



Forestry Commission Scotland / Forest Enterprise Scotland

Interim Audit Report 2016/17



Prepared for Forestry Commission Scotland/ Forest Enterprise Scotland

July 2017

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Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at Forestry Commission Scotland (FCS) and Forest Enterprise Scotland (FES). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We have placed reliance on internal audit's work, where appropriate. We also undertook a high level review of ICT arrangements. We will use the results of this testing to determine our approach during the 2016/17 financial statements' audit.

2. Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek to gain assurance that FCS/FES:

- have systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- have systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- comply with established policies, procedures, laws and regulations.

3. As part of our responsibilities under the Code of Audit Practice (2016) and as outlined in our annual audit plan (submitted February 2017) we are required to undertake wider dimension work across four audit dimensions: financial management, financial sustainability, governance and transparency and value for money.

4. Our work is largely complete in these areas and we shall report our findings from our wider dimension work in our Annual Audit Report, which we will present to the July 2017 Audit Committee.

Conclusion

5. We identified some control weaknesses from our interim audit work as summarised in [Exhibit 1](#). No significant matters arising were identified. We also visited a district office where we undertook some controls and pre-year end substantive testing. Those findings are reported at [Exhibit 2](#) below. We consider these matters to be largely housekeeping in nature.

6. Our work undertaken to date is also of relevance to the National Audit Office and Natural Resources Wales Audit Office for whom we agreed to review some shared systems.

7. Based on our review and testing of selected financial systems, our overall conclusion is that FCS/ FES has effective systems of internal control subject to the matters raised below.

8. The matters raised in this report should be considered as part of the Accountable Officer's assessment of the review and adequacy of the financial governance processes in place to support the Annual Governance Statements.

Work summary

9. Interim audit testing was undertaken during February/ March 2017. We performed initial systems reviews and walk through testing of the key controls identified for the main financial systems. Our testing covered the key controls in a number of areas including:

- bank reconciliations
- payroll validation and exception reporting
- authorisation of journals
- IT access controls
- feeder system reconciliations
- change of supplier bank details
- budget monitoring and control
- controls for preventing and detecting fraud including a review of the underlying system for recording timber sales.

10. We are required to undertake specific testing on a number of GB-wide shared systems which are managed by FCS/FES. Part of this work took place during our visit of the Galloway Forest District in February 2017. We reviewed controls at a local level over timber income and timber inventories. As outlined in our agreements with the NAO/WAO, we also undertook a high level review of ICT controls.

11. With the exception of those systems specific to FES which we reviewed as part of our District visit, the other systems are subject to audit review are common to both FCS and FES

12. We also performed early substantive testing of income, expenditure, payroll costs and capital additions/ disposals. We also reviewed the methodology for the proposed revaluation of non-current assets (vehicles, machinery and equipment). We shall verify the reported net values as part of our financial statements audit.

13. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified.

14. As outlined in our Annual Audit Plan, we sought to place reliance on the work of internal audit. For our financial statements audit we planned to place reliance on FCS Grants and Payroll Implementation. While the payroll work was completed prior to the internal audit service disbanding and we were able to rely on this work, the FCS grants testing remains work in progress. We have been advised that the new internal audit service will complete the FCS grants testing for 2016/17 in order to provide us with the appropriate assurances. We shall review the position as we commence our financial statements work.

15. We intended to review the outcome of two information system audits as part of our wider scope work. These have since been cancelled due to the timing of the disbandment of the internal audit service. There is no impact on our financial statements audit work.

16. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

ICT and application health check

17. Introduction. We carried out an ICT overview on the Forestry Commission shared Information Systems (IS) function to confirm the design and working of general ICT controls.

18. Throughout 2016/17, FC IS have continued to provide a centralised service to both England and Wales. On the first of April, Wales left the arrangement and England is expected to transition around the end of the 2017/18 financial year.

19. Our discussions with IS staff highlighted that the transition process was progressing well with each of the countries moving to creating their own IS function. A transition team has been put in place to plan for the FCS IS function taking over responsibility. Some of the decisions are still to be finalised as they are dependent on the future shape of the forestry services in Scotland.

20. Strategic direction. The FC IS function's IS strategy focuses on facilitating the transition arrangements. A draft IS strategy has been prepared for the Scottish IS function and was presented to the Scotland Executive Board. Approval of this strategy is expected within the next few months.

21. Organisation structure. The FC IS function is headed by the Director of Information Services. The Departmental Security Officer (DSO) is functionally reporting to the Director of IS. The new FCS IS function does not have an IT security officer as yet, and we consider this a key function in designing the new service delivery model. As the DSO is working in close co-operation with the transition team, we consider that IT security matters will be taken into account appropriately.

22. Asset protection and installation management. We reported previously on the timely removal of network access of staff who had left the organisation. We carried out a sample test of leavers and found that their accounts had been deleted.

23. Some of the security policies could be refreshed to bring them up-to-date with technical developments and cyber threat considerations. At this stage we would not expect IS to commit resources to this, considering the limited time such policies would be effective. The new FCS IS organisation should update and review all policies.

24. IS support a number of dated and unsupported operating systems for servers and computing devices. While we would not expect any major investment in new devices at this stage in the transition process, IS staff should take care to mitigate any security gaps that may have resulted. The new FCS IS function will be moving data storage to the cloud, thereby avoiding the obsolescence of the server equipment.

25. In the past year various security audits were carried out, from penetration testing to PSN accreditation. Nevertheless, a ransomware attack in December 2016 led to a three day outage, for the most part during the weekend. User privileges were reviewed and curtailed as a result. A phishing¹ test was carried out in November 2016, with a failure rate of 18%, which compares favourably with an industry average failure rate of 25% for such exercises.

¹ Phishing emails try to trick the receiver into giving out personal or sensitive information such as bank account numbers, passwords, commercially sensitive information credit card numbers.

26. Service delivery. Service levels are not formally monitored or reported. Recurring service issues are identified through the service desk system. The existing IS service board has been abandoned in light of transition.

27. Business continuity and disaster recovery. A disaster recovery site is available at Northern Research in Roslin. The working of the disaster recovery plan and ability to reinstate services at the site has not been tested. This affects shared services systems that will be in place for the duration of the shared service arrangement, including the timber sales system.

28. Sales recording package (SRP). As part of our audit work we reviewed the high-level controls for the SRP timber sales application system. We covered user access and standing data, interfaces to the financial management system (eFinancials only, the Welsh financial management system is not managed locally), operations and change control. The findings from this part of the review are included in the table under [Exhibit 1](#).

29. Conclusion. While we have identified a number of control weaknesses, on the basis that the IT environment is decreasing in size and scope with the imminent transfer of responsibilities, we would not expect any new or improved controls to be implemented for the shared service organisation at this stage.

30. The SRP system has been well established and the general IT controls are operating satisfactory with exception of the points raised in [Exhibit 1](#).

Risks identified

31. The key control and wider dimension risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant and any further audit procedures are outlined in [Exhibit 2](#).

32. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to FCS/ FES.

Exhibit 1

Key findings and action plan 2016/17

Issue identified	Management response Responsible officer and target date	Additional audit procedures
Controls testing		
Key controls - audit findings		
<p>Payroll validation and exception reporting</p> <p>Best practice suggests that employee validation checks should be undertaken. This is a key control to ensure that all staff on the payroll exist and that there are no "ghost" employees being paid.</p> <p>We are pleased to record that, in response to a 2015/16 audit matter, procedures have been introduced to ensure the existence of staff. Cost</p>	<p>HR send an initial email requesting that the manager makes the check and they should email back to confirm that the checks have been made and if any changes are required.</p> <p>This was a new process and it was mid-way through Q4 when we sent out the request to check Q3. When the request for Q4 was issued, if anyone hadn't responded to Q3, they were asked to confirm both Q3 and Q4.</p> <p>Any managers who don't respond to the</p>	<p>We shall review the Q4 returns to assess progress.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
<p>centre managers are now required to verify that salary information is complete and accurate and to notify HR of any concerns. This process was rolled out in quarter 3 and at the time of our audit review, not all managers had confirmed the accuracy of the information.</p> <p>There remains a risk that ghost employees are included on the FCS/FES payroll.</p>	<p>Q4 email will be chased again and then it will be escalated to the board.</p> <p>Fiona Waugh, HR Scotland Team Leader/Rosetta Forbes, HR Scotland Business Partner</p> <p>Ongoing</p>	
<p>Authorisation of journals</p> <p>Audit testing on a sample of 15 journals found 2 instances where these had been input and authorised by the same officer (Senior Finance Manager). These were:</p> <ul style="list-style-type: none"> Q1 Subsidy Payments to FES (£5.425M) FCS Repayment of 15/16 Underspend to SG (£413K) <p>Whilst we accept that their position is of seniority, for controls to be effective, there should be clear segregation of duties. Journals should be subject to independent review and authorisation.</p> <p>There is a risk of error or irregularity due to the absence of independent review.</p>	<p>Agreed</p> <p>Recruitment of Financial Accountant has added another layer to the FCS finance structure and input of journals can be carried out within this role for journal types highlighted by audit. Senior Finance Manager will authorise these.</p> <p>Ross MacHardie, Senior Finance Manager</p> <p>July 2017</p>	<p>We shall review a sample of journal entries as part of our year end testing.</p>
<p>Change of supplier bank details</p> <p>Seventeen (two from FCS and fifteen from FES) supplier bank accounts changes were selected for audit testing to ensure that changes have been subject to the appropriate checks as outlined in the 'Finance Process Manager Authoriser Check' guidance. We noted a number of issues including:</p> <ul style="list-style-type: none"> The wrong form of Manager Checklist was used (new supplier rather than amendment). (FCS) The 'Previous Bank Details' were not filled in on the BACS Application Form. (FCS) Two FES supplier bank account change forms had no evidence of checks or authorisation and 2 did not include details of previous bank accounts. <p>There is a risk of incorrect or fraudulent payments.</p>	<p>Agreed</p> <p>FCS</p> <p>Finance Support Visits are carried out across FCS Conservancies and sample testing will include Supplier amendments. If persistent errors are identified follow up action will be taken including additional training and support if required. Guidance is in place for new suppliers and supplier amendments which should be followed by staff. However, we shall reiterate the procedures with staff.</p> <p>Ross MacHardie, Senior Finance Manager</p> <p>In place now</p> <p>FES</p> <p>From 1 October 2016 procedures have been put in place in order that all supplier amendments are processed by FESHO to ensure that controls are adhered to. However, we shall reiterate the procedures with staff.</p>	<p>We shall review a sample of supplier change forms as part of our year end testing to ensure changes to the system have been reflected appropriately.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
	Donna Mortimer, Head of Finance and Procurement In place now	
Other matters		
<p>Accounting entries for disposals</p> <p>We undertook substantive testing on 13 asset disposals. Our audit testing revealed that for 5 of these assets the estimated sales cost, rather than the actual sales cost, was used to offset the actual gain or loss on disposal. Officers have advised that they calculate 5% to be a reasonable estimate of costs.</p> <p>We have recommended that officers review the estimate against actual to assess its reasonableness and should work with the estates team to ensure the salient information is made available timeously.</p> <p>There is a risk that the gain / loss on asset sales is misstated.</p>	<p>Agreed</p> <p>The existing process for dealing with disposals is done retrospectively and is reliant on information provided by the estates team. For many of these disposals, finance do not have all salient information to account for this correctly.</p> <p>We feel that this has occurred due to a change in staffing within Estates. This has now been identified as a weakness and we will be working with Estates over the next couple of months to ensure that roles and responsibility are understood and information is shared where required in a timelier manner.</p> <p>Donna Mortimer, Head of Finance and Procurement</p> <p>30 September 2017</p>	<p>To assess the response provided by Finance for reasonableness.</p>
<p>ICT: Data validation</p> <p>We obtained an extract from the general ledger for both FCS and FES. This "NAO5 report" allows us to select samples and undertake other types of transaction investigations and comparisons.</p> <p>In order to confirm the completeness and accuracy of this data extract (validation), we compared the period transaction data in the NAO5 report to the same period's transactions in the trial balance report.</p> <p>During the validation work we identified a number of issues where some account code totals in the NAO5 report were not replicated in the trial balance:</p> <ul style="list-style-type: none"> • in one instance the full value posted against the account code during periods 1 through 9 appeared in the trial balance only in period 10. • the values in period 6 and 7 could not be agreed for many account codes, whilst in other periods we noted differences in a few account codes. <p>We recommend that the client carry out additional procedures at year end to evidence the validity of the trial balance and its agreement to the</p>	<p>The trial balance report and process has reconciliation checks in place to ensure it agrees with General ledger in eFinancials. These were undertaken during the year and checked by Senior Finance Manager at end of year. A formal process for checking the report on a monthly basis will be adopted in 2017/18.</p> <p>Ross MacHardie, Senior Finance Manager</p> <p>31 August 2017</p>	<p>We shall review the accuracy of the trial balance against the financial ledger and assess officer's action to the matter.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
<p>eFinancials system. The differences referred to were not material in value.</p> <p>As the trial balance forms the basis for the statutory accounts, there is a risk that the accounts are prepared on the basis of incomplete or inconsistent information.</p>		
<p>Recognition of capital additions</p> <p>We tested 12 FES capital additions to ensure these were capitalised in accordance with stated guidance. We identified expenditure of £367 for tyres which had been classified as additional costs and capitalised. While we accept that these costs form part of bringing the asset into use, we have raised the issue that the initial cost of the vehicle already includes these costs. The costs have therefore been counted twice as capital expenditure. We acknowledge that the additional cost is unlikely to be material in any one financial year. Processes should be introduced to ensure that expenditure is properly classified.</p> <p>We reviewed the evidence in respect of the purchase of land at Glenmarkie. Officers have advised that while the excambion was signed in March 2016, the acquisition was recognised in 2016/17. While we acknowledge that the transaction is not material in value, there is no formal back-up to ensure the transaction has been accounted for correctly.</p> <p>There is a risk that expenditure has been incorrectly categorised and that the financial statements are misstated.</p>	<p>Agreed</p> <p>We accept that the tyres were double counted but the cost of purchasing these Mud and Snow tyres from the manufacturer would have added significantly more than the contract price obtained. These specific tyres are required only on Ford Ranger Wildlife vehicles which are being phased out and replaced with Toyota vehicles which are supplied with Mud & Snow tyres. The number of vehicles involved is small and reducing (less than 10 per year) and we therefore consider the value of any double counting to be immaterial.</p> <p>A review of acquisition and disposals between Estate Development and Finance has been actioned to ensure that roles and responsibilities in respect of both are understood. This will include a review of the timescales and expectations at year end.</p> <p>Donna Mortimer, Head of Finance and Procurement</p> <p>31 December 2017</p>	<p>To review a sample of capital additions as part of our year end audit.</p>
<p>Non-timber income testing</p> <p>Substantive testing of ten non-timber income payments identified that in one instance the incorrect VAT code had been applied. Based on the VAT consultant's guidance, Scottish Woodland consultancy fees should be vatable at 20% and not 0% (payment of £720). Staff should be reminded to apply the expert guidance received.</p> <p>There is a risk that income is overstated for 2016/17 and the VAT return is incorrect.</p>	<p>Agreed</p> <p>Revised VAT codes have recently been introduced from March 2017 as part of HMRC compliance audit. Updated guidance and training has been rolled out across Scotland in line with new coding. Errors will be monitored by Finance teams and follow up action taken as necessary.</p> <p>VAT coding is new to FES and there are always going to be risks that we have incorrectly applied a code. We have in place plans to check samples of VAT data at each quarter end but this will be a work in progress as staff become more familiar with the guidance.</p>	<p>Further substantive testing will be undertaken.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
	Donna Mortimer, Head of Finance and Procurement /Ross MacHardie Senior Finance Manager Ongoing 2017	
ICT - audit findings		
<p>SRP - Database Oracle 10</p> <p>The current version of the database on which the Sales Recording Package (SRP) application system rests is no longer supported by the supplier. This means that the database is no longer patched for security or integrity issues. The most up-to-date version is Oracle 12g, and FES will be required to undertake a two-tier upgrade (Oracle 11, then Oracle 12) to achieve currency. This is of particular concern given the recent international cyber attack.</p> <p>There is a risk that a two-tier upgrade of the Oracle database may lead to significant disruption to users of the system. In addition, remaining with the old database carries security risks. Any upgrade should be well-planned, with contingency measures put in place to minimise disruption.</p>	<p>Agreed</p> <p>Upgrade of SRP in Scotland will be taken forward as part of the shared services devolution programme. Finance staff will work with Digital Services staff to address current weaknesses and implementation will form part of transition planning.</p> <p>The database upgrade for SRP will be performed on the new cloud hosted datacentre which enables full testing in a non-production environment and will only be used in a live environment once full testing is complete. The nature of virtualisation allows for comprehensive contingency measures during upgrade using a copy of the live data with multiple “snapshots” of the system. The current system will be used until FES are content that the upgraded system is fit for purpose. FES will have the option to revert for a period should any significant issues arise following the upgrade.</p> <p>Donna Mortimer, Head of Finance and Procurement 30 April 2018</p>	<p>No further work planned.</p>
<p>SRP - Key staff dependency</p> <p>There are only two members of staff in FES who know the full working of the SRP system, its interdependencies and relationships.</p> <p>There is a risk that with only two key staff with the knowledge and experience to maintain and enhance the SRP systems, FES is vulnerable in its ability to provide continuity if staff changes occurred.</p>	<p>Agreed</p> <p>Whilst only two members of staff are aware of the full working system we also have the support of FC staff in FAS and a number of district staff who have a working knowledge of the system.</p> <p>This weakness has been highlighted to the Head of Land Management and should be recognised in the risk management process. The devolution of shared services business case recommends that SRP will in future be owned and managed by Land Management (LM). LM will be undertaking a review of marketing and sales in due course and it is recommended that dependencies are addressed at this point.</p> <p>Donna Mortimer, Head of Finance and Procurement 30 April 2018</p>	<p>No further work planned.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
<p>SRP - Generic user</p> <p>There is one 'generic' user on the SRP system who has been given the developer function.</p> <p>Generic user names are inappropriate as these can be used by multiple individuals, whose actions can no longer be attributed to individual people.</p>	<p>Agreed</p> <p>The generic user is a GB user and not used by FES staff. It was required to register customer tickets on a GB basis. We shall review the issue of users, delegation of authority, separation of duties and data integrity of SRP as part of the review of marketing and sales mentioned above.</p> <p>Donna Mortimer, Head of Finance and Procurement</p> <p>30 April 2018</p>	<p>No further work planned.</p>
<p>Disaster recovery arrangements</p> <p>A disaster recovery site is available at Northern Research in Roslin. This is a warm site, with equipment in place but not operational, on which the software and database needs to be installed from back-up in the case of an incident affecting the main location in Silvan House. However, the disaster recovery plan for SRP has not been tested.</p> <p>There is a risk that without testing the disaster recovery plans, it cannot be concluded that SRP will be able to keep operating in case of an incident affecting the main site.</p>	<p>All ICT systems and infrastructure are provided and supported by Information Services, a division of FC Central Services, who are accountable to the FC Executive Board (EB).</p> <p>It has been agreed by the EB that the current DR provisions are adequate for the Forestry Commission. Due to the current setup it is not possible to test individual systems and it is considered that a full DR test, which would take in the region of 2 to 3 full weeks to failover and failback, would be too disruptive to the business. All systems and databases are regularly backed up and database backups are regularly tested.</p> <p>FES and FCS have initiated a joint programme to devolve Digital Services, which includes ICT, into Scotland. As part of this programme systems will move to a new virtualised cloud hosted platform which will have inherent datacentre backup and failover. In addition to this, systems will be backed up to the public cloud and regularly tested. It is projected that the new cloud datacentre platform will be available in October 2107 at which point migration of systems will begin – the full schedule for this has yet to be finalised but it is anticipated that SRP in Scotland, which is dependent on other systems, will be operational by December 2018.</p> <p>David Exeter, Head of Digital and ICT</p> <p>31 December 2018</p>	<p>No further work planned.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
Wider dimension issues and risks		
Governance and transparency		
<p>Guidance</p> <p>A review of FCS/ FES guidance held on the intranet revealed a number of documents that are out-of-date, including:</p> <ul style="list-style-type: none"> • FES framework document, particularly in relation to the allowance of a cash/ accounting deficit • a number of money matters booklets, some of which are over 10 years old. <p>There is a risk that out-of-date, or lack of, procedural documents increase the risk of error.</p>	<p>Agreed</p> <p>The FES Framework document has now been reviewed and approved by SG. The new version is available on the web</p> <p>Money matters booklets are being updated in a phased manner for Scotland. Key topics have been revised and updated into Scotland Finance Guidance booklets. Progress on updating the booklets has been slower than anticipated due to the change programmes being undertaken which have impacted on resource availability.</p> <p>Money matters booklets were previously the responsibility of FAS in central services. Each country has now been left with the task of updating them. FES and FCS have worked to update these however with the organisational changes that we have faced in the last year and will face in the future we are considering how worthwhile this will be. This needs to be reconsidered once the year end is completed.</p> <p>Donna Mortimer Head of Finance and Procurement, /Ross MacHardie, Senior Finance Manager</p> <p>Review 30 September 2017</p>	<p>No further audit procedures planned.</p>
<p>Role of Boards</p> <p>Internal audit reviewed the role of the FCS Management Board and FES Management Board during 2016/17. In addition to the matters raised by Internal Audit, we noted that:</p> <ul style="list-style-type: none"> • the FES Management Board held an awayday and undertook a review of their effectiveness in 2016. We recommend that the FCS Management Board consider holding a similar review • a review of minutes on the Forestry Commission website revealed inconsistencies in respect of the publication of minutes across the three boards [FCSMB - up to January 2017; FESMB - up to March 2017; SEB - up to October 2016]. <p>There is a risk that the Board's effectiveness is not recognised or</p>	<p>FCS Management board will be restructured during 2017 with the addition of a new board member. As part of the reststructure the board will carry out a review of effectiveness during the second quarter of the year.</p> <p>FES minutes are published once they are approved at the FESMB, this would occur at the subsequent board meeting. March 2017 minutes were the last available signed off minutes so represent an accurate representation.</p> <p>Publication and timing of FCS and SEB board minutes will be reviewed and regularised.</p> <p>Nicky Whitaker, Head of Corporate Services</p> <p>31 August 2017</p>	<p>No further audit procedures planned.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
developed. There is also a risk that FES/ FCS are not open and transparent about conducting their business and are not applying the principles outlined within the 'on board' guidance.		

Source: Audit Scotland

33. We are required to undertake specific testing on a number of GB-wide shared systems which are managed by FCS/FES. Part of this work took place during our visit of the Galloway Forest District in February 2017. We reviewed controls at a local level over timber income and timber inventories. [Exhibit 2](#) below outlines our findings which we consider to be largely housekeeping in nature but are included for information. The findings should be shared across all district offices.

Exhibit 2

Galloway District Visit - action plan 2016/17

Issue identified	Management response Responsible officer and target date	Additional audit procedures
Audit findings		
<p>Vehicle, Machinery and Equipment (VME) asset verification</p> <p>We reviewed all assets on the Galloway VME asset register (total assets value £1.544M) to the information held on their DRIVE system (vehicle and equipment maintenance system).</p> <p>Three assets had been correctly removed from DRIVE but the changes have not yet been recorded in the asset register.</p> <p>There is a risk that the asset register is incomplete and the financial statements may contain misstatements.</p>	<p>There was a delay in the updating of the asset register which is undertaken by the FES team in Inverness. The three assets have now been removed from the asset register.</p> <p>Complete</p>	<p>Substantive testing of non-current assets as part of our year end audit.</p>
<p>Timber contracts</p> <p>14 contracts (12 live; 2 completed) were tested with the assistance of the FES Head of Office Operations. A separate report has already been issued by the Head of Operations in respect of their testing. We identified a number of similar issues including:</p> <ul style="list-style-type: none"> contracts neither signed nor dated contract file checklist not signed off as complete 	<p>There has been a high staff turnover in the South Scotland HM team and the audit has highlighted a number of weaknesses in procedures and record management that need to be addressed. The Area Operations manager will organise a training exercise for contract managers supported by the contract administrators. The focus of this event will be on contract procedures and record management ensuring that contract managers are fully aware of their responsibilities and delegated limits.</p>	<p>No further audit procedures planned.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures
<ul style="list-style-type: none"> the first despatch date was prior to the signing of the contract pre-commencement checklist not held on file and signed after the date of the first uplift manual random sample of despatches undertaken but not evidenced addendum for price change not signed contract extension documentation not on the file and reasons for extension not specific completion certificate was not countersigned by the AOM reason for a DRN rejection was not recorded on the SRP. <p>We also noted the Timber Security Guidance Booklet requires that standard risk contracts should have between 1.5% and 4% of despatches checked. The PIN check report for the district highlighted that 14 contracts had less than less than 1.5% of despatches checked.</p> <p>There is a risk of inappropriate payments as a result of incomplete contract documentation and insufficient level of random checks.</p>	<p>Follow up monitoring will take place by AOM 3 months after the training event to assess the effectiveness and level of compliance. This exercise will address the concerns raised in the audit and is programmed to take place during August 2017.</p> <p>Donna Mortimer, Head of Finance and Procurement</p> <p>31 December 2017</p>	
<p>Firewood contracts</p> <p>Our testing of five contracts noted that for three, firewood had been despatched prior to the conclusion of the contract.</p> <p>There is a risk of inappropriate payments made in relation to firewood contracts.</p>	<p>As above</p> <p>Donna Mortimer, Head of Finance and Procurement</p> <p>31 December 2017</p>	<p>No further audit procedures planned.</p>
<p>Source: Audit Scotland</p>		

34. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

Forestry Commission Scotland / Forest Enterprise Scotland

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