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**JNCC SUPPORT CO.
BOARD MEETING**

**ANNUAL REPORT FROM THE AUDIT AND RISK MANAGEMENT
COMMITTEE, INCLUDING THE ANNUAL ASSURANCE REPORT AND REPORT
ON RISKS**

Paper by Tracey Quince

1. Introduction

- 1.1 This paper sets out the Audit and Risk Management Committee's annual report for 2005/06 to the Company Board. The paper also includes a forward look at the internal audit and risk management programmes for 2006/07.
- 1.2 As required by the Government Internal Audit Standards, the Head of Internal Audit submits an annual report to the Audit and Risk Management Committee and a summary of internal audit activity and results, and a formal opinion on the adequacy, effectiveness and reliability of the organisation's internal control system to the Managing Director. This annual Statement of Assurance was endorsed by the Audit and Risk Management Committee in May 2006 and is attached at Annex A.

2. Statement of Assurance

- 2.1 The primary objective of the internal audit service is to provide reasonable assurance to the Accounting Officer and management that an appropriate and effective system of internal control is in operation in the JNCC. Deloitte's annual Statement of Assurance is an important component of the Statement on Internal Control.
- 2.2 Based on the results of the audit work carried out for the year ending 31 March 2006, Deloitte's has concluded that the JNCC has an adequate and effective system of internal controls which provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives. Nevertheless, some areas have been identified where control can, and should, be further strengthened and these are summarised in the annual Assurance Report at Annex A. This assessment should be seen as a good achievement for the JNCC in its first year of operation.

3. Overview of the year

Internal audit

- 3.1 Deloitte & Touche Public Sector Ltd was appointed as the internal audit provider for the JNCC Support Company from 1 April 2005 for three years.
- 3.2 In June 2005, the Audit and Risk Management Committee considered and approved Deloitte's audit strategy for a risk-based audit approach for the next three years, with the result that the internal audit operational plan for 2005/06 and the following two years was closely aligned to the risk register.
- 3.3 During the past year Deloitte has carried out work according to the operational plan. In 2005/06 fieldwork was undertaken for seven audits and seven final reports were issued. Further details are found in the annual Statement of Assurance at Annex A. Regular progress reports have been made to the Audit and Risk Management Committee who have recorded their satisfaction with the quality of audits and the fact that these have been completed according to the agreed timescales. The following table summarises the audits carried out during 2005/06:

Final audit reports for 2005/06	Number of recommendations made	Assurance Level
Risk management	6	Substantial
Stakeholder relationship management	3	Substantial
Corporate governance	5	Substantial
Core financial controls	8	Substantial
Procurement	7	Substantial
Performance management	6	Substantial
Information technology/finance system implementation	8	Substantial

- 3.4 In the final internal audit reports for 2005/06, 43 recommendations were made by Deloitte, all of which have been agreed by management. The monitoring system administered by management, and the follow-up audit completed each year, picks up all the recommendations due to be implemented by their due date. Monitoring the implementation of recommendations continued during the year with a report to the Audit and Risk Management Committee meeting in March confirming the status of each recommendation. Out of a total of 43 recommendations made last year, as at 31 March 2006, nine had been satisfactorily implemented, a further 16 had been partially implemented, and 12 were not due for implementation in 2005/06. The remaining six had not been actioned. A timetable for implementation of the six not actioned recommendations has been drawn up and agreed between Deloitte and management.

- 3.5 At the Audit and Risk Management Committee in June 2005, members were presented with a set of performance indicators and chose six targets from the Deloitte's side and three targets from the management side to be reported on. Out of the nine targets chosen, seven were achieved and two were partially achieved. Steps have been taken for this year to ensure those partially met last year will be achieved in full this year.

Risk management

- 3.6 Good progress continues to be made with risk management. Summarised below are the major themes of work during 2005/06.
- 3.7 A revision of both the corporate risk register and the medium/low risk register took place in August at a workshop session involving a mix of staff from the organisation. The workshop considered the current controls in place to manage the risks and the future controls required to ensure the risks continue to be managed and are reduced where appropriate. The workshop also introduced a new scoring system for inherent and residual risks; inherent risks are where no controls are in place, residual risks take into account the controls in place. A column for the corporate plan theme that each risk relates to was also added. The Audit and Risk Management Committee agreed the new registers in September.
- 3.8 In July last year an audit in the risk management area identified the need for a more encompassing risk management strategy. A new strategy was drafted and was agreed by the Audit and Risk Management Committee in March 2006. The strategy will now be communicated to staff to ensure it becomes embedded into the organisation's work practices.
- 3.9 In September 2005, the Audit and Risk Management Committee considered the risks contained in the risk registers and chose six risks which they considered to be the most important risks faced by the organisation at the present time. It was agreed that an annual report on the management of the 'top six risks' should be presented to the Board. The report for 2005/06 can be found at Annex B.
- 3.10 In 2006/07 the following key attributes of the risk management process will be maintained or reinforced:
- i. all risks will relate explicitly to current corporate plan themes;
 - ii. risk registers will contain assessments of impact and likelihood using Treasury definitions, control measures, actions and contingencies;
 - iii. guidance on managing high risk/high cost projects will be produced and communicated to staff;
 - iv. a clear and embedded system of risk management in the JNCC will be continued and strengthened;

- v. JNCC will remain responsive to in-year changes in the risk environment.

Audit and Risk Management Committee meetings

- 3.11 The Audit and Risk Management Committee met four times during the year: in June, September, December and March. This was the first year of operation following the establishment of the JNCC Support Company. Routine business has included consideration of internal audit plans and progress, the draft Statement on Internal Control, reviews of the risk registers, and the appointment of the external auditors. Other issues considered by the Committee have included approving the anti-fraud policy and agreeing performance targets for Deloitte and JNCC. Audit and Risk Management Committee members have received a development session at each meeting to enhance their knowledge of the areas for which they are responsible. The sessions included an overview of the role of an Audit Committee, production of the annual accounts and risk management. In addition, the Committee considered the competencies required of members and agreed to undertake a review of its effectiveness at its June meeting, with a view to identifying any gaps in skills or knowledge.
- 3.12 The Audit and Risk Management Committee continued to review the external audit programme, including the annual accounts for 2004/05 and the National Audit Office (NAO) management letter for 2004/05. The Committee was pleased to note that the JNCC received an unqualified audit opinion from the NAO for 2004/05. The NAO's view was that the JNCC has a robust control framework in place. The NAO management letter raised one strategic issue and four operational issues because of their sensitivity, or to encourage good practice, rather than because of any concerns over numbers in the accounts. The strategic issue raised was in relation to EU Interreg funding and the responsibilities of lead partners for external funding. The operational issues raised were treatment of deferred income, treatment of Interreg funding, documentation of key business processes and management review of draft accounts. All recommendations made by the NAO were accepted by management and a timetable for implementation has been drawn up and is monitored by the Audit and Risk Management Committee.
- 3.13 One case of alleged fraud about the misuse of public funds was reported to the Audit and Risk Management Committee. The Committee noted that the conclusions from the investigation were that the claims were totally uncorroborated.

4. Planned audits for 2006/07

4.1 In view of the challenges facing the JNCC, Deloitte and management have taken the opportunity to revisit the audit programme for 2006/07 to ensure that it provides the organisation with the internal audit service it needs. The Audit and Risk Management Committee has approved the internal audit strategy for 2006-2008 and the operational plan for 2006/07. Discussions are being held with audit sponsors to agree timescales and the focus of the audits. The internal audit programme for 2006/07 includes:

- i. Payroll
- ii. Performance management
- iii. Risk management
- iv. Core financial controls
- v. Business continuity planning
- vi. Health & Safety
- vii. Income from non-grant in aid sources
- viii. Information technology
- ix. Corporate governance
- x. Value for money audit of the Recorder project

ANNEX A: ANNUAL ASSURANCE REPORT

Deloitte & Touche Public Sector Internal Audit Limited London

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EXECUTIVE SUMMARY

1. Introduction

- 1.1 We have now completed our Internal Audit Programme as approved by the Audit Committee in April 2005, covering the financial period, 1 April 2005 - 31 March 2006.
- 1.2 As defined in the Government Internal Audit Standards (GIAS), the role of internal audit is to provide an independent and objective opinion to the Accounting Officer on risk management, control and governance. The opinion given by internal audit is a key element of the framework of assurance which the Accounting Officer needs to inform the completion of the annual Statement of Internal Control (SIC). The opinion can, however, only be reasonable in the sense that no opinion or assurance can ever be absolute and is by definition an extrapolation of the evidence available. The Internal Audit opinion does not supersede the Accounting Officer's personal responsibility for risk, control and governance.

2. The Statement of Assurance

- 2.1 We are required to give an opinion on risk management, control and governance. In assessing the level of assurance to be given, we have taken into account:
 - i. all internal audits undertaken between 1 April 2005 and 31 March 2006;
 - ii. the action taken in response to our audit recommendations;
 - iii. whether fundamental or significant recommendations have been accepted by management, and the consequent risks;
 - iv. the effects of any material changes in the Joint Natures Conservation Committee's (JNCC) objectives or systems; and
 - v. whether or not any limitations have been placed on the scope of internal audit.
- 2.3 Based on the work completed between 1 April 2005 and 31 March 2006, carried out in accordance with the scopes agreed by the Audit Committee, taking into account the proposed action by management to rectify the control weaknesses identified in our detailed reports, in our opinion the JNCC has an adequate and effective system of internal controls which provides reasonable assurance regarding the effective and efficient achievement of the JNCC's objectives.

3. Sources of Assurance

3.1 To provide the required assurance we undertook an agreed programme of work with the following objectives:

- i. to appraise the soundness, adequacy and application of the whole internal control system;
- ii. to ascertain the extent to which the system of internal control ensures compliance with established policies and procedures;
- iii. to ascertain the extent to which the assets and interests entrusted to or funded by the JNCC are properly controlled and safeguarded from losses arising from fraud, irregularity or corruption;
- iv. to ascertain that accounting and other information is reliable as a basis for producing accounts, and financial, statistical and other returns;
- v. to ascertain the integrity and reliability of financial and other information provided to management, including that used in decision making; and
- vi. to ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources.

3.2 We have provided in Section 1 a statement of the level of assurance achieved for each system audited. Substantial assurance was achieved for 100% of all of the systems audited.

4. Acknowledgement

4.1 We would like to take this opportunity of thanking the JNCC management and their staff for the co-operation we have received.

SECTION 1 - ASSURANCE STATEMENT

The Internal Audit operational plan for 2005/06 covered 7 audits as agreed by the Audit Committee. A statement of the level of assurance achieved for each area of audit is shown below together with the prior year assurances. Appendix 1 provides definitions for each of the assurance levels.

Audit Area	Assurance Level 2005/06
Risk Management	Substantial
Stakeholder Relationship Management	Substantial
Corporate Governance	Substantial
Core Financial Controls	Substantial
Procurement	Substantial
Performance Management	Substantial
Information Technology	Substantial

The levels of assurance achieved as a percentage of systems audited are given in the following table:

Assurance Level	Full	Substantial	Limited	Nil
	%	%	%	%
Overall	-	100	-	-

The table demonstrates that substantial assurance is being achieved for 100% for the work completed during 2005/06.

SECTION 2 – OVERVIEW OF AUDIT WORK

The budgeted and actual days delivered to date are shown in the table below:

Audit Area	Budgeted Days	Actual Days
Risk Management	4	4
Stakeholder Relationship Management	6	6
Corporate Governance	3	3
Core Financial Controls	10	10
Procurement	3	3
Performance Management	7	7
Information Technology	5	5
Total	38	38

The major recommendations arising from our audits are discussed below. Full details of our findings and recommendations are available in our individual reports. The assurance definitions can be found in Appendix 1.

2.1 **Risk Management (Fieldwork: July 2005) Assurance: Substantial**

The JNCC uses two Risk Registers, one for Corporate Level Risks and the other details Medium and Low risks. The Corporate Risk Register is updated by the Management Board on a quarterly basis throughout the year to ensure that new and emerging risks are identified. A risk owner is allocated to each risk on the Medium and Low Risk Register, and each risk owner reports on the effectiveness of the controls in place to mitigate their risks each quarter to the Senior Management Team (SMT). In addition, risk owners also report on progress made in addressing further actions in order to reduce the level of residual risk.

The Management Board also reviews the reports from each risk owner and a formal report from the Business Manager, which includes an overview of developments to the risk management process.

The audit was carried out to evaluate and test controls over the following areas:

- i. Policy and procedures;
- ii. Identification of risk;
- iii. Quantification of risk;
- iv. Review and update of the risk map;
- v. Embedding risk management; and
- vi. Monitoring and reporting.

The following priority one recommendation was made:

A risk management policy and strategy should be in place which defines:

- i. the structures for the management and ownership of risk;
- ii. the way in which risk issues are to be considered at each level of business planning;
- iii. how new activities will be assessed for risk and incorporated into risk management structures;
- iv. common terminology used in relation to risk issues;
- v. the structures for gaining assurance about the management of risk; and
- vi. the criteria which will inform assessment of risk and the definition of specific risks as 'key'.

In addition we made four priority two recommendations and one priority three recommendation where we considered that changes can be made in order to achieve greater control. Management have proposed appropriate action for each recommendation to strengthen the current controls within a reasonable time period.

2.2 **Stakeholder Relationship Management (Fieldwork: August 2005) Assurance: Substantial**

The JNCC Support Company has identified its key stakeholders and is in the process of developing a Communications Strategy to reflect the changing environmental demands and advice required to be provided. Senior management are involved in liaising with these key agencies, however much of the communication is performed on a project level with key staff in country agencies and various environmental stakeholders.

The audit was carried out to evaluate and test controls over the following areas:

- i. identification of key stakeholders;
- ii. objective setting;
- iii. assignment of responsibility;
- iv. communication; and
- v. feedback process.

We did not make any priority one recommendations as a result of our work. However, we did make three priority two recommendations and one priority three recommendation, where we considered that changes could be made in order to achieve greater control. Management have proposed appropriate action for each recommendation to strengthen the current controls within a reasonable time period.

2.3 **Corporate Governance (Fieldwork: August 2005) Assurance: Substantial**

The Support Company Board first met in March 2005 and discussed their roles and responsibilities under the new company. An Audit and Risk Management Committee has been established, whose members include a balance of non-executive members. Financial policies and procedures, adopted from English Nature, are currently under review to ensure that they meet the support company's requirements and the requirements of the Financial Memorandum Agreement between the JNCC committee and the country agencies.

The audit was carried out to evaluate and test controls over the following areas:

- i. Board structure;
- ii. Board training and skills;
- iii. Policies and procedures;
- iv. Declaration of interests; and
- v. Whistle-blowing and fraud policies.

We did not make any priority one recommendations as a result of our work. However, we did make four priority two recommendations and two priority three recommendations where we considered that changes could be made in order to achieve greater control. Management have proposed appropriate action for each recommendation to strengthen the current controls within a reasonable time period.

2.4 **Core Financial Controls (Fieldwork: August 2005) Assurance: Substantial**

Funding and expenditure for the JNCC Support Company is approved by the Joint Committee as part of the corporate plan 2005 – 2008, agreed for the current financial year as £7,528,000. Budgets are prepared by the Executive Management Board in consultation with the budget leaders, and are completed on a spreadsheet held on a shared database. Expenditure against budget is monitored through quarterly reports, to which budget holders are required to respond and provide commentary on performance. This information is presented to the Executive Management Board in summary.

The JNCC Support Company has its payroll processed by DEFRA, using DEFRA's agreement with Logica CMG. DEFRA manage the payroll database on behalf of the JNCC and reports are received notifying funds to be transferred, subject to authorisation by JNCC. As at June 2005, the JNCC had 117 employees with an average net payroll cost of approximately £180,000 per month.

The JNCC raises orders for goods and services through the 'e-financials database' held by Finance and by means of procurement and corporate cards issued to authorised officers. The processing of payments is according to the English Nature Financial Instructions and segregation of duties exists in accordance with financial best practice.

The audit was carried out to evaluate and test controls over the following areas:

Budgetary Control

- i. Budget compilation;
- ii. Budget approval and notification;
- iii. Delegated responsibility;
- iv. Budget monitoring;
- v. Virements between budgets; and
- vi. Reporting arrangements.

Payroll

- i. Starters and leavers;
- ii. Payments and deductions (including advances, expenses);
- iii. Processing payroll; and
- iv. Amendments to data.

Payments

- i. Validity of orders;
- ii. Payment processing;
- iii. Security over cheques;
- iv. Monitoring of expenditure; and
- v. Submission of quarterly returns.

We did not make any priority one recommendations as a result of our work. However, we did make nine priority two recommendations and one priority three recommendation, where we considered that changes could be made in order to achieve greater control. Management have proposed appropriate action for each recommendation to strengthen the current controls within a reasonable time period.

2.5 Procurement (Fieldwork: October 2005) Assurance: Substantial

The JNCC's largest areas of non-pay expenditure for 2004/05 were approximately £1.2M on operating costs and £2.5M on conservation support for 2004/05.

Current financial procedures state that all procurement between £1,000 - £2,000 requires three hand-written or verbal quotes to be obtained. Purchases between £2,001 - £5,000 require three written quotes and purchases above £5,001 require full tendering procedures. Since 1 April 2005 approximately 26 contracts have been created as a result of a tender process.

As a result of the Government 'Independent Review of Public Sector Efficiency – Releasing Resources to the Front Line, by Sir Peter Gershon, there has been a new focus placed on efficiencies in the procurement of goods and services. The review places increased emphasis on collaborative working and efficiency savings to be gained from electronic purchasing and more effective supplier management.

The audit was carried out to evaluate and test controls over the following areas:

- i. Strategy (Environmental Considerations);
- ii. Preparation for Gershon; and
- iii. Tendering process (including appointment of suppliers, selection and rotation of supplier and tender records).

We did not make any priority one recommendations as a result of our work. However, we did make five priority 2 recommendations and two priority 3 recommendations, where we considered that changes could be made in order to achieve greater control. Management have proposed appropriate action for each recommendation to strengthen the current controls within a reasonable time period.

2.6 **Performance Management (Fieldwork: October 2005) Assurance: Substantial**

The JNCC has employed 10 new staff since 1 January 2005. The Human Resources (HR) Department has developed formal induction procedures and checklists to enable new members of staff to be introduced effectively and efficiently into the Support Company. Induction procedures involve induction courses with HR and Line Managers.

All of the current 116 members of staff have a role description and expected role competencies based upon a defined framework. Staff appraisals are performed annually and performance is assessed against the competencies required for the role. The Support Company has developed a 'Performance Agreement' process whereby staff are set objectives against role competencies. The first 'Performance Agreements' were completed in April 2005.

The audit was carried out to evaluate and test controls over the following areas:

- i. Staff development policy and business plan;
- ii. Induction process;
- iii. Competency development;
- iv. Appraisals and development plans;
- v. Training needs analysis;
- vi. Evaluation and monitoring; and
- vii. Critical cover.

We made one priority 1 recommendation as a result of our work:

- i. It is recommended a formal review be performed of the critical cover requirements of the JNCC Support Company. Once key positions have been identified, alternative officers should be identified to undergo training in order to step into the role where necessary. Officers should be cross-trained in business critical functions.

In addition, we made six priority 2 recommendations where we consider that changes could be made in order to achieve greater control. Management have proposed appropriate action for each recommendation to strengthen the current controls within a reasonable time period.

2.7 **Information Technology (Fieldwork: March 2006) Assurance: Substantial**

Currently the majority of the JNCC's accounting functions are outsourced to English Nature who process accounts using their Cedar e-Financials application. This

application comprises the financial services for maintaining the General Ledger and for Accounts Payable and Accounts Receivable. Currently JNCC staff do not have full access to this application and are restricted to entering purchase transactions, updating budgets and generating reports.

In October 2006 this agreement will come to an end when English Nature will no longer exist and will be replaced by Natural England. It is anticipated that Natural England will likely move to use DEFRA's proposed Shared Service Organisation (SSO) and thus discontinuing their use of the Cedar application. As a result JNCC are in the position where they need to seek an alternative solution for the production of accounts and financial processes.

JNCC commissioned consultants to review the options available for the organisation and this provided three options:

- i. Continuing the use of Cedar under their own agreement with Cedar;
- ii. Moving to the DEFRA SSO solution; and
- iii. Implementing an independent finance system to facilitate their needs and requirements.

The third solution was selected by JNCC who were in the process of selecting an appropriate solution from a short list at the time of the audit. The feasibility study also identified likely mid-range financial packages that could be available.

The purpose of this audit was to review the intended project methodology in place at a high level in order to give assurance over the controls intended to be in place to minimise the risk that the finance system does not meet the requirements of the JNCC or the project does not meet the October 2006 deadline.

The audit was carried out to evaluate and test controls over the following areas:

- i. Project governance;
- ii. Data conversion strategy;
- iii. Quality control;
- iv. System selection;
- v. Identification of JNCC requirements;
- vi. Procedures; and
- vii. Strategy for implementation.

We did not make any priority one recommendations as a result of our work. However, we did make seven priority 2 recommendations and one priority 3 recommendation, where we considered that changes could be made in order to achieve greater control. Management have proposed appropriate action for each recommendation to strengthen the current controls within a reasonable time period.

SECTION 3 – 2005/06 INTERNAL AUDIT PROGRAMME

Deloitte & Touche Public Sector Internal Audit Limited were appointed as the Internal Auditors to the Joint Nature Conservation Committee for three years commencing 1 April 2005. In accordance with the Government Internal Audit Standards (GIAS) work is to be conducted in accordance with an agreed Internal Audit Strategy.

The IAS covers the period 1 April 2006 to 31 March 2007. The purpose of the IAS is to define the approach and methodology to be followed which will enable us to:

- i. Provide the Accounting Officer with an opinion on the organisation's risk management, control and governance to support the preparation of the Statement of Internal Control;
- ii. Audit the JNCC's risk management, control and governance through annual audit plans, which give priority to the organisation's objectives and risks;
- iii. Identify improvements to JNCC's risk management, control and governance by providing management with recommendations arising from the audit work;
- iv. Identify the audit resources required to deliver an audit service which meets the GIAS; and
- vi. Provide effective co-operation with the National Audit Office.

STATEMENT OF RESPONSIBILITY

We take responsibility for this report which is prepared on the basis of the limitations set out below.

Deloitte & Touche Public Sector
Internal Audit Limited

April 2006

Contact Persons:

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The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in

conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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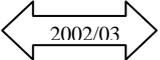
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APPENDIX 1 – ASSURANCE STATEMENT SUMMARY REPORT

Audit Title	No	Limited	Substantial	Full
Risk Management				
Stakeholder Relationship Management				
Corporate Governance				
Core Financial Controls				
Procurement				
Performance Management				
Information Technology				

Definition of Assurance Levels

	Full	There is a sound system of control designed to achieve the system objectives.
	Substantial	While there is a basically sound system, there are weaknesses which put some of the system objectives at risk.
	Limited	Weaknesses in the system of controls are such as to put the system objectives at risk.
	No	Control is generally weak leaving the system open to significant error or abuse.
		No opinion given. Typically where we undertake the follow-up work, non-systems based work, or work of a limited scope.
		Improved since the last audit visit. Position of the arrow indicates previous status.
		Deteriorated since the last audit visit. Position of the arrow indicates previous status.
		Unchanged since the last audit report.
		Dates within the arrows indicate when the system was last audited.
No arrow		Not visited by IA previously.

APPENDIX 2 – STRATEGIC THREE YEAR INTERNAL AUDIT PLAN

Audit Area / Risk	2005/06 Days	2006/07 Days	2007/08 Days
Performance Management	7	3	5
HR - Recruitment and Retention	-	-	5
Information Technology	5	5	5
Core Finance Systems	10	8	6
Stakeholder Relationship Management	6	5	5
Aberdeen Office Control Framework	-	-	4
Non-UK Institutional Relationships (inc. Brussels Office)	-	5	4
Business Continuity Planning	-	5	-
Procurement	3	-	-
Health & Safety	-	3	-
Risk Management	4	3	3
Corporate Governance	3	3	3
Follow up (inc. H&S 04/05 audit)	4	2	2
Audit Management, Planning, Liaison etc.	3	3	3
TOTAL DAYS	45	45	45

Annex B. Report on the ‘top six risks’

No	Risk description	INHERENT Likelihood (0-5)	INHERENT Impact (0-5)	INHERENT Overall rating	CURRENT CONTROL(S)	RESIDUAL Likelihood (0-5)	RESIDUAL Impact (0-5)	RESIDUAL Overall rating	Plan Corporate Theme	Control improvement or future actions	Risk Owner
A1	Loss of a significant number of key staff in a year	4	4	16	<ul style="list-style-type: none"> ▪ Reprioritise project targets and individual workloads based on organisational gaps and flexibility of remaining staff members. Discuss with partners to adjust programmes of work and manage expectations. ▪ Ensure access to welfare support from within the company. ▪ Conduct exit interviews with leavers to identify areas for improvement. ▪ Ensure a reasonable pay deal and conditions for staff. 	2	3	6	13	<ul style="list-style-type: none"> ▪ Currently working on business continuity. ▪ Introduce a system of knowledge management. ▪ Develop and progress retention strategy for key competencies and roles. ▪ Develop a more flexible approach to deploying staff, and provide training to ensure continuity when key staff leave. ▪ Understand levels of stress in the organisation and take appropriate action. ▪ Develop a Training and Development Strategy. ▪ New pay deal for 06/07. ▪ Staff satisfaction survey 06/07. ▪ Review of critical cover. ▪ Change programme. 	Marcus Yeo

The residual likelihood score for this risk was reduced last year to 2 giving an overall rating of 6. As the score for this risk is now less than 9 it has been removed from the corporate risk register and has been placed on the medium/low register. The Executive Management Board have asked to review the risk again if staff turnover increases from 10 to 15%.

No	Risk description	INHERENT Likelihood (0-5)	INHERENT Impact (0-5)	INHERENT Overall rating	CURRENT CONTROL(S)	RESIDUAL Likelihood (0-5)	RESIDUAL Impact (0-5)	RESIDUAL Overall rating	Plan Corporate Theme	Control improvement or future actions	Risk Owner
A3	Other Government bodies take on special functions work without agreement of Joint Committee	5	4	20	<ul style="list-style-type: none"> ▪ Effective, ongoing engagement with stakeholders/customers. ▪ Strategy development and implementation. ▪ Directors/Chairman liaise with Government. ▪ JNCC sponsors group. 	4	4	16	1	<ul style="list-style-type: none"> ▪ Consider where JNCC ‘adds value’ to the work of the country agencies to establish the unique selling points of JNCC. ▪ Improve intelligence gathering on other organisations ▪ Obtain better customer feedback. ▪ Training and development to give JNCC a ‘competitive edge’. ▪ Improve relationship management skills. ▪ Promote JNCC within Government and Devolved Administrations. ▪ Make use of the resource of JNCC Committee Members. 	Malcolm Vincent

This residual likelihood of this risk has increased over the past year with uncertainty presented by the Marine Bill. The Executive Management Board will continue to monitor the risk closely over the coming six months.

No	Risk description	INHERENT Likelihood (0-5)	INHERENT Impact (0-5)	INHERENT Overall rating	CURRENT CONTROL(S)	RESIDUAL Likelihood (0-5)	RESIDUAL Impact (0-5)	RESIDUAL Overall rating	Plan Corporate Theme	Control improvement or future actions	Risk Owner
A4	Insufficient funds to meet organisational objectives	5	4	20	<ul style="list-style-type: none"> ▪ Review project plans to scale up or down programmes and projects to reflect funding – prioritise areas of work supported by stakeholders or we are committed to delivering e.g. contracts. ▪ Committee and senior management use contacts within Government and devolved administrations to influence direct/additional funding. ▪ Discussions with stakeholders to determine priorities. ▪ Zero based review/comprehensive spending review. 	5	3	15	13	<ul style="list-style-type: none"> ▪ Identify external funding that may be appropriate for JNCC. ▪ Develop process to obtain cross-government views on priorities. ▪ Develop a funding strategy. ▪ Resource a raising of the profile of JNCC work. ▪ Achieve efficiency gains. ▪ Audit on income from non-GIA sources. 	Deryck Steer

The Executive Management Board continue to monitor this risk closely, recognising the need to seek additional funding from a variety of sources where appropriate.

No	Risk description	INHERENT Likelihood (0-5)	INHERENT Impact (0-5)	INHERENT Overall rating	CURRENT CONTROL(S)	RESIDUAL Likelihood (0-5)	RESIDUAL Impact (0-5)	RESIDUAL Overall rating	Plan Corporate Theme	Control improvement or future actions	Risk Owner
A7	Failure to implement a records management system and to demonstrate openness	4	4	16	<ul style="list-style-type: none"> ▪ Modernising Government Action Plan in place for JNCC. ▪ Open Committee meetings. ▪ Openness demonstrated by sharing information that forms the basis for advice, where disclosure would not detrimentally affect biodiversity (via the website and through publications etc). ▪ Publications scheme ensures appropriate information is openly available. ▪ Assessment of the requirements under the new Environmental Information Regulations. ▪ Continue to keep track of requirements under the Freedom of Information Act 2000. 	3	4	12	13	<ul style="list-style-type: none"> ▪ Development of a records management system. ▪ Make staff aware why openness is needed. ▪ Keep electronic copies of all correspondence. 	Marcus Yeo

The Executive Management Board has agreed to continue to develop the current controls for this risk. Preparatory work for the implementation of a records management system has begun with a target date of 2007 for implementation.

No	Risk description	INHERENT Likelihood (0-5)	INHERENT Impact (0-5)	INHERENT Overall rating	CURRENT CONTROL(S)	RESIDUAL Likelihood (0-5)	RESIDUAL Impact (0-5)	RESIDUAL Overall rating	Plan Corporate Theme	Control improvement or future actions	Risk Owner
A8	Lack of staff understanding/ support and commitment to JNCC's strategy	4	3	12	<ul style="list-style-type: none"> ▪ Clear interpretation of the special functions to scope JNCC's nature conservation role and its work. ▪ Vision, mission and strategic objectives agreed by Joint Committee. ▪ Implementation of the strategy through the preparation of the corporate plan for 2005-08. 	4	3	12	1	<ul style="list-style-type: none"> ▪ Effective communication of the strategy between management groups and other staff members. ▪ Ensure that individual staff targets link to the strategy. ▪ Training for staff on the strategy. ▪ The EMB to lead communication between staff and management groups. ▪ More work required on interpretation. 	Malcolm Vincent

The Executive Management Board acknowledge that more work is required on the current controls and they will lead the communication between staff and the management groups.

No	Risk description	INHERENT Likelihood (0-5)	INHERENT Impact (0-5)	INHERENT Overall rating	CURRENT CONTROL(S)	RESIDUAL Likelihood (0-5)	RESIDUAL Impact (0-5)	RESIDUAL Overall rating	Corporate Theme	Control improvement or future actions	Risk Owner
B8	Ineffective governance at Committee, Company Board and Executive Management Board levels.	3	5	15	<ul style="list-style-type: none"> ▪ Clear interpretation of the special functions to scope JNCC's nature conservation role and its work. ▪ 'Terms of reference for each of the management groups, accountabilities for the groups and individuals on them. ▪ Clear delegations. ▪ Making greater use of Committee members through Committee working groups and Board sub-Committees. ▪ Committee and Board standing orders reviewed and updated. ▪ Corporate governance arrangements re-issued to Members. ▪ Administrative arrangements to produce strategic agendas and better information provision for each group. ▪ Induction process and information CD for members and Joint Committee competency framework. 	2	2	4	1	<ul style="list-style-type: none"> ▪ Making greater use of Committee members through individual responsibilities. 	Sue McQueen

Corporate Governance developments

A number of improvements have been made to strengthen corporate governance.

Responsibilities and business agendas

The review and development of the suite of corporate governance documents arising from the FMPR changes was completed by a revision of Committee's Standing Orders. These are again under review to reflect the changes arising from the Natural Environment and Rural Communities Act 2006.

Arrangements have been put into place to provide Committee with more strategic agendas. These include the operation of sub-groups to deal with detailed work (Process Working Group, Vision Working Group, Audit and Risk Management Committee, Marine Natura Project Group and Climate Change Working Group) and administrative processes within the company for identifying key business items.

Committee Members' skills and knowledge

An induction process for new Members has been developed and an induction CD produced with information about JNCC's work, corporate governance, stakeholders and practical matters for Members. A framework of core competencies required by the Committee has also been developed and used for recent appointment exercises.

Decision-making

Changes have been made to improve the quality of information to Committee including the provision of guidance for staff on writing Committee papers and briefing and a scoping stage prior to papers being written to determine the purpose and content of papers.

Other processes

Policies and procedures for fraud and complaints have been written, communicated to staff and published on the intranet.