

# Forestry Commission Scotland

Report on the 2007/08 Audit



September 2008

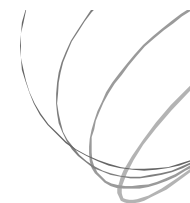


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# Contents

<b>Executive Summary</b>	<b>1</b>	<b>Governance</b>	<b>8</b>
<b>Introduction</b>	<b>3</b>	<b>Performance Management</b>	<b>13</b>
<b>Financial Position</b>	<b>4</b>	<b>Looking Forward</b>	<b>16</b>



# Executive Summary

## Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by Forestry Commission Scotland (FCS). We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

## Financial Position

FCS Statement of Parliamentary Supply shows a net resource of 96.260 million with a net cash requirement of £71.247 million. These were within the budgets set by the Scottish Parliament of £98.402 million and £74.649 million respectively.

FCS has a proposed 2008/09 budget of £90.3 million and net cash requirement of £72.2 million. Funding for FCS for 2009/10 and 2010/11 has been set at £93.7 million and £96.4 million respectively. FCS has highlighted a number of risks to achieving the resource budget for 2008/09 and is also required to make a 2% per annum cash releasing efficiency savings in the next three years' budget settlement. These will be challenging targets for FCS to achieve and we will continue to keep developments in this area under review.

## Financial Statements

We have given an unqualified opinion on the financial statements of Forestry Commission Scotland for 2007/08. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

The vacant post of financial accountant within FAS with responsibility for preparation of the financial statements resulted in delays in the submission of accounts for audit and associated working papers. Accounts were submitted for audit substantially later than set out in the agreed timetable. FCS accounts were due on 16 May, but were not provided until 3 June. As a result of this delay, we were unable to provide our opinion to the Audit and Risk Committee on 24 June 2008 as timetabled. An early review meeting is planned between auditors and finance staff to review the 2007/08 accounts process and identify areas for improvement to the process for 2008/09. This will support the development of an achievable timetable for the 2008/09 financial statements.

## Performance

The Scottish Government's Forestry Strategy makes a commitment to the publication of implementation plans which will help deliver the strategy during the period of the plan. Ministers have asked FCS to 'champion' the implementation of this strategy. The first Implementation Plan was published in March



2007. This set out the actions which the 46 action partners (including FCS) agreed to deliver in the first year. In March 2008, FCS published a progress report which records that 86% of the actions have been achieved and that indicator development is well underway.

## **Best Value**

Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. The specific focus for FCS for 2007/08 was a self assessment using the Financial Management toolkit which examined the leadership capacity within the organisation and the quality of plans and strategies in place to generate performance improvements in this area. FCS has generally rated itself as an improving organisation over the five key themes which make up effective financial management and has identified a number of areas for improvement. This is an area we will keep under review during 2008/09.

## **Governance**

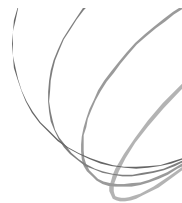
Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for FCS operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

## **Looking forward**

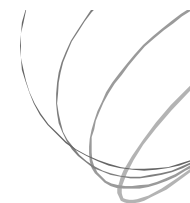
The final part of our report notes some key risk areas for FCS going forward. We have highlighted a number of national issues which affect all public sector bodies including FCS, including the introduction of Scotland Performs; the impact of international financial reporting standards; and the review of data handling arrangement in public bodies across Scotland. FCS also faces significant financial pressure in achieving the resource budget for 2008/09 and beyond. We will continue to monitor FCS's financial planning arrangements and financial position.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.



# Introduction

1. This report summarises the findings from our 2007/08 audit of FCS. The scope of the audit was set out in our Audit Plan, which was presented to the Audit and Risk Committee on 5 March 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response.
3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of FCS during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# Financial Position

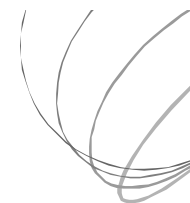
4. In this section we summarise key outcomes from our audit of FCS financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

5. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position of FCS and its expenditure and income for the period in question;
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
  - the consistency of the information which comprises the Management Commentary, Corporate Social Responsibility and Leadership and Governance included in the Annual Report, is consistent with the financial statements
  - the regularity of the expenditure and receipts.
6. We also review the statement on internal control by:
  - considering the adequacy of the process put in place by the chief executive as accountable officer to obtain assurances on systems of internal control
  - assessing whether disclosures in the statement are consistent with our knowledge of FCS.

## Overall conclusion

7. We have given an unqualified opinion on the financial statements of FCS for 2007/08.
8. The vacant post of financial accountant within FAS with responsibility for preparation of the financial statements resulted in delays in the submission of accounts for audit and associated working papers. Accounts were submitted for audit substantially later than set out in the agreed timetable. FCS accounts were due on 16 May, but were not provided until the 3 June. As a result of this delay, we were unable to provide our opinion to the Audit and Risk Committee on 24 June 2008 as timetabled. Our opinion was provided to the Audit and Risk Committee per an agreed revised timetable date of 4 July 2008.



## Financial Position

### Outturn 2007/08

9. FCS is required to work within the resource budget set by the Scottish Government. FCS Statement of Parliamentary Supply shows a net resource (total operating and capital resources) of £96.260 million with a net cash requirement of £71.247 million. These were within the budgets set by the Scottish Parliament of £98.402 million and £74.649 million respectively. The cash balance of £3.402 million will be repaid to the Scottish Government during 2008/09.
10. The Operating Cost Statement shows a net operating cost of £90.6 million. The most significant elements of the operating costs were the programme expenditure on grants paid to woodland owners of £26.6 million, the cost of capital of £23.3 million and the deficit resource funding of Forest Enterprise Scotland (FES) of £30.8 million.

### 2008/09 Budget

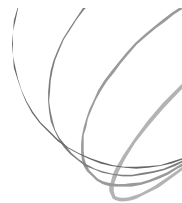
11. Scottish Ministers have agreed budgets for FCS of £90.3 million for 2008/09 (£84.0 million 2007/08). This comprises:
  - Woodland Grants £28.0 million
  - Programme costs of £19.6 million
  - Capital charges of £18.1 million
  - Policy Regulation and Administration ££8.6 million
  - Forest Enterprise Scotland funding of £23.0 million
  - Co-financing receipts from the EC of £7.0 million.
12. FCS has highlighted the following risks to achieving the resource budget:
  - the potential negative impact of the substantial price increase of fuel on operational costs and future timber prices
  - difficulties faced in getting the full Rural Development Contract (RDC) processing system in place.
13. Funding for FCS for 2009/10 and 2010/11 has been set at £93.7 million and £96.4 million respectively. We will continue to monitor the financial position and the actions taken by FCS to manage these risks



14. The application of International Financial Reporting and Accounting Standards (IFRS) to central government bodies from 1 April 2009 and the production of shadow accounts for 2008/09 will lead to changes in the way the accounts are presented. In particular the way in which the Forestry Commission accounts for its estate and land assets will change, impacting on the financial statements and financial planning. By way of example, presently, the Forestry Commission does not separately account for trees (biological assets). Such assets are included within Land values (Forest Estate category), which includes bare land, any trees growing on it and roads, and are valued under an existing use basis. Under IAS 41, trees will require to be measured on initial recognition and at each balance sheet date at fair value. Fair value measurement stops at harvest, from which point IAS 2 *Inventories* applies. The introduction of the accounting changes will require forward planning to anticipate restatement issues and to feed into financial plans. We will continue to work with FCS to support the introduction of IFRS.

## Issues arising from the audit

15. As required by auditing standards we reported to the Audit and Risk Committee on 4 July 2008 the main issues arising from our audit of the financial statements. The key issues reported were:
16. **Submission of the accounts for audit** – we highlighted in our Audit Plan that the main risk to our completion timetable was that the financial accountant within FAS with responsibility for preparation of the financial statements had recently resigned. We identified that this increased the risk of slippage in submission deadlines and the risk of a reduction in the quality of account schedules. As outlined at para 8 above, the vacant post of financial accountant resulted in delays in the submission of accounts for audit and associated working papers.
17. **Preparation of the accounts** – There are a number of processes which feature as year end procedures for preparing the accounts. Many of these tasks, in particular accounting for the forest estate involve a number of complex systems that have to be brought together at the year end in order to determine the balance sheet values. As one lead officer carries out the majority of the detailed work in relation to the forest estate and other land valuations, there is a significant risk to the delivery of the accounts, contributing to delays and difficulty in achieving the accounts timetable.
18. An early review meeting is planned between auditors and finance staff to review the 2007/08 accounts process and identify areas for improvement to the process for 2008/09. This will support the development of an achievable timetable for the 2008/09 financial statements.
19. **Forest Estate Valuations** - As outlined at para 17 above, estate valuations are mainly completed by the Head of Finance based in Silvan House with no provision for detailed internal reviews of the processes or outputs. We understand that FES personnel were engaged in this year's exercise

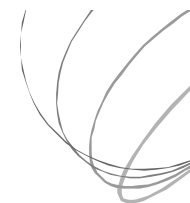


however we consider that the work should be delegated further with specific training for experienced finance staff to allow for senior management and separate review by the Head of Finance.

20. **Forest Holidays** - In May 2006, the Forestry Commission entered into a joint venture with the Camping and Caravanning Club to take over management of its Forest Holidays business. The National Audit Office have undertaken work on the accounting treatment of Forest Holidays Land and Buildings as part of our group audit arrangements and provided assurance that the partnership is one of a fixed asset investment within FES.
21. **Forest Estate and Other Land** – The estate valuation includes land planted in previous years that surveyors have indicated should not be valued as forest land. FAS therefore adjust the results of the base calculation by an amount that values this land at the average bare land values. Our review identified, however, that the bare land value applied in the calculation for the current year was incorrect, resulting in overstatement of £3,158,000 in the estate value and an overstatement in the revaluation reserve. Changes were made to the final version of the accounts to correct this error.

## Regularity Assertion

22. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.



# Governance

## Overview of arrangements

23. This section sets out our main findings arising from our review of Forestry Commission Scotland governance arrangements. This year we reviewed:
- key systems of internal control
  - internal audit
  - aspects of information and communications technology (ICT).
24. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 8-9). Our overall conclusion is that arrangements within FCS are sound and have operated through 2007/08.

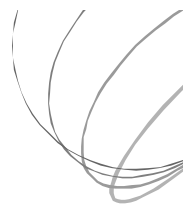
## Shared services and common account areas

25. In the interests of an efficient audit approach, Audit Scotland is best placed to complete audit testing on common systems and accounts required at FC Headquarters in Edinburgh, for the audit of the Forestry Commission England, Wales & Great Britain financial statements. This also includes any audit coverage in the Mechanical Engineering Services, Forestry Civil Engineering and Plant and Seed Supply. This approach allows the National Audit Office and Wales Audit Office to focus their testing at Districts and Conservancies in England and Wales, together with testing the Forest Enterprise England and Forest Research accounts.
26. The arrangements are designed to:
- secure proper representation of the interests of the Comptroller and Auditor General, the Auditor General for Scotland and the Auditor General for Wales in forestry accounts laid before the respective Parliaments/Assembly
  - observe the public interest by delivering an efficient co-ordinated audit that avoids unnecessary duplication and expense
  - meet the Forestry Commission's expectation to deal with a single audit team wherever possible, given its single central accounting arrangements. Irrespective of the part played by different audit bodies, the audit should be integrated, resulting in a consistent audit view on accounting matters.
27. Audit Scotland carried out audit testing and provided assurance as agreed in detail with the other audit agencies for their 2007/08 accounts.



## Scottish Forestry Strategy

28. The Scottish Government's Forestry Strategy makes a commitment to the publication of implementation plans containing delivery milestones aligned to available resources. Ministers have asked FCS to 'champion' strategy implementation. Recognising the crosscutting nature of forestry, the Strategy is based on four key principles
- Sustainable development – underpinned by sustainable forest management.
  - Social inclusion – through helping to provide opportunities for all, and helping to build stronger communities.
  - Forestry for and with people.
  - Integration with other land users and businesses.
29. The first Implementation Plan was published in March 2007. This set out the actions which the 46 action partners (including FCS) agreed to deliver in the first year. In March 2008, FCS published a progress report which records that 86% of the actions have been achieved and that indicator development is well underway.
30. The Scottish Forestry Strategy implementation plan 2008/11 contains over 140 specific action points for 2008-09 based around seven key themes:
- Tackling climate change
  - Promotion of timber
  - Business development
  - Boosting community involvement
  - Environmental quality
  - Improving access and health
  - Enhancing biodiversity.
31. The 2008 Progress Report recognises that five key developments during 2007/08 will impact upon Strategy outcomes:
- The 2007 spending review which made additional resource provision for forestry, particularly in relation to new planting and the Strategic Timber Transport Fund
  - The new Scotland Rural Development Plan which aims to deliver more support for land-based industries
  - The more integrated approach to land use support being pioneered in the SEARS initiative



- In early 2008 FES published a suite of District Strategic Plans, and a National Framework Strategic Plan, for consultation. These lay out priorities and directions for future management of the national forest estate in accordance with the directions laid out in the Scottish Forestry Strategy
  - The Scottish Government's desire to see rates of woodland creation increase to around 10,000ha/year.
32. The Scottish Forestry Strategy identifies a set of indicators for each key theme. These indicators will be used to gauge progress over life of the current strategy. We will continue to monitor progress against the Strategy as part of our ongoing audit responsibilities.

## **Corporate Objectives**

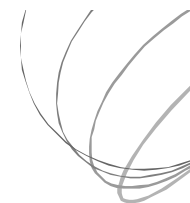
33. FCS published its corporate plan for 2008 – 2011 in April 2008. The plan records that the Scottish Forestry Strategy is the framework for taking forestry forward through the first half of the century and beyond. The plan also uses the seven themes identified in the strategy to identify priorities and set out the specific actions which FCS is taking over the period 2008-2011 to help achieve this vision.
34. The delivery of the corporate plan objectives will be particularly challenging given the key developments arising during 2007/08 (see para 30 above) and risks to achieving the resource budget during the period. This is an area we will keep under review during our appointment.

## **Systems of internal control**

35. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In her annual report for 2007/08 the head of internal audit provided her opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.
36. As part of our audit we reviewed the high level controls in a number of FCS systems that impact on the financial statements. Our overall conclusion was that key controls were operating effectively.

## **Prevention and detection of fraud and irregularities**

37. FCS has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.
38. FCS returned a nil fraud return for 2007-08 to Audit Scotland.



## Internal Audit

39. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit we assessed whether we could place reliance on the FCS internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in the following areas areas during 2007/08, as we anticipated in our annual audit plan.

- Scottish Forestry Grant Scheme/Woodland Grant Scheme
- Cash and Bank
- Government Procurement Card
- Salaries.

## Statement on Internal Control

40. The Statement on Internal Control provided by the FCS Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out FCS's approach to this.

41. The statement on Internal Control recognises that work will continue during 2008/09 to develop risk management and to produce Business Continuity Plans for business critical systems. However, the Accountable Officer has stated that he is satisfied that internal control within the FCS continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed.

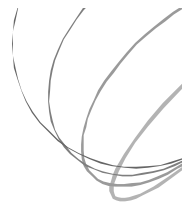
## Information and Communication Technology

### Application Systems Review

42. As part of our 2006/07 FCS audit, we carried out an Application Systems Review of the eFinancials system. The report arising from the review set out a number of risks to the organisation and identified scope for improvement in a number of areas. FCS agreed to action the identified risk areas within an appropriate timescale. During 2007/08 these areas have been revisited to determine whether the agreed actions have been taken.

43. Our follow-up review identified that FCS has implemented the following actions:

- system desktop instructions have been updated and provided to all staff



- user acceptance and data migration testing undertaken prior to the system upgrade to version 3.4 and Oracle 10g
- user accounts are monitored to ensure they are up to date and all terminations and transfers have been actioned timeously.

44. Despite the above-mentioned progress, the following actions remain outstanding:

- the archiving of historical data project is now planned to commence during 2009/10
- supplier maintenance procedures are now to be agreed and piloted by September 2008
- the single sign on project is delayed until the review of information services governance is completed
- business continuity plans are now to be formally documented and tested by December 2008.

We will continue to monitor progress made against those areas identified for improvement as part of our 2008/09 work.

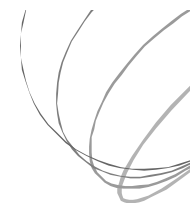
## **Computer Services Review**

45. As part of our 2006/07 FCS audit, we also carried out a Computer Services Review which identified scope for improvement in a number of areas. These areas were also revisited to determine whether the agreed actions have been taken.

46. Our follow-up review identified that FCS has undertaken a formal risk assessment of the Scottish Natural Heritage staff relocation to Silvan House. Our review also identified, however, that the following actions remain outstanding:

- ISO 27001 compliance project is now underway and will be completed by April 2009
- Strategy Development Programme including an updated IS Strategy will now be completed by April 2009
- Business Continuity Plans (BCP) are being developed throughout business areas and will be formally tested by December 2008.

47. We will continue to monitor progress made against those areas identified for improvement as part of our 2008/09 work:



# Performance Management

48. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
49. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

## Best Value developments

50. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
51. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
52. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources, and with an evolutionary implementation.
53. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
54. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment.



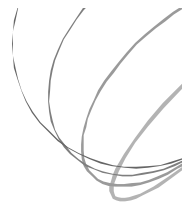
55. The specific focus for forestry for 2007/08 was a self assessment using the Financial Management toolkit. This toolkit examined the leadership capacity within the organisation and the quality of plans and strategies in place. Whilst FCS has generally rated itself as 'improving' over the five key themes of effective financial management, a number of areas for performance improvement have been identified, including:
- Preparation of monthly financial reports on a full accruals basis
  - the organisation's strategic measurable objectives to be integrated into performance management reporting and financial plan reporting mechanisms
  - a core competencies framework which includes financial skills is to be developed for progression through the organisation.
56. We will monitor progress made against those areas identified for improvement in the financial management study as part of our 2008/09 work.

## Efficiency

57. The FCS target for the Efficient Government Plan for the three years 2005/06 to 2007/08 was £7.1 million of cash-releasing savings. The actual savings notified to the Scottish Government as achieved to 31 March 2008 were £8.1 million of cash releasing savings.
58. In the next three years budget settlement, FCS is required to make a 2% per annum cash releasing efficiency savings. The 2% efficiency represents in the region of £2 million per annum. The FCS Delivery Plan for the 2008-11 Efficiency Programme records that it plans to sell those assets delivering least against Scottish Government objectives and reinvest the income (in excess of £10 million per annum for the next three years) on buying land and planting trees that better meet Scotland's needs.
59. The Delivery Plan also records that although FCS plan to sell around £15 million of assets per annum, there are risks attached to the programme which will arise from market conditions and also their ability to purchase and plant appropriate land using these released funds. The combined savings over the next three years are significantly greater than the 2% target set by the Scottish Government. These will be challenging targets for FCS to achieve and we will keep developments in this area under review during 2008/09.

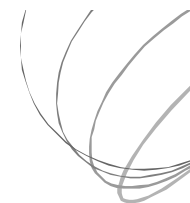
## Performance Management

60. The FCS corporate plan for 2008 – 2011 plan records that the Scottish Forestry Strategy is the framework for taking forestry forward through the first half of the century and beyond. The plan also



uses the seven themes identified in the strategy (see para 28) to identify priorities and set out the specific actions which FCS is taking over the period 2008-2011 to help achieve this vision.

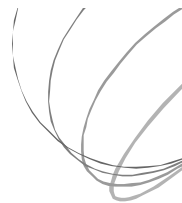
61. The corporate plan records that the difficulties inherent in measuring outcomes such as improved health and well being are significant and targets have not been set for each of the key objectives over a specified period. The Plan also records that FCS aim to move towards evaluating outcome measures and this is an area that has been identified for improvement (see para 46 above).
62. FES have specific Key Agency Targets developed from the range of key performance indicators included in their Framework Document. These are included in the FCS Annual Report and Accounts.
63. From April 2008, FCS introduced Accounting by Objectives into its financial planning system. The major change is that FCS we will be able to identify spend on country objectives. The system will capture costs by Scottish Forestry Strategy objectives which will summarise to country outcomes. In addition there is an automatic link to the Scottish Government's strategic objectives. This is an important development and one which we will keep under review during our appointment.



# Looking Forward

64. FCS faces a number of challenges in 2008/09, which include:

- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements has been provided by the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how FCS is addressing this developing area as part of the 2008/09 audit.
- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on estate and land assets, PFI, leases and infrastructure accounting. The challenge for FCS is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland, in response to failures in UK government bodies procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. An interim report published in April 2008 made some initial recommendations and a final report is expected soon. We will monitor FCS's response to the review and action taken as part of our 2008/09 audit.



- **Single environment and rural service (SEARS)** – This scheme to develop a closer, more efficient joint up approach of delivering the services of nine rural affairs departments was formally launched on the 20<sup>th</sup> June 2008 at the Royal Highland Show. FCS have played a key role in developing the service and we will monitor the impact on the delivery on FCS services in 2008/09.
- **Scottish Rural Development Programme (SRDP)** – New forestry grants are being introduced in 2008 as part of the new SRDP for 2007-2013. The rural programme will bring together a number of rural grants, including forestry grants, into an integrated system for rural support called Rural Development Contracts (RDC).