



FORESTRY AND LAND SCOTLAND AUDIT AND RISK COMMITTEE

12:30, 26 November 2025, Apex 1 (Burns Room) & MS Teams

Present:

Members: Lyndon Jones (LJ), Chair, Non-Exec
Jo O’Hara (JO), Non-Exec
Therese O’Donnell (TO), Non-Exec
Gio D’Allesio (GD), Non-Exec
Maf Smith (MS), Non-Exec
Nicola Gordon (NG), Non-Exec

Attendees: Kevin Quinlan (KQ), Chief Executive, FLS
Tom Greenan (TG), Director of Corporate Services & Transformation, FLS
Nicola McBain (NMcb), Director of Corporate Services & Transformation, FLS
Colin Buchanan (CB), Senior Finance Manager, FLS
Michael Hymers (MH), Head of Corporate Office, FLS
Iain Gray (IG), Senior Financial Accountant, FLS
Kate Moffat (KM), Head of Internal Audit, SGIAD
Lauren Banks (LB), Internal Audit, SGIAD
Joanne Exeter (JE), Grant Thornton UK LLP (External Audit)
Hannah McKellar (HM), Grant Thornton UK LLP (External Audit)
Matthew Henderson (MHe), Secretariat Assistant, FLS (Minute Taker)

Apologies: Graeme Prest (GP), Director of Land Management & Regions, FLS
Rhonda Salmond (RS), Change Manager, FLS

Action Point Summary:

Action Point Ref	Description	Status	Owner
06/2025	Confirm any major contracts between 10/25 and 01/26 and what the implementation date will be regarding Contract Tender Compliance.	Overdue (Update required by end of 2025)	Graeme Prest
09/2025	Transfer external audit recommendations to ARC action tracker.	Open	Michael Hymers
10/2025	Share Lessons Learned output with Non-Executives	Open	Michael Hymers

11/2025	Collaborate with IA to address overdue recommendations	Open	Michael Hymers
12/2025	Follow up/Update on RSPB issue showing red on issues log	Open	Michael Hymers
13/2025	Engage with Dave Exeter and GP on cyber security testing	Open	Gio D'Alessio
14/2025	Confirm deep dive topic (Best Value or Climate Change)	Open	Kevin Quinlan
15/2025	Update ARC Terms of Reference (Meeting Frequency)	Open	Rhondda Salmond

1. Preliminaries/introductions

LJ welcomed everyone to the FLS Audit and Risk Committee (ARC), noted apologies and welcomed the new Director of Corporate Services & Transformation to the committee.

Conflict of Interests

JO advised her husband has been appointed Director General of Net Zero, but after discussion with KQ and LJ, no issues/conflict identified.

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 23 September 2025.

Matters Arising

It was agreed that Action Points 21/2024, 07/2025, and 08/2025 were closed. The following Action Points were discussed:

AP 06/2025: This action is now outstanding and LJ has requested MH liaise with GP and provide the committee with an update before the end of the month.

3. Annual Report & Accounts FY 24/25

3a. FLS Overview

CB presented the final accounts, confirming no qualifications. TG highlighted that there is a bigger focus on ownership and completion of actions. To facilitate this, and better capture prior year actions not yet complete, NMcb suggested that they are pulled into the ARC action tracker.

Grant Thornton representatives explained there were some audit challenges, namely delays for various reasons, including late responses to queries, which impacted process efficiency. TG agreed there would be a lessons learned session and output would be shared with Non-Executives. There was also a brief discussion around efficiency and whether more of the process could happen in person to support and facilitate timely resolution of any issues/delays.

3b. External Audit – FLS Accounts FY 24/25: Annual Audit Draft Report

There are no changes in reporting standards for 24/25. External audit findings included: Prior period adjustment (£4.3m accrued income), segregation of duties risk (312 users posting journals), and corporate card review (248 active cards). Grant Thornton recommended condensed timelines and improved controls. There was a discussion around financial sustainability risk and recognition of the Fit for the Future programme, balanced scorecard, and three-year business plan development which will help mitigate the risk.

CB advised that the reduction of corporate cards is now complete for 24/25 and this will be reviewed annually and reduce as needed. TG explained that when building the three-year business plan, financial estimates are conservative and there are scenario tests being run around grants and commercial reduction, assessing what mitigations can be put in place as needed, and as appropriate depending on the severity of the situation.

The ARC formally approved signing of accounts.

AP 09/2025: Transfer external audit recommendations to ARC action tracker.

AP 10/2025: Share Lessons Learned output with Non-Executives.

4. Audit

4a. Internal Audit – Progress report

KM reported on Building Compliance Review (Reasonable Assurance, three medium recommendations) and Payroll Audit draft (Limited Assurance). ARC Members questioned root causes of the payroll issues; LB confirmed governance gaps and system limitations. The automation of the follow-up process is also progressing with a controlled pilot running through March 2026; FLS is acting as a test client. This aims to streamline how follow-up communications and responses are handled, while maintaining accountability and transparency.

KQ explained there are two overarching themes to the audit and its recommendations: the alignment between national and regional functions and having a coherent plan for sustainability.

4b. Audit Recommendations and Actions – Progress Update

Committee noted a number of overdue recommendations and actions within the Building Compliance review, including a portion which are overdue for longer than six months. While the number of overdue recommendations is an improvement since May, it is worse than September. Discussion emphasised realistic deadlines and stronger accountability. KM announced her retirement; Ian Burns to return as interim Head of Internal Audit; LB to continue as Audit Manager.

KM advised that the internal audit function within the Directorate for Internal Audit and Assurance are undergoing an External Quality Assessment (EQA) in line with Global Internal Audit Standards (GIAS). The outcomes of this will be communicated to the ARC in due course.

AP 11/2025: Corporate Office to collaborate with Internal Audit to address overdue recommendations.

5. BREAK

6. Risk

6a. New/emerging business and potential risks

KQ presented risk themes: **Political Economy** (improved ministerial engagement on farming and renewables), **Commercial** (timber market downturn, £3–4m income shortfall), and **Business Alignment** (10% headcount reduction by March 2028).

Brief discussion around recent visit to Coillte and their high investment in staff and technology, looking at end to end supply optimization. KQ advised that FLS are deep into the process of business and financial planning, which is challenging and they are mapping out how that will be delivered.

Supply chain potential risk highlighted: Christie's Fochabers nursery entering administration; contingency planning discussed. Members stressed diversification of suppliers. RSPB issue remains unresolved; MH to follow up with GP and JE.

AP 12/2025: Follow up/Update on RSPB issue showing red on issues log.

6b. FLS Risk Update

The Corporate Risk Register has been updated regarding Health and Safety following previous ARC meeting deep dive. There have been further discussions and tweaks to this in the last two weeks. LJ thanked RS and Jason Liggins for their work on this, and it is already showing as more useful than it was at previous ARC.

Discussion was had around other suppliers and the short term pressure that may arise while FLS and other suppliers deal with the vacuum. A key mitigation will be ensuring there are good lines of dialogue with customers and suppliers so if there are any financial difficulties, advanced/prioritised payments can be made, i.e. if FLS is their sole client. There is a concentration of supply risk which makes could make diversification more challenging. This is being taken into consideration when looking at regional suppliers.

AP 13/2025: Engage with Dave Exeter and GP on cyber security testing.

7. AOB

7a. Deep dive – Next Theme

Brief discussion around topic of next deep dive. ELT to take away the two options to confirm choice: Best Value framework and Climate Change adaptation and feed back to LJ.

AP 14/2025: Confirm deep dive topic (Best Value or Climate Change).

7b. Discussion on Proposal for ARC Self-evaluation

ARC agreed with proposal and the self-evaluation is planned for January – LJ and RS to draft questionnaire.

7c. ARC Updated Terms of Reference

Terms of Reference update required to reflect SG mandate for four meetings annually. The Chair's report confirmed ARC met remit, with a focus for next year on implementing audit recommendations.

AP 15/2025: Update ARC Terms of Reference (Meeting Frequency).

8. Meeting between non-executive advisors and external / internal audit

It was agreed this meeting was not needed on this occasion and was not held.

9. CLOSE

LJ concluded the meeting and thanked KM for her service and the Grant Thornton team for their audit support.

The date of the next ARC meeting is 21 May 2026.