



The ninety-ninth meeting of the Joint Nature Conservation Committee to be held at 0900 hours on 12 June 2014, at Monkstone House, Peterborough, PE1 1JY

This paper was provided to the Joint Committee for discussion. Please refer to the minutes of the meeting for Committee's position on the paper.

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Joint Nature Conservation Committee

The Audit and Risk Assurance Committee's annual report to the Joint Committee 2013/14

Paper by Tracey Quince and Guy Duke

1. Statement of Assurance from internal audit

- 1.1. As required by the Government Internal Audit Standards, the Head of Internal Audit, an employee of our (outgoing) internal audit providers Baker Tilly, submitted an Annual Assurance Report to ARAC. This includes a summary of internal audit activity and gives the auditor's formal opinion on the adequacy, effectiveness and reliability of the organisation's internal control system between 1 April 2013 and 31 March 2014. The Annual Assurance Report (attached at Annex 1) was discussed by ARAC members at their meeting in March and by the Executive Management Board (EMB) in April. Both groups were content with the report and neither suggested changes.
- 1.2. The Head of Internal Audit's opinion has been included in the Governance Statement for 2013/14, which forms part of the Annual Report and Accounts. Based on the results of the audit work carried out for the year ending 31 March 2014, Baker Tilly concluded that JNCC had adequate and effective governance, risk management and control processes in place and that both EMB and the Joint Committee can take substantial assurance that the controls upon which the organisation relies were suitably designed, consistently applied and effective.
- 1.3. While this represents a positive opinion, there were some areas requiring improvement, for which the auditor has made recommendations to enhance the control framework. The Annual Assurance Report in Annex 1 contains the full list of audits undertaken last year, the assurance given and recommendations made. The audit of IT and Data Security, which identified a number of areas for improvement, received a less positive opinion than other audits in the programme.

2. Risk management

- 2.1. 'Significant risks', drawn from the 2012/13 Governance Statement, together with the related risk management actions taken or planned, have been noted and discussed at each ARAC meeting and where necessary reported to the Board.
- 2.2. During the year, EMB reviewed the corporate risk register quarterly and made amendments as required. These amendments were based on information collated at programme level and on discussions on risk at EMB and ARAC meetings. Where possible, action was taken to mitigate the risks. Significant risk issues for the year are highlighted in the Governance Statement (included with the Annual Report and Accounts 2013/14).
- 2.3. ARAC regularly considered new, emerging or fast-evolving risks, including those noted in the 2012/13 Governance Statement, informed by an oral report from the EMB of such risks. Comments on trends or controls were reported, through the ARAC Chair's written reports to the Company Board and Joint Committee.

- 2.4. ARAC members agree that embedding risk management in the support company is a key issue for the EMB to take forward. Consequently, a review of risk management processes and how JNCC reports risk will be undertaken early in 2014/15. An audit of risk management will take place in September and this will help further inform thinking.

3. Internal audit

- 3.1. In 2013/14 Baker Tilly undertook five of the six audits as agreed in the operational plan (see Annex 1).
- 3.2. The audit on scientific evidence which was timetabled to take place at the end of March was postponed because it was agreed that only a partial roll-out of the new evidence quality policy would be undertaken in quarter 4. This meant it would be difficult for the audit team to complete the full scope of work agreed to be undertaken in March. The audit has been rescheduled to take place in September 2014 and will be undertaken by the new internal audit provider KPMG (see section 7 below).
- 3.3. At the March 2014 meeting members considered the end of year report on achievement of performance indicators together with feedback from staff who have been subject to audit on how they felt internal audit had performed.
- 3.4. In 2013/14, Baker Tilly achieved 12 of their 13 performance indicators with JNCC achieving four out of six of their indicators. The one indicator not achieved by Baker Tilly related to the issue of draft reports with some falling outside of the 15 working day deadline. The two indicators missed by JNCC related to (i) the return of draft reports with management responses by deadlines, and (ii) the implementation of audit recommendations by agreed deadlines.
- 3.5. In relation to (i), two audit reports were not returned by the deadline. Some audits this year have required additional discussion, particularly around the timetable for implementation. The process for agreeing management comments is lengthy and involves the auditee, their line management and director. It is important to discuss recommendations fully and agree what work can be taken forward, rather than agreeing recommendations that may not be possible to implement in full or to agreed deadlines.
- 3.6. In relation to (ii), management track recommendations and remind responsible officers of the need to implement recommendations by due dates. A central register of recommendations and when they are due is kept and as each deadline approaches the individual and their line manager are contacted to confirm the action has been completed. Major pieces of work in relation to implementation are included in personal development plans and in the corporate change plan.
- 3.7. Occasionally, due to conflicting priorities, a recommendation misses its deadline. The follow up report (contained in internal audit's Annual Assurance Report, Annex 1, page 11) concludes that management have made good progress towards implementation of recommendations and that there are no high or medium recommendations that they consider to be receiving inadequate management attention. It is disappointing not to achieve the performance indicator, but resources are limited in some areas and rigorous prioritisation is necessary to address the key risks and deliver key priorities.

3.8. The cost of the internal audit service was £11,759 excluding VAT.

4. External audit

4.1. ARAC continued to review the external audit strategy and programme provided by the National Audit Office (NAO), and drew lessons from the previous year's accounts preparation. A good relationship has been built between management and auditors with benefit gained from using auditors working across government rather than in the private sector. The fee for completing the JNCC external audit in 2012/13 was £19,500.

5. Audit and Risk Assurance Committee meetings, membership and terms of reference

5.1. ARAC met four times during the year, in June, September, November and March. Business follows a rolling forward plan of priorities, and has included:

- i. Internal audit issues, including internal audit programme; audit scopes; audit progress; matters arising from audit reports; Annual Assurance Report; performance indicators; performance of the Internal Auditors.
- ii. External audit issues, including annual strategy, annual report.
- iii. Risk management issues, including significant risks; high risk programmes; new, emerging and fast-evolving risks.
- iv. Other issues, including consistency and auditability of JNCC evidence standards; updates on implementation of Triennial Review recommendations; regular updates on the Defra Network Strategic Alignment Programme; Annual Report and Accounts; the draft Governance Statement; end of year report on the Corporate Change Plan 2012/13 and a look forward to the plan for 2013/14; Governance and Corporate Services Strategy; succession planning.

5.2. Information papers on single tender approvals, fruitless payments, losses and special payments were also considered, and through a standing agenda item the Committee maintained its vigilance in relation to fraud-related risk as well as reviewing a revised anti-fraud and corruption policy.

5.3. ARAC membership continued to be a key consideration in 2013/14. In December 2013 a valued and experienced external member, Bryan Riddleston retired from ARAC. ARAC have however been fortunate to acquire a new external member, Tony Hams, whose term runs to the end of 2016. In March 2014 members received a paper on succession planning and agreed that a forward-looking ARAC should give thought to the expected rotation of its members, and to the options that might be available to maintain a healthy membership level. Appointing new members in a structured manner with minimum disruption to business was considered a key priority. Members agreed to:

- i. increase the number of external members to two, perhaps considering appointment from the Institute of Chartered Accounts in England & Wales (ICAEW). This professional body offers the opportunity for not-for-profit organisations to post a free advert online which would enable access to a

wide range of professionals with business and finance skills looking to volunteer their time;

- ii. make a formal approach to the country conservation bodies to engage new members from their current Board membership;
 - iii. work proactively with Defra to explore the scope for including the relevant skills and knowledge required to sit on an ARAC in the specifications for the recruitment of independent members of Joint Committee (replacement of Dave Pritchard is pending and Judith Webb leaves shortly); and
 - iv. identify a shadow ARAC Chair by March 2015, so they are able to acquire the skills and knowledge required to undertake the role and can work alongside the current Chair (whose term comes to an end in November 2015) who can provide mentoring and support.
- 5.4. In November 2013, ARAC became a sub-committee of the Joint Committee, following the changes to governance arrangements agreed by the Joint Committee. Revised terms of reference were agreed and at the same time members agreed to change the name of the Committee to Audit and Risk Assurance Committee (ARAC). This reflects the title of the Treasury's new handbook on Audit and Risk Committees and highlights ARAC's important role in relation to risk assurance.

6. Meetings of Defra's Audit Committee Chairs

- 6.1. The ARAC Chair attended meetings of Defra's Audit Committee Chairs in April and October 2013. Issues addressed at the April meeting included self-assessment (providing some useful ideas for the next ARAC self-assessment); end-of-year issues (including the importance of avoiding slippage in annual reports and accounts); and internal audit delivery through Defra shared services. Issues addressed at the October meeting included integrated shared services centre (e.g. payroll, invoicing, low-value procurement, debt recovery); Defra's One Business programme and its delivery through Strategic Alignment; and progress towards a Defra Group-wide approach on internal audit. The Chair reported key issues arising at each meeting to the JNCC Chair and Chief Executive.

7. Forward look for 2014/15

- 7.1. Internal audit for 2014/15 to 2016/17 will be provided through a "Defra Shared Audit Service" by a new contractor, KPMG LLP. KPMG services to JNCC will be supplied under a Memorandum of Understanding which sets out the obligations, roles and responsibilities of Defra and each network body using the contract. Defra will monitor overall quality and usage of service. The cost of internal audit for 2014/15 is proposed at £15,700 excluding VAT for a 25 day programme. This represents, pro rata, an increase of 33.5% on last year. Defra were advised of ARAC members' comments regarding the increase and how decisions made in the best interest of the Defra network as a whole may not necessarily benefit JNCC.
- 7.2. The audit programme of 25 days is a reduction of five days from previous years. This reduction reflects the balance between the need to limit cost increases whilst allowing KPMG to provide JNCC's Accounting Officer with an overall opinion on the organisation's risk management, control and governance, as well

as meeting the Government's internal audit standards. The number of days is considered sufficient to fulfil these purposes by both ARAC and EMB.

7.3. In March 2014, ARAC approved the operational plan for internal audit for 2014/15. In June, ARAC will consider draft scopes for the audits to be undertaken through the year. The internal audit programme for 2014/15 includes:

- IT Data Management
- Risk management & Corporate Governance
- Scientific Evidence
- Key Financial Controls
- Follow-up

7.4. The ARAC forward programme is given in Annex 2.

Annex 1

Joint Nature Conservation Committee (JNCC)

Internal Audit Annual Report – Year ended 31 March 2014

Joint Nature Conservation Committee (JNCC)

Internal Audit Annual Report – Year ended 31 March 2014

Presented at the Audit Committee meeting of: 24th March 2014

Mark Jones

Baker Tilly Business Services Ltd

1. Internal Audit Opinion

1.1 Context

As the provider of the internal audit service to JNCC we are required to provide the Accounting Officer and the Audit Committee an opinion on the adequacy and effectiveness of the organisation’s governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

As your internal audit provider, the audit opinions that Baker Tilly Business Services Limited (Baker Tilly) provides the organisation during the year are part of the framework of assurances that assist the Accounting Officer prepare an informed annual governance statement.

1.2 Internal Audit Opinion 2013/2014

<p>We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of JNCC’s arrangements.</p> <p>For the 12 months ended 31 March 2014, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of JNCC’s arrangements for governance, risk management and control is as follows:</p>		
	Red Amber Green	Direction of travel
<p>Governance</p> <p>The JNCC had adequate and effective Governance processes in place.</p>		
<p>Risk Management</p> <p>The JNCC had adequate and effective Risk Management processes in place.</p>		
<p>Control</p> <p>We have undertaken two other assurance reviews in 2013/14, all of which resulted in positive opinions. The JNCC had adequate and effective control processes in place.</p>		<p>N/A</p> <p>Scope of Individual reviews different to previous years</p>

Note: The direction of travel arrow indicates whether the change in our opinion related to the previous year is upward (improving), downward (adverse) or static.

1.3 The Basis of the Opinion

1.3.1 Governance and Risk Management

This audit was included within the 2013/14 plan to meet the internal audit requirements set out in the Government Internal Audit Standards. Both Governance and Risk Management form key elements of the JNCC’s high level control framework and impact on the strategic and operational decision making processes within the organisation.

The Board can take substantial assurance that the controls upon which the organisation relies to manage the areas of Governance and Risk Management were suitably designed, consistently applied and effective.

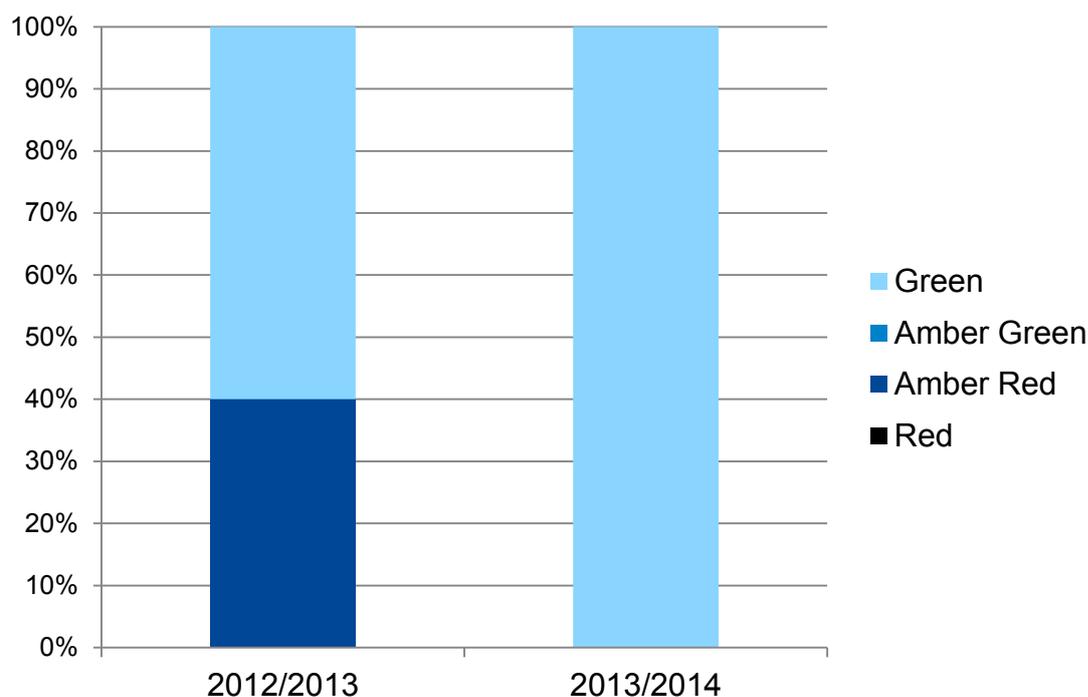
1.3.2 Control

We have undertaken two reviews on the internal control framework both of which were given a green opinion. In addition we undertook a follow up review of the recommendations made by the 2012/13 internal audit reviews. This concluded that good progress had been made to implement the recommendations.

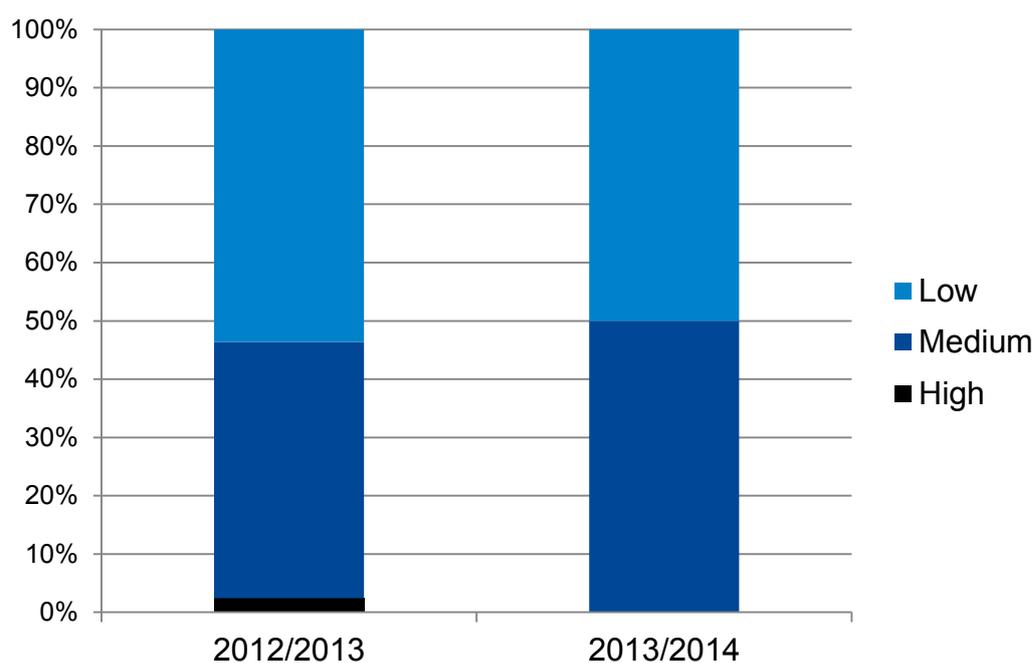
1.3.3 Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

1.3.4 Comparison of Internal Audit Opinions (Assurance assignments) in 2013/2014 compared with 2012/2013



1.3.5 Comparison of Internal Audit recommendations made 2013/2014 compared with 2012/2013



1.3.6 Progress made with previous internal audit recommendations

Our follow up of the recommendations made in 2012/13, including those that were outstanding from previous years, showed that the organisation has made good progress in implementing the agreed recommendations, as summarised below:

Recommendation Priority	Number made in 2012/2013	Of which:	
		Addressed	Not implemented or still in progress
High	1	1	0
Medium	15	10	5
Low	16	13	3
Totals	32	24	8

1.3.7 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2. Our Performance

2.1 Wider value-adding delivery

As part of our client service commitment, during 2013 we issued a number of client updates and general briefings.

2.2 Conformance with Internal Audit Standards

Baker Tilly affirms that our internal audit services to JNCC are designed to conform with the Public Sector Internal Audit Standards (PSIAS) which came in to effect from 1 April 2013.

Under the standards, internal audit services are required to have an external quality assessment at least once every five years. During 2011 our Risk Advisory service line commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA). The PSIAS are based upon the IPPF, and therefore we are confident that the results of this review apply to our continuing services in the sector.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

2.3 Performance Indicators

Our performance during 2013/2014 is summarised below across a range of performance indicators.

Baker Tilly Performance Indicators	Achieved Yes/No/Partially	Comments
Produce an annual Internal Audit Plan outlining the scope of review based on the agreed Internal Audit Strategy by early January for discussion and endorsement by EMB at their January meeting. Produce a final draft of the Plan and timetable of audits (timetable to be agreed with audit sponsors)	Yes	The internal audit plan for 2013/14 was agreed at the March ARMC meeting.

Baker Tilly Performance Indicators	Achieved Yes/No/Partially	Comments
for the March meeting of the ARMC for their endorsement.		
All draft audit scopes to be issued 25 working days prior to the commencement of the audit.	Yes	Draft scopes were presented to ARMC in June. These were then circulated to relevant staff in JNCC for comment and discussion with internal audit.
To provide a verbal briefing to the audit sponsor at the closure meeting on emerging findings.	Yes	Closure meetings have been held and offer a good opportunity for discussion on findings. A time for the closure meeting is agreed at the start-up meeting.
All draft reports to be issued within 15 working days of the exit meeting or when fieldwork is completed.	Yes	All draft reports are issued following the exit meeting. However, our reviews of Governance and Risk Management and IT and Data Security were not issued within the 15 working days of the exit meeting. IT and Data Security was issued within 25 working days and Governance and Risk Management within 28 working days.
All final reports to be issued within 10 working days of receipt of the management comments.	No	Final reports have all been issued well within the 10 working days deadline.
An overall mark of 'satisfied' to be achieved on the customer satisfaction survey.	Yes	An overall mark of 3.26 has been achieved i.e. slightly higher than satisfied.
All audits to be completed and submitted to the relevant Audit and Risk Management Committee meeting in line with the approved plan	Yes	All audits have been completed and submitted to the relevant Audit and Risk Management Committee
Attend ARMC meetings as required providing any presentational material 15 working days prior to the meeting.	Yes	Achieved
Half yearly progress report to be presented to the Audit and Risk Management Committee each September.	Yes	Progress report has been submitted to every Audit and Risk Management Committee

Baker Tilly Performance Indicators	Achieved Yes/No/Partially	Comments
Final assurance report to be presented to the Audit and Risk Management Committee each June.	N/A	A final assurance report will be presented to the March meeting.
All audits to be completed within pre agreed budget days. The Internal Audit Plan to be completed in line with the approved annual fee for the year unless specific approval is sought and given by management for a variation to the annual fee.	Yes	All audits completed within pre agreed budget days. All reviews delivered with the exception of Scientific Evidence which is to be carried forward to 2014/15.
Cooperation and coordination to take place between the IAS and external audit to prevent duplication and to allow for reliance to be placed where appropriate on the work performed by the IAS.	N/A	We have liaised with the NAO during the planning and delivery phases of our work. The NAO have however confirmed that for 2013/14 under their methodology and approach they would not be seeking to place any reliance on the work of internal audit.
Ensure accessibility and contact throughout the year through regular quarterly meetings with the JNCC Risk Manager.	Yes	Regular meetings have taken place with Louise Davies.

2.4 Conflicts of Interest

We have not undertaken any work or activity during 2013/2014 that would lead us to declare any conflict of interests.

Appendix A: Internal Audit Opinions and Recommendations 2013/2014

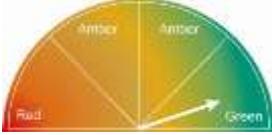
Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
IT and Data Security	<p>Loss of key information or failure to maintain key data sets</p> <p>IT Fraud including access by hackers or inappropriate use by staff</p> <p>Inability to easily retrieve information leading to inappropriate decisions, delays, inefficiencies, missed opportunities, and failure to meet legal obligations</p> <p>Accidental and deliberate breaches of confidential information by staff.</p>	Advisory	0	10	5
Risk Management & Corporate Governance	Ineffective governance at Committee, Board and Executive Management Board	Green	0	0	4
Health & Safety	Failure to comply with employment or health and safety legislation	Green	0	0	5
Key Financial Controls	Control compliance review of key controls including travel and subsistence.	Green	0	2	3
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Good Progress	0	7	2
		Total	0	19	19

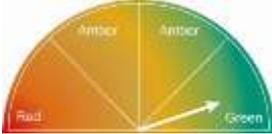
We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

Appendix B: Key Findings from Internal Audit Reviews 2013/2014

Assignment: IT & Data Security	Opinion: N/A	ADVISORY
<p>Headline Findings:</p> <p>A number of well design controls are in place to protect the security of data, in particular:</p> <ul style="list-style-type: none"> • JNCC have designed a number of data sharing agreements which specify the terms and conditions for use of data that JNCC supplies to other organisations or the public. This reduces the risk of inappropriate data security measures, resulting in unauthorised data access and data loss. • A draft Data Management Protocol has been documented which specifies the data storage structure, reducing the risk of data loss. • A backup procedure has been documented, reducing the risk of backup processes which are not in line with business need. <p>However, we identified a number of areas for improvement in the design of controls regarding the JNCC's IT and data security controls, in particular:</p> <ul style="list-style-type: none"> • A number of important controls areas are not incorporated into the Data Security and IT Usage Policy, impacting the effectiveness of the policy to help prevent data breaches. • JNCC do not have a data classification/protective marking system, increasing the risk of accidental or deliberate data compromise, which may lead to damage and/or criminal offence. • The following weaknesses were identified in the design of the information asset register (data catalogue), increasing the risk of security breaches: <ul style="list-style-type: none"> ◦ Threats and vulnerabilities that might affect the security of assets have not been assessed; and ◦ The business' risk tolerance and appropriate security measures to safeguard assets and reduce risk to an acceptable level have not been identified. • Although defined in the draft Data Management Protocol, no technical controls are in place to restrict who can create, delete or modify permissions for folders on fileshare servers; and confidential data is not kept in restricted access folders; additionally the creation, modification or deletion of files from the Reference folder is not restricted to dataset managers. The weaknesses identified in the management of folder permissions increase the risk of unauthorised access to data. • Staff training needs have not been analysed and staff are not trained/made aware of their data security responsibilities before being granted access to work with data, increasing the risk that information is not handled legally, securely, efficiently and effectively. • JNCC have not documented an action plan or forecast timelines for when the process of going through the six stages of the accreditation process will be initiated and completed. The lack of a formal action plan and timelines for meeting accreditation requirements increase the risk that the accreditation is not achieved. • There are no monitoring processes in place to ensure that data is stored in authorised locations, increasing the risk of data loss. • Backup tapes are stored in close proximity to the main server room, increasing the likelihood of a scenario where media is affected by a single event, causing system unavailability and increases the risk of loss of data. • JNCC do not have a formal capacity management process, increasing the risk that insufficient resources are available, leading to degradation in quality of service. This could negatively impact on the JNCC's future DAC aspirations. <p>Application of and compliance with control framework</p> <p>We were unable to perform a full test programme relating to the application of and compliance with control framework due to the number of issues identified in the design of the control framework.</p>		

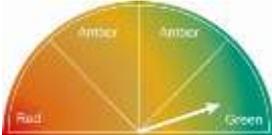
<p>Assignment: Risk Management & Corporate Governance</p>	<p>Opinion: Green</p>	
<p>Headline Findings:</p> <p>Design of control framework</p> <p>No significant issues were identified</p> <ul style="list-style-type: none"> • The Joint Nature Conservation Committee has documented a Risk Management Strategy in accordance with HM Treasury guidance. • The Risk Management Strategy Document contains a flow chart of the risk management process from when the Project Manager first identifies project risks through to entry onto the risk register. • The JNCC has defined its Risk Appetite and this has been subject to approval by the company's Chief Executive and the Executive Management Board (EMB) in July 2013. The updating of the risk appetite is an annual event and is considered to be good practice. • The JNCC Corporate Risk Register is presented to the Executive Management Board on a quarterly basis. • Roles and responsibilities in relation to risk management are adequately detailed within the Risk Management Strategy. • The Company Board has two sub-Committees; an Executive Management Board and an Audit and Risk Management Committee, the latter is also directly accountable to the Joint Committee. As a result of changes to Governance structures, the Audit and Risk Management Committee is being renamed as the Audit and Risk Assurance Committee and becomes a sub-committee of the Joint Committee and the EMB is no longer a sub group of the Company. New Terms of Reference for these committees have been drawn up and approved. • Risks are formally reported via the Executive Management Board to the Audit and Risk Management Committee and to the Joint Committee. • The JNCC has determined and recorded the committees and sub-groups that shall operate. • Proposed changes to the Governance structure of JNCC have been formally approved by the Joint Committee. • The Joint Committee has realigned its governance arrangements to take on the role of a Non Departmental Public Body Board hence the changes to the ARAC and EMB responsibilities. • New delegated authorities have been drawn up as a consequence of the governance changes. • The number of meetings of the Joint Committee will be increased from three to four per annum. • JNCC are required to comply with the legislation of the Freedom of Information Act and the Environmental Information Regulations. <p>Application of and compliance with control framework</p> <p>No significant issues were identified.</p>		

<p>Assignment: Health & Safety</p>	<p>Opinion: Green</p>	
<p>Headline Findings:</p> <p>Design of control framework</p> <p>We found that the control framework had been adequately designed and included the following controls:</p> <ul style="list-style-type: none"> ▪ The responsibility for Health and Safety throughout the organisation is clearly defined and included in job descriptions and job role documentation of all relevant staff. 		

- A Health and Safety Policy Document has been developed for each of the locations (Peterborough and Aberdeen) outlining the H&S Policy and responsibilities of the Chief Executive, and specific key staff. The policy covers induction, consultations with employees, accidents, fire safety, risk assessments, and other relevant aspects.
- There is effective communication of health and safety policies and current issues by the circulation to all staff of the Health and Safety E newsletter, and a Need to Notice system. There are also quarterly Health and Safety Forum meetings for all Departmental Health and Safety representatives.
- Formal Health and Safety Training is undertaken but central records are not maintained.
- The Health and Safety policy has been approved and is reviewed and updated on a regular basis.
- Risk Assessments are completed for all relevant areas especially in respect of overseas travel arrangements, Home Working and DSE.
- An annual Health and Safety Report from the JNCC Whitley Health and Safety Sub Committee is presented to the Whitley Committee by the Chair of the Sub Committee.
- Up to date HSE posters and details of key Health and Safety, Fire Marshall and First Aid staff are prominently displayed.

Application of and compliance with control framework

All controls as noted above have been reviewed which have resulted in 5 low priority recommendations.

Assignment: Key Financial Controls	Opinion: Green	
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Headline Findings:

Design of control framework

We found no key weaknesses arising from review of the control framework and considered that it had been adequately designed.

Application of and compliance with control framework

We identified two weaknesses with the compliance of the control framework; these related to the following issues:

- From a sample of 40 expenses claims reviewed; six related to international travel and expenses. We noted from review of one claim that reference had been made to the purchase of travel arrangements being made by GPC and not through Redfern as per the Policy. JNCC may not be achieving the appropriate value for money from using the contract if employees continue to use the GPC. In addition, by employees not making bookings via the appropriate method, there is the risk that inappropriate bookings may be made and not subject to adequate approval prior to payment being made resulting in financial losses.
- We were unable to review the completed and signed agreement with Redfern as it could not be located at the time of our review. In the absence of an agreed set of Contract Terms; JNCC may not be able to effectively manage this agreement or hold the supplier to account in the event of any contractual disputes over service or performance which may lead to financial losses.

Assignment: Follow Up	Opinion: Good Progress	N/A
<p>Headline Findings:</p> <p>Taking account of the issues identified, in our opinion JNCC has demonstrated good progress in implementing actions agreed to address internal audit recommendations.</p> <p>Our review identified the following:</p> <ul style="list-style-type: none"> • 75% of the recommendations due for implementations had been completed; • 3% of the recommendations due for on-going implementation ; and • 22% of the recommendations due for implementation had not yet been implemented. <p>There are no high or medium recommendations that we consider to be receiving inadequate management attention.</p>		

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole in part, without our written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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Annex 2. ARAC forward programme

1. Standing items on agenda for every meeting

- i Internal audit reports
- ii Cases of fraud or presumptive fraud and significant losses
- iii Forward programme
- iv Update on significant risks and discussion on new, emerging and fast-evolving risks
- v Any significant non-compliance relating to health & safety, quality strategy and environmental performance

2 Every March meeting

- i Approve the annual Internal Audit Operational Plan
- ii Report on internal audit performance indicators
- iii Summary of audit recommendations and report on outstanding recommendations (follow-up audit report)
- iv Draft of internal audit annual assurance report
- v Annual report on performance of internal audit*
- vi Comment on the draft Governance Statement

3. Intersessionally between March and June

- i A pre-audit draft of the JNCC Annual Report and Accounts, for comment.

4 Every June meeting

- i Recommend the post-audit JNCC Annual Report & Accounts to the Company Board and endorse the final draft of the Governance Statement for inclusion within JNCC Annual Report and Accounts.
- ii Review of NAO's draft Audit Completion Report on the previous years' Financial Statement audit.
- iii Final draft of internal audit's annual assurance report
- iv ARMC annual report to Company Board
- v Audit scopes for audits to be undertaken in the current financial year
- vi Corporate Change Plan (end of year report)

5 Intersessionally between June and September

- i. Annual Report on single tenders over £7,500
- ii. Annual report on fruitless payments, losses and special payments for the previous year

6 Every September meeting

- i Mid-year annual internal audit assurance report & review of the operational plan in light of external audit findings & emerging risks
- ii Review the process for producing the accounts for the previous year
- iii. Approval of the corporate risk register
- iv. High risk programmes for the relevant year

- iv External audit – if required, review & consider the management responses to recommendations raised in the external auditor’s Audit Completion Report and progress on implementation
- v Annual report on performance of external audit*
- vi Corporate Change Plan for the current year

7 Every November meeting

- i Comment on the draft annual strategy for external audit
- ii Timetable for the production of the JNCC Annual Report and Accounts

8. Intersessionally between November and March

- i. Comment on the draft annual operational plan for internal audit

9 Miscellaneous/Occasional Items

- i. Value for money auditing
- ii. Post project reviews of major projects
- iii. Review/extension of internal audit provision *(next review November 2016 for new contract 1 April 2017)
- iv. Internal Audit Strategy (every three years; discuss draft in March 2014)
- v. Review of audit committee effectiveness (next review November 2015)
- vi. Review of the Fraud Policy (next review November 2015)
- vii. Performance indicators for internal audit
- viii. Reports on staff risk management surveys
- ix. Advise the committee of major changes to accounting policies (as required)
- x. ARAC meeting dates

*closed session items