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JOINT NATURE CONSERVATION COMMITTEE

**MEETING OF THE JNCC RESOURCES AND AUDIT SUB-GROUP, WEDNESDAY
6 AUGUST 2003**

Information Note by Tracey Quince

This paper provides a brief record of the August meeting of the Resources and Audit Sub-Committee

Present:

Deryck Steer
Katherine Bryan
Jan Pentreath
Marcus Yeo (for item 4)
Lynsey Bigger (for items 2, 3, 5 and 6)
Tracey Quince (minuting secretary)

Apologies: Andy Brown

1. Matters arising

- 1.1 DS noted that the Group was currently in a transitional phase due to the FMPR, an Audit Committee would eventually evolve once the new organisation was up and running.
- 1.2 KB asked whether the problems with PKF had been resolved. DS confirmed that the company were now meeting expectations and that JNCC had been proactive in managing the contract to meet JNCC's requirements.
- 1.3 KB asked whether the problems NAO had highlighted last year regarding the SIC had been resolved. DS confirmed that this year's Statement had been approved by NAO.
- 1.4 KB asked for clarification of the term 'overallocation' as it referred to the burden on our budget last year arising from the SNH and CCW payraises. DS clarified the meaning and confirmed that each year JNCC has an overallocation which is managed to allow for slippage in ongoing projects
- 1.5 KB asked whether the problems with the Brussels office had been resolved. DS confirmed that a H&S policy had been developed and a visit undertaken.

2. Internal audit and risk

Update on progress of 2003/04 internal audit programme

- 2.1 DS updated the Group on the progress so far. KB asked whether a management cycle had been formulated where the risk register informs the audit programme and in turn produces a management action list to address the risk. DS confirmed that accountability issues make this difficult at present but that we were currently working towards the management cycle as explained. JP noted that once such a cycle existed the Group should monitor the progress and efficiency of the work undertaken. JP asked that JNCC be pro-active with the implementation of a management cycle. KB noted that Committee would need assurance that the management cycle was working effectively and the Group would provide this assurance through its work. KB noted that we were achieving good results from current systems but that these systems would be refined once accountability arrangements had been resolved.

Update on risk work

- 2.2 LB gave a review of the work on the risk registers so far. She confirmed that a table of control improvements had been drawn up to deal with priority risks. LB reported that a workshop to review the risk registers had been held. The review workshop had resulted in amendment to some of the risk descriptions, merging of similar risks and alterations to the scores in light of these changes. She confirmed that the top risks were insufficient funds to meet objectives and loss of key scientific information or failure to maintain datasets. The revised risk registers will be presented to Management Team who will be asked to prioritise the control improvements.
- 2.3 JP asked whether it was possible to use scores of 1-5 instead of 0-5. LB confirmed that JNCC had followed Treasury guidance but we could consider making a change to the use of scores if it was felt this would be appropriate. He asked whether the risks could be grouped by the following categories; general (those risks faced by every organisation); corporate body and JNCC risks.
- 2.4 LB reported that the next stage would be embedding the risk within the organisation, and that work was underway to achieve this stage
- 2.5 KB agreed with JP that the main priority risks should be clearly identified and that it would be helpful to add an additional column titled timescale so the Group could monitor whether timescales for achieving control improvements were met. DS confirmed that it would be possible to do this feeding in timescales from the corporate plan.
- 2.6 KB asked that B2 be looked at again as the zero score for likelihood seemed too low. She asked that the FMPR risks be fed into the risk registers at an appropriate time. LB confirmed that the intention was for the FMPR risks and organisational risks to be linked.

- 2.7 KB confirmed that good progress had been made on the risk registers but these would be refined over time to make them even better.
Action: Members to e-mail comments on the risk registers to LB

Statement of Internal Control (SIC)

- 2.8 DS confirmed that the SIC had been completed for this year using new Treasury guidance.
- 2.9 KB asked that the key performance and risk indicators (as described on pg 2) when devised, should come to the Group for discussion and then to Committee

FMPR Audit Report

- 2.10 DS reported the background to this report. DS had requested PKF to provide a document detailing the pitfalls of setting up a new organisation. The initial document provided had been project review which was not required. The report as tabled is a refined version of the initial document, taking into account our request. DS confirmed that JNCC had formally responded to the draft report and a final version was awaited. This would be sent to the FMPR sub-group for information.

3. External Audit

- 3.1 DS reported that two letters are currently received from National Audit Office. The NAO management letter gives a strategic formal view of how we performing and it is this letter which is forwarded to the Audit Committee. The operational letter is generally sent to the respective accountants for implementation of the recommendations held within. Following discussion with NAO at the wash-up meeting, 4 items out of nine had been removed. The 5 items remaining were:

- Communication between JNCC and EN accountants
- Disclosure of related party transactions
- VAT procedures
- No agreement with EHS
- Tagging assets

Whilst discussion had taken place the letters as of today had not been received.

- 3.2 DS confirmed that the strategic issues raised had included a concern regarding number of changes the organisation would undergo as part of FMPR and whether JNCC was currently being resourced effectively.

Action: Group members to be sent a copy of the NAO Management Letter once received.

4. Corporate Planning

Business Plan for 2004/05 – process and timetable

- 4.1 MY joined the Group and provided an update on work underway for the next corporate plan. He confirmed that this year a 3 year corporate plan and bi annual spending review would be produced. Next year a roll forward document and a business plan for 2004/05 would be required. Top level changes to the Corporate Plan would be presented to Committee in September with a draft plan produced for the December meeting. The plan would go to the March Committee for approval. A level funding scenario would be used. MY confirmed that we were engaging more pro-actively with the agencies to ensure a satisfactory final figure/settlement.
- 4.2 KB asked that a small bidding document be produced to be sent to Defra Sept/Oct.
- 4.3 JP asked that MY look at the extra funding due to be received by EN shortly to look at any links to special functions work.

Spending Review 2004

- 4.4 MY reported to the Group that the Comprehensive Spending Review set the funding for 2005 for a 3 year period. Defra had asked for a summary document by late August. MY considered this to be difficult as Committee were not meeting until September. KB and DS asked that MY produce the document but that he should gain written confirmation from Defra that changes to the document could be made at a later stage.
- 4.5 MY confirmed that Defra had agreed for JNCC to approach other organisations for money. He confirmed that DTI and FCO would be our first port call as it was possible some funding could come from them for Overseas Territories and offshore work.

Action: MY to investigate links between EN extra funding and special functions work.
MY to produce an indicative funding document for Defra by late August. Also to gain written confirmation from Defra that changes can be made to this document at a later stage.

5. JNCC grant in aid and staffing

Quarterly Monitoring Report

- 5.1 The first quarterly monitoring report was discussed. It was agreed that where key targets are slipping additional resources will be allocated.
- 5.2 KB asked that delays in recruiting staff be lessened to avoid slippage

- 5.3 JP asked for clarification of the increase in risk relating to IT fraud. DS confirmed this was due to spam and junk e-mails. Software had recently been installed to overcome this problem.

6. FMPR update

Issues of concern

- 6.1 DS updated the Group on current developments. The main priority at present was the signing and delivery of the RRO.
- 6.2 DS confirmed that the next meeting of the sub-group would be 11 September.
- 6.3 DS confirmed that meetings had begun between management and the Trade Unions.

Internal audit options

- 6.4 LB presented a paper on internal audit options for the new organisation. Resource Directors have seen the paper but have yet to comment fully. LB confirmed that once the accountability issues are resolved then the choice of how we deliver internal audit should follow.
- 6.5 DS confirmed that 50 days of internal audit each year was the optimum amount with any additional days being assigned to value for money studies. Of the options listed, DS preferred that of using another public body for internal audit work.
- 6.6 JP agreed that another public body could provide useful experience and knowledge.
- 6.7 DS confirmed that the Group would act as employer for any audit contract and in so doing could decide its fate.
- 6.8 The Group discussed public bodies that could be approached to provide this service.
- 6.9 KB asked that DS flag with English Nature that JNCC would not require the services of PKF after April 2005.
- 6.10 KB asked that a paper be produced for the next meeting on dealing with variations on internal audit.

Action: DS to inform the next Audit Committee that JNCC will no longer require the services of PKF after April 2005.
LB to produce a paper for the next meeting on dealing with variations on internal audit.

7. Any other business

7.1 JP asked that closer scrutiny be applied to what is listed in the Annual Report against members' declaration of interests, as there currently seemed to be variations. It was agreed this was a good idea and KB asked that the register be sent to members for them to edit before lists were printed in the Annual Report.

Action: LB to apply this for the next Annual Report and to produce a draft guidance note for DS.