



**FORESTRY AND LAND SCOTLAND AUDIT AND RISK COMMITTEE**

**2pm, 27 November 2024, Apex 1 (Fleming Room) & MS Teams**

**Present:**

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

**Attendees:** Kevin Quinlan (KQ), Chief Executive, FLS  
Michael Hymers (MH), Director of Corporate Services, FLS  
Donna Mortimer (DM), Chief Financial Officer, FLS  
Iain Gray (IG), Senior Financial Accountant, FLS  
Kate Moffat (KM), Head of 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:** Rhondda Salmond (RS), Change Manager, FLS  
Alison Thomson (AT), Internal Audit, SGIAD

**Action Point Summary:**

Action Point Ref	Description	Status	Owner
02/2020	ASPEN Project Update.	Open	Donna Mortimer
15/2024	JS to request index of valuations from valuers.	Open	Iain Gray
17/2024	AT to investigate revenue leakage as part of the Internal Audit report if resources allow.	Closed	Alison Thomson
18/2024	AT to consider amalgamating recommendations in future reports where possible.	Closed	Alison Thomson
19/2024	MH to create joint action tracker with Internal Audit, ensuring these	Open	Michael Hymers

	accurately align in content and format.		
20/2024	RS to consider approach to review Risk Management and present as Deep Dive theme at next meeting.	Open	Rhondda Salmond
21/2024	MH to provide monthly updates on the ASPEN Project to the Non-Executives.	Open	Michael Hymers
22/2024	Grant Thornton to present FY 25/26 Audit Plan at the next ARC meeting.	Open	Angela Pieri
23/2024	LJ to consider areas for improvement in the questionnaire for ARC self-evaluation.	Open	Lyndon Jones

## 1. PRELIMINARIES/INTRODUCTIONS

LJ welcomed everyone to the FLS Audit and Risk Committee (ARC), introduced 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 3 September 2024.

### Matters Arising

It was agreed that Action Points 09/2024, 16/2024, 17/2024, 18/2024 were closed. The following Action Points were discussed.

**20/2024 – Risk Management Deep Dive:** MH provided an update, explaining that a workshop was held recently involving Scottish Government (SG) colleagues. Further clarity on SG’s approach to risk and risk appetite is needed before FLS can present their revised approach to the ARC. As a result, this Deep Dive will now be held in March 2025.

**15/2024 – Valuations:** JO sought clarity on the valuations. DM responded that she will request an update from Jennie Smith, Acting Deputy Head of Finance, and that ownership of this action be transferred to IG.

**17/2024 – Revenue Leakage:** KM noted that while their audit will highlight if there is any revenue leakage, the report will not provide quantities. KQ agreed to close this action and raise again if necessary.

**18/2024 – Amalgamating Recommendations:** KM agreed that this will be taken into consideration in future reports, however she highlighted that this exercise is performed currently to an extent. Previous recommendations will be reviewed so as to identify any linkages or shared themes with current recommendations. Where recommendations cannot be

combined, the rationale of this will be articulated in the narrative of the report. This action was subsequently closed.

**19/2024 – Joint Tracker:** MH reinforced the importance of this action, namely the need to retain oversight of all actions and not view them in isolation. He noted that FLS met with Internal Audit the week prior and aim to be using the revised action tracker by March 2025. He added that an update will be shared with the ARC members ahead of the next meeting.

### **3. FORWARD PLANNING**

#### **3a. Annual Report and Accounts 24/25 – Discussion on Format Changes**

DM introduced the paper and outlined the rationale behind reformatting the Annual Report and Accounts (ARA). She highlighted the importance of aligning the financial accounts with management accounts so as to ensure consistent narratives across the board, noting that the ARA is made publicly available.

IG provided an overview of the proposed changes and their purpose, explaining that the key aim is to simplify the process in order to reduce the time and effort required to produce the ARA whilst also adhering to the Financial Reporting Manual (FRM) guidelines. This includes simplifying the Statement of Comprehensive Net Expenditure (SoCNE) and developing a continuous narrative throughout the ARA. The narrative will focus particularly on value streams, with supplementary reporting broadened out to more clearly present the income and expenditure within each value stream. KQ highlighted the merits of this segmented reporting, which will allow comparisons to be made to previous years and invite further scrutiny.

AP and HM welcomed these changes and the early dialogue. They noted that the figures from the previous year will need to be restated once the revised format of the SoCNE is agreed, which will impact their planning for the coming year. HM added that these restated figures can be published as part of the ARA for FY 24/25.

JO advised that consideration should be given to the number of value streams and whether to integrate or separate certain streams. She also highlighted a possible area for confusion and duplication in Appendix 7, wherein the columns and rows have the same titles. KQ responded to the first point, outlining the benefits of separating out value streams as opposed to integrating. This will better reflect the organisation's activities and their respective performance.

TO sought clarity on whether the format changes will still encompass all the necessary information or if this will have to be represented elsewhere. KQ responded that the changes will more closely align the ARA with internal management accounts and financial accounts, therefore avoiding duplication. MH added that recent changes to internal reporting have generated different discussions at regional level, which have proved insightful, and he anticipates similar benefits will be realised with changes to the ARA. DM requested input from LJ on segmental reporting as the work continues.

LJ concluded that the proposed changes to the format of the ARA are approved, acknowledging that certain aspects need to be taken forward in a timely manner so as to minimise impact on Grant Thornton's timelines.

### **4. RISK**

#### **4a. New/Emerging Business and Potential Risks**

KQ provided an overview of the external and internal risks to the business. The external risks primarily revolve around the volatility of the timber market, particularly in the pallet industry, and the factors influencing market conditions. These factors include cost pressure resulting from inflation and changes to National Insurance contributions. By contrast, the renewables market shows potential, however KQ noted that work is underway to model projections and develop more reliable income forecasting within the organisation. He noted that financial support from SG remains positive, with similar levels of support for Atlantic Rainforest Restoration, Peatland Restoration and Woodland Creation alongside an Annual Subsidy Limit of £17.6m. The internal risks include; establishing a coherent transformation programme with clear dependencies and priorities identified, whilst adhering to restrictions around resourcing from SG; capacity constraints in the Procurement Team, particularly as there is increased demand from various programmes; Workforce Planning and the reduced working week compounding concerns around productivity; and the ASPEN Project though further detail will be provided on this in agenda item 4b.

LJ thanked KQ for the comprehensive overview, seeking further insight into the risk appetite for renewables and how this is regarded within the organisation. KQ responded that while timber is viewed as the priority, there is a drive to focus efforts on renewables and establish a dedicated resource that can complement current timber operations. MH added that from an operational perspective, renewables are regarded as beneficial in terms of expediting schemes and scaling up operations.

JO queried the ASL, with MH confirming that this would cover National Insurance and living wage increases.

#### **4b. FLS Risk Register and Update**

This agenda item was used to discuss the ASPEN Project and associated risks. MH gave a presentation, providing background and an update on progress. As the project is approaching the 'go-live' date in April 2025, the ASPEN Team sought additional feedback from the Digital Assurance Team at SG. They gave an overall rating of amber/red for the 'go-live' date, citing strategic issues and outlining a number of recommendations as part of their review. These include:

- Clearly aligning the project with the business, and ensuring the latter is accommodating the former.
- Establishing the Minimal Viable Product (MVP).
- Improving communications to support staff engagement, providing early sight of the project via the Model Office and training staff on new ways of working.
- ASPEN Team to share supporting materials with the Finance Team to enable project delivery.
- Executive Leadership Team (ELT) to consider portfolio approach to delivery, ensuring clear priorities and consistency.
- ASPEN Team to create 'go-live' check list for the Project Board and ELT.

As part of the agreed next steps, MH explained that as Senior Responsible Owner (SRO), he would be reprioritising his time to focus on the project. He emphasised the importance of acting

on the above recommendations and allocating resources appropriately; a clear implementation plan will be brought to the ELT meeting on 18 December 2024.

LJ thanked MH for the update, noting the possible implications on timelines given the review outcome. MP highlighted the significance of the ELT's role and the criticality of communication. He also stressed the need to identify fallback options, particularly in terms of reliance on existing and legacy systems. JO added that a clear distinction must be made in communications regarding the MVP, that this does not entail de-scoping but is instead about risk mitigation of the 'no-go' decision.

LJ requested that MH provide regular updates on the ASPEN Project before the next ARC meeting. As the ASPEN Project Board meets every month, MH agreed to do this on a monthly basis.

**Action:**

**21/2024: MH to provide monthly updates on the ASPEN Project to the Non-Executives.**

**5. BREAK**

**6. AUDIT**

**6a. External Audit – Update**

LJ sought clarity on the status of Grant Thornton's Audit Plan and when the ARC can expect this to be presented. DM responded that discussions have begun on this, with different timetables proposed so as to alleviate pressure on the Finance Team throughout the year, such as during the implementation of ASPEN. AP commented that there are deadlines which cannot be readily moved without having an adverse impact on other clients. Despite this she identified three possible alternatives for the Audit Plan. The ARC agreed that these options should be explored out with this meeting, with achievability, risks and implications identified. LJ requested that the Audit Plan be brought to the next ARC meeting.

**Action:**

**22/2024: Grant Thornton to present FY 25/26 Audit Plan at the next ARC meeting.**

**6b. Internal Audit – Progress Report FY 24/25**

KM provided an update on the report, noting that all regional visits are now complete with the National Office outstanding. The team have begun to collate emerging findings so as to release these promptly. The cyber security audit is complete, the outcome of which was very positive, and is currently pending responses from management. Planning for the harvesting and timber audit has commenced and is also on track.

With regards to Internal Audit's planning for the coming year, KM noted that meetings have been scheduled to agree this and commission emails sent to the relevant colleagues. She sought clarity on what discussions have been held internally. MH responded that the ELT are reflecting on feedback from previous audits and considering areas of concern, before raising with Internal Audit. KQ added that he will be meeting with KM in December.

**6c. Audit Recommendations and Actions – Progress Update**

LJ thanked everyone for their efforts in closing actions. MH highlighted that the cyber security audit report was not brought to this meeting as FLS management are still reviewing the recommendations and ensuring that the timescales are achievable. This reflects an overall improvement in the rigour with which audit recommendations and actions are evaluated, with more focus on accountability and a more coordinated approach with assurance.

## **7. AOB**

### **7a. Discussion on Proposal for ARC Self-evaluation**

LJ advised that an ARC self-evaluation is considered best practice across SG, explaining that he has developed a questionnaire with support from RS. He sought feedback from the other Non-Executives as to their views on the self-evaluation from the previous year and how this could be improved upon. JO identified that this is an opportunity to reflect on the ARC's role and purpose and what impact it is having on the organisation. TO added that this also serves as a way of tracking improvement and the importance of utilising the results.

#### **Action:**

***23/2024: LJ to consider areas for improvement in the questionnaire for ARC self-evaluation.***

### **7b. Future ARC Meetings**

SC sought feedback on the format of today's meetings as this was the first time that both the ARC and Strategic Advisory Board (SAB) meetings have been held on the same date. LJ highlighted the need to maintain boundaries between the ARC and SAB meetings to avoid duplication. CW and TO raised concerns for those joining via Teams but noted that it was more convenient from a travel perspective. JO suggested alternating the locations of these meetings between different FLS offices so as to provide an opportunity to engage with other teams across the organisation.

KQ advised that the SAB meetings should be held in step with the organisation's strategy in order to add value, proposing that fewer SAB meetings are needed throughout the year. He requested that the SAB in April be cancelled.

The ARC agreed to hold the ARC and SAB meetings in June on the same date, before revisiting.

### **7c. Mark Pountain End of Service**

As this was MP's final ARC meeting, LJ and KQ thanked him for his service and dedication to FLS. MP thanked everyone in return, reflecting on his role and expressing his support for the organisation.

## **8. MEETING BETWEEN NON-EXECUTIVE ADVISORS AND EXTERNAL / INTERNAL AUDIT**

This meeting was held but not minuted.

## **10. CLOSE**

The date of the next ARC meeting is 5 March 2025.