14 to obtain compliance with PSN. The main changes made to ensure compliance with PSN included the introduction of desktop patching and patching/upgrading of external facing systems. We have been advised that PSN compliance work caused a delay in ICT infrastructure upgrade and in the development of satisfactory arrangements for disaster recovery, with a shift in the final delivery date of the programme of work to March 2015.

59. Under the current compliance verification process, FCS and FES will be subject to an annual check. To ensure continuing compliance with PSN, IT shared services will be proactive in protective monitoring, internal server patching and replacements of unsupported internal systems. The first annual check is due to be completed before the certificate expiry date of 13 September 2014.

Prevention and detection of fraud and irregularity

60. 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.

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

61. 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

62. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with FCS and FES, agree to undertake local work in this area.

63. FCS and FES have in place a rolling programme of Best Value reviews to ensure continuous improvement in securing best value within both organisations. Two to three best value reports (one out of each category) are presented to the Board in each financial year. Reviews of community engagement and diversity and equality were completed during 2013/14.

National performance reports

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

Scotland's public sector workforce (November 2013)

http://www.audit-scotland.gov.uk/docs/central/2013/nr_131128_public_sector_workforce.pdf

http://www.audit-scotland.gov.uk/docs/central/2013/nr_131128_public_sector_workforce_guide.pdf

65. FES and FCS did not implement a Voluntary Early Release (VER) scheme in 2013/14 and no further VER scheme is planned for 2014/15. As mentioned in paragraphs 45 and 46, whilst FCS and FES do not yet have workforce plans in place, they have taken forward a number of essential elements in this period of potential change to the Forestry Commission structure on an UK-wide basis.

Scotland's public finances – a follow-up audit: Progress in meeting the challenges (June 2014)

http://www.audit-scotland.gov.uk/docs/central/2014/nr_140605_public_finances_pr.pdf.

http://www.audit-scotland.gov.uk/docs/central/2014/nr_140605_public_finances_supp2.pdf

66. FCS and FES do not make longer-term financial plans beyond the Scottish Government's spending review cycle. However, within this cycle, arrangements for budget setting and monitoring are good in both organisations.

The National Fraud initiative (June 2014)

http://www.audit-scotland.gov.uk/docs/central/2014/nr_140626_national_fraud_initiative_pr.pdf

67. FCS and FES participated in the National Fraud Initiative (NFI) for the first time in 2012/13 and the results of this exercise have provided positive assurance for FCS and FES that their systems of internal control were operating effectively.

Acknowledgements

68. 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 ahead of the agreed timetable.

Appendix 1: Action Plan

Issues and Planned Management Action

Action Point	Refer Para No	Issue Identified	Planned Management Action	Responsible Officer	Target Date
1	17	**Unallocated revaluation reserve balances** Due to unknown revaluation reserve balances associated with the individual forest estate assets comprising forest estate land and trees (not apportioned to biological assets), the realised element of revaluation reserve is not transferred to general fund on disposal. *There is a risk that the revaluation reserve balance becomes increasingly misstated.*	We are unable to allocate revaluation reserve balances to the individual assets. However, we will account for the realised element of revaluation reserve for forest estate disposals by a percentage apportionment to the individual disposals from 2004/15 onwards.	FCS/ FES Financial Accountant	31 March 2015