



FORESTRY AND LAND SCOTLAND AUDIT AND RISK COMMITTEE

11am, 10 June 2024, Apex 1 (Fleming Room) & MS Teams

Present:

Members: Mark Pountain (MP), Chair, Non-Exec
Clea Warner (CW), Non-Exec
Therese O’Donnell (TO), Non-Exec
Jo O’Hara (JO), Non-Exec
Lyndon Jones (LJ), Non-Exec

Attendees: Kevin Quinlan (KQ), Chief Executive, FLS
Michael Hymers (MH), Director of Corporate Services, FLS
Donna Mortimer (DM), Chief Financial Officer, FLS
Jennie Smith (JS), Deputy Head of Finance, FLS
Rhonda Salmond (RS), Change Manager, FLS
Kate Moffat (KM), Head of Internal Audit, SGIAD
Alison Thomson (AT), Internal Audit, SGIAD
Hannah McKellar (HM), Grant Thornton UK LLP (External Audit)
Angela Pieri (AP), Grant Thornton UK LLP (External Audit)
Sophia Christopoulos (SC), Secretariat Assistant, FLS (Minutes)

Apologies: Iain Gray (IG), Senior Financial Accountant, FLS

Action Point Summary:

Action Point Ref	Description	Status	Owner
02/2020	ASPEN Project Update.	Open	Donna Mortimer
09/2024	RS to provide an update on risk management improvement opportunities, alongside the annual review of the Risk Appetite Statement at the next ARC meeting.	Open	Rhonda Salmond
10/2024	JS to incorporate feedback from the Non Executives regarding the draft Annual Report & Accounts.	Open	Jennie Smith
11/2024	MH to ensure consistency in the key risks identified in the draft Annual Report & Accounts.	Open	Michael Hymers

12/2024	JS to liaise with the valuer and provide a summary report explaining the rationale behind changes to valuations.	Open	Jennie Smith
13/2024	DM and AP to schedule interim ARC meeting for late July/early August 2024.	Open	Donna Mortimer
14/2024	RS to incorporate feedback from the Non-Executives and the Chief Executive regarding the draft Audit Tracker.	Open	Rhondda Salmond

1. PRELIMINARIES/INTRODUCTIONS

MP welcomed everyone to the FLS Audit and Risk Committee (ARC), introducing those present and outlined the agenda.

Conflict of Interests

There were no conflicts of interests declared.

2. MINUTES OF LAST MEETING AND ACTION POINTS

The ARC members agreed that the minutes were a fair and accurate record of the meeting held on 11 March 2024.

Matters Arising

It was agreed that Action Points 02/2024, 03/2024, 04/2024, 05/2024, 06/2024, 07/2024 and 08/2024 were closed. The following Action Point was discussed:

02/2020 – ASPEN Project Update: DM and MH provided an update, explaining that ASPEN is now at the implementation phase. MH reflected on the emerging and ongoing risks this poses to the organisation, particularly in terms of delivery and timing. He provided assurance that the Digital Team are currently exploring how the integration of ASPEN with pre-existing systems may impact timescales. Scenario planning has also been undertaken to manage the risks.

3. 2023/24 ANNUAL REPORT & ACCOUNTS

3a. FLS Progress Update

DM provided an overview, crediting the Corporate Services Team and the Finance Team for their hard work to meet deadlines and deliver the draft Annual Report & Accounts (AR&A) within the agreed timeline to enable the audit to commence. She acknowledged the challenges around workload, namely that a number of the same members of staff are involved in the AR&A and the ASPEN Project. She requested any substantive comments on the AR&A by Friday 14th June 2024. She outlined the current financial situation, highlighting achievements over the past financial year, and plans to start the next version of the Corporate Plan, before handing over to JS.

JS provided a more detailed overview of the draft AR&A, highlighting several key areas. She noted that the total income and total expenditure are affected by capital resources. Analysis of performance indicates that the two primary streams of income, timber and renewables, both

performed relatively well this year. With regards to timber, this was the second highest year for timber volume since FLS was formed, however it was the second lowest for income. She acknowledged that there is a national issue with regards to obtaining pension information from MyCSP. The auditors are aware of this and the information will be fed into the draft AR&A as soon as it becomes available. She highlighted that FLS has a new valuer this year and, due to his different approach, this has impacted the valuations of biological assets. The ARC reflected on the figures and KQ requested a summary report of the valuer's methodology.

The Non-Executives provided verbal feedback on the draft AR&A. JO sought clarity on the key risks identified in the report as there appeared to be some inconsistency. TO advised that a stronger narrative, which more accurately reflects the financial sustainability of the organisation, needs to be developed. JO added that more emphasis could be given to the challenges the organisation has overcome the past year and that the framing around transformational change could be improved. CW also stated that more context is needed around delivery of KPIs. The ARC reflected on the purpose of the draft AR&A and its audience, commenting on the various lenses through which the data can be articulated. DM stressed that the focus of the document is adhering to the Financial Reporting Manual (FRM) requirements, as this is the focus of the audit.

Actions:

10/2024: JS to incorporate feedback from the Non-Executives regarding the draft Annual Report & Accounts.

11/2024: MH to ensure consistency in the key risks identified in the draft Annual Report & Accounts.

12/2024: JS to liaise with the valuer and provide a summary report explaining the rationale behind changes to valuations.

4. EXTERNAL AUDIT

4a. Grant Thornton Audit Plan and Matters Arising

AP provided a reminder of the Audit Plan, which was also presented to the ARC in March 2024. This remains much the same, with work focused on financial sustainability.

HM provided further detail and projected forward to the final accounts. She explained that top up samples from interim testing have been issued as well as a letter issued to the valuers as per the requirements of the International Standards on Auditing (ISA). The next stage involves a review of the accounts, casting checks and the FRM disclosure checklists. There will also be a follow-up on the previous year's audit recommendations.

HM and AP reflected on the challenges experienced last year and assured the ARC that while current progress is on track, any delays will be escalated immediately.

Actions:

13/2024: DM and AP to schedule interim ARC meeting for late July/early August 2024.

5. BREAK

6. INTERNAL AUDIT

6a. Internal Audit – Annual Assurance 2023/24

KM presented the paper, highlighting that the assurance opinion for this year is limited. This is the same as the previous year due to recurring themes arising. She noted that these themes will take time to change as these are core fundamentals of the organisation.

KQ thanked Internal Audit for their hard work, acknowledging the actions that need to be taken forward. MH added that KQ has initiated a review of the Annual Assurance Framework so that it better addresses the needs of the organisation, including reflecting audit recommendations from Internal Audit reports.

6b. Internal Audit – Progress Report

AT provided an update on this; the fieldwork for the HR Recruitment and Retention review is almost complete and a report with the outcomes will be presented at the next ARC meeting. Work is currently underway on the Regional Management review, with visits scheduled to each of the regions and the National Office up to the end of this year. This review will cover similar aspects to last year. AT explained that linkage between the national and regional offices are also within the remit of this review. As this is a lengthy audit, the outcomes of this will not be available until next year. KM noted that each region will receive formal feedback at the end of each visit and that these can be distributed to the Executive Team if requested.

JO enquired about KM's role in the ASPEN Project and any lessons learnt. KM responded that she has provided written and verbal input, offering feedback and knowledge from her prior experience in similar projects. MH added that this project is also undergoing SG's digital assurance process, and is therefore receiving extensive feedback from Internal Audit. The current obstacles that ASPEN is facing are typical for a digital project of this nature.

TO sought clarity on how Internal Audit verify that their recommendations are implemented. KM responded that only high and medium priority items are followed up on, including reviewing evidence, and if these are found to not be fully implemented then the risk is returned to management. She explained that the decision lies with the Accountable Officer as to whether an action is fully implemented and therefore complete.

KQ requested Internal Audit's input in the Transformation Programme in an advisory capacity and stated he would provide further detail at the next ARC meeting.

6c. Audit Recommendations and Actions – Progress Update

MP thanked RS for the draft Audit Tracker; the Non-Executives all agreed that this provided a very helpful summary. MP highlighted the need to include sufficient information in the document so that ARC members can provide constructive challenge and support but to ensure this does not become burdensome or duplicate work elsewhere.

KQ sought clarity on whether this document would be the primary tool by which to track audit actions. RS responded that this is an exploratory piece currently and that further discussion is required as to who has visibility of this and the level of detail required. However, the intention is for this to be a live document so that action holders can update as necessary. KQ suggested adding additional columns to improve functionality and stated that he would discuss further with RS.

Actions:

14/2024: RS to incorporate feedback from the Non-Executives and Chief Executive regarding the draft Audit Tracker.

7. RISK

7a. FLS Risk Update

MP thanked RS for the Risk Register and opened the discussion to the ARC. RS noted that once clearer work streams have been identified from the Transformation Programme, she will look to embed these into the actions on the Risk Register.

MP sought clarity on whether the Accountable Officer had been briefed on the organisation's risk appetite. RS responded that SG have only recently released their risk appetite, and while FLS is going to use this as the starting point, they will adopt a slightly different approach. A session will be held with SG in August for them to review FLS's approach. Once this is complete, the Accountable Officer will be briefed in more detail. JO stressed the importance of benchmarking and evaluating the relative severity of risks, ensuring that these are understood within the context of FLS and SG. RS stated she would provide a verbal update on the outcome of the session at the next ARC meeting.

8. Annual Chair Report

MP reflected on his report, commenting on its objectives and recommendations. KQ thanked MP for the report, noting that it was balanced and comprehensive.

9. AOB

9a. Fraud Investigation Update

MH provided a high level overview of three potential fraud cases, two of which have concluded and one of which is ongoing. He discussed the outcomes and lessons learned, highlighting that these cases indicate improved rigour in identifying fraudulent activity as opposed to a general increase in fraud within the organisation. He commented that once ASPEN is implemented, and processes transition from manual to automated, this is likely to reduce the instances of fraud.

10. MEETING BETWEEN NON-EXECUTIVE ADVISORS AND EXTERNAL / INTERNAL AUDIT

A meeting was held after the ARC between the Non-Executives and Internal Audit.

11. CLOSE

The date of the next ARC meeting is 28th August 2024.