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JNCC SUPPORT CO.
BOARD OF DIRECTORS

**THE AUDIT AND RISK MANAGEMENT COMMITTEE'S ANNUAL REPORT TO
THE COMPANY BOARD**

Paper by Tracey Quince

1. Introduction

- 1.1 This paper sets out the Audit and Risk Management Committee's annual report for 2007/08 to the Company Board. The paper also includes a forward look at the internal audit and risk management programmes for 2008/09.

2. Statement of Assurance

- 2.1 As required by the Government Internal Audit Standards, the Head of Internal Audit submits an Annual Assurance Report to the Audit and Risk Management Committee. This includes a summary of internal audit activity and results, and an annual statement of assurance, his formal opinion on the adequacy, effectiveness and reliability of the organisation's internal control system. The Report was endorsed by the Audit and Risk Management Committee in May 2008 and is attached at Annex A.
- 2.2 The primary objective of the internal audit service is to provide the Accounting Officer and management with an opinion on whether an appropriate and effective system of internal control is in operation in the JNCC.
- 2.3 Based on the results of the audit work carried out for the year ending 31 March 2008, Deloitte 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. As in previous years, this assessment should be seen as a good achievement for the JNCC Support Co. 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.

3. Overview of the year

Internal audit

- 3.1 Deloitte & Touche Public Sector Ltd was appointed as the internal audit provider for JNCC Support Co. for three years from 1 April 2005. They have now completed the final year of their contract. In September, the Audit and

Risk Management Committee agreed to extend the contract for a further three years until 31 March 2011.

- 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 internal audit operational plans for 2005/06 to 2007/08 that were closely aligned to the risk register. The operational plan for 2007/08 was reviewed and amended prior to the start of the year to take account of updated risk registers.
- 3.3 In 2007/08 Deloitte undertook fieldwork for nine audits, as set out in the operational plan. One audit was undertaken as a value for money study on business travel. As this audit was not systems-based, but was undertaken to assist the organisation in a review of travel arrangements and commuting to work, it did not receive an assurance opinion. In total, eight final reports were issued. The report on the value for money study was issued in May 2008. The audits undertaken in 2007/08 are summarised in the table below. Further details are provided in the annual Statement of Assurance at Annex A.

Final audit reports for 2007/08	Number of recommendations made	Assurance level 2007/08	Assurance level 2006/07
Core financial controls	4	Substantial	Substantial
IT legislative compliance	9	Substantial	N/A
HR recruitment and retention	2	Substantial	N/A
EU parliamentary intelligence	4	Substantial	N/A
Performance management	2	Substantial	Substantial
Risk management	5	Substantial	Substantial
Corporate governance	2	Substantial	Full
Stakeholder relationship management	4	Substantial	N/A
Value for money – business travel	5 ¹	N/A	N/A

- 3.4 Regular progress reports have been made to the Audit and Risk Management Committee which has recorded its satisfaction with the professionalism and quality of audits. However, some concerns were raised with Deloitte regarding the consistency of assurance ratings across the audit programme. During 2008/09, the Audit and Risk Management Committee will continue to pursue this matter if appropriate.
- 3.5 In the final internal audit reports for 2007/08, 32 recommendations were made by Deloitte (not all these recommendations were due to be implemented in 2007/08) and all but one have been agreed by management. The one recommendation not agreed related to the stakeholder relationship management audit (2.8 of Annex A) where management felt that

¹ Please note that as this was a value for money study, improvements rather than recommendations were made.

implementing the recommendation to the timescale identified by the auditors was not a good use of resources.

- 3.6 The monitoring system administered by management, and the follow-up audit completed each year, assesses progress in implementing audit recommendations. In March 2008, the Audit and Risk Management Committee discussed the status of recommendations made in 2006/07 and 2007/08. Out of a total of 27 recommendations made in 2006/07, 17 had been satisfactorily implemented, a further four had been partially implemented, and three are to be followed up in 2008/09. The remaining three recommendations had not been actioned but one was no longer relevant and a request was made to remove the recommendation. A timetable for implementation of the two outstanding recommendations has been drawn up and agreed between Deloitte and management.
- 3.7 In June 2005, the Audit and Risk Management Committee selected six performance indicators for Deloitte and three for JNCC management on which they wished to receive reports. In 2007/08, seven performance indicators were achieved and two were partially achieved. Management and Deloitte will continue to work towards achieving all performance indicators in full in 2008/09.

Risk management

- 3.8 Good progress continues to be made with risk management. The major themes in this area of work during 2007/08 are summarised below.
- 3.9 In November 2007, an analysis of risk was included on project planning forms for the first time. Programme leaders and project managers were asked to consider the risks relating to their projects and programmes and to highlight any areas of concern which might need to be escalated to director level.
- 3.10 A review of both the corporate risk register and medium/low risk register took place in July 2007 with the involvement of staff from across 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 identified future actions to be implemented and new risks facing the organisation. The Audit and Risk Management Committee agreed revised registers in September.
- 3.11 In September 2007, the Audit and Risk Management Committee selected the eight risks which they considered to be the most relevant for reporting annually to the Company Board. A report on the management of the 'top eight risks' can be found at Annex B.
- 3.12 In order to help embed risk management further into the organisation it was agreed that the Science Group and the Policy Advice Group would take a more formal role in the risk management process. The risk manager now provides regular reports to each group and each is required to select members to attend the annual risk management workshop.

- 3.13 In 2008/09 the following key attributes of JNCC's risk management process will be maintained or reinforced:
- i. all risks will relate explicitly to current corporate plan programmes;
 - ii. risk registers will contain assessments of impact and likelihood using Treasury definitions, control measures, actions and contingencies;
 - iii. further guidance on managing high-cost/high-risk projects will be produced and communicated to staff;
 - iv. a clear and embedded system of risk management in JNCC will continue and will be strengthened through input from internal management groups; and
 - v. the process will continue to remain responsive to in-year changes in the risk environment.

Audit and Risk Management Committee meetings

- 3.14 The Audit and Risk Management Committee met four times during the year, in June, September, December and March. This was the third year of operation following the establishment of JNCC Support Co. in April 2005. In September, Professor Ingram stepped down as chair of the Committee and Dave Pritchard was appointed as the new chair. Routine business has included consideration of internal audit plans and associated progress, the draft Statement on Internal Control, reviews of the risk registers, the appointment of the external auditors, and reappointment of the internal auditors for a further three years. Other issues considered by the Committee have included value for money auditing and an assessment of the Committee's effectiveness in its second year of operation. Audit and Risk Management Committee members have continued to enhance their knowledge of the areas for which they are responsible and the expertise of the Committee as a whole has been enhanced through the appointment of a second external member who has an accounting and financial background.
- 3.15 The Audit and Risk Management Committee continued to review the external audit programme, including the annual accounts for 2006/07 and the external audit management letter for 2006/07. The Committee was pleased to note that JNCC received an unqualified audit opinion from its external auditors, Moore Stephens, for 2006/07. Moore Stephens' view was that the financial statements gave a true and fair view of the state of the company's affairs as at 31 March 2007. Moore Stephens was able to confirm that the accounts had been properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report was consistent with the financial statements.

4. Forward look for 2008/09

4.1 Deloitte and JNCC management have prepared the audit programme for the next three years to 2011 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 2008-2011 and the operational plan for 2008/09 at 40 days of internal audit time. Discussions are being held with audit sponsors to agree the focus of the audits and timescales for their completion. The internal audit programme for 2008/09 includes:

- Payroll
- Business planning and performance management
- Corporate governance and risk management
- Media, communications and publications
- Core financial controls
- Sustainable Development Action Plan
- Stakeholder relationship management
- Information technology

Annex A

Final Assurance Report 2007/08

**Joint Nature Conservation Committee
DRAFT INTERNAL AUDIT ANNUAL REPORT
2007/08
May 2008**

**Deloitte & Touche Public Sector Internal Audit Limited
St. Albans**

This report has been prepared on the basis of the limitations set out on page 13.

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Executive Summary

Introduction

We have now completed our Internal Audit Programme as approved by the Audit and Risk Management Committee in April 2007, covering the financial period, 1 April 2007 – 31 March 2008.

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.

The Statement of Assurance

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:

- All internal audits undertaken between 1 April 2007 and 31 March 2008;
- The action taken in response to our audit recommendations;
- Whether fundamental or significant recommendations have been accepted by management, and the consequent risks;
- The effects of any material changes in the Joint Nature Conservation Committee's (JNCC) objectives or systems; and
- Whether or not any limitations have been placed on the scope of internal audit.

Based on the work completed between 1 April 2007 and 31 March 2008, carried out in accordance with the scopes agreed by the Audit and Risk Management 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.

Sources of Assurance

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

- To appraise the soundness, adequacy and application of the whole internal control system;
- To ascertain the extent to which the system of internal control ensures compliance with established policies and procedures;
- 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;
- To ascertain that accounting and other information is reliable as a basis for producing accounts, and financial, statistical and other returns;
- To ascertain the integrity and reliability of financial and other information provided to management, including that used in decision making; and
- To ascertain that systems of control are laid down and operate to promote the most economic, efficient and effective use of resources.

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 the systems audited.

Acknowledgement

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 2007/08 covered nine audits as agreed by the Audit and Risk Management Committee. A statement of the level of assurance achieved for each area of audit is shown below, where applicable, together with the prior year assurances. Appendix 1 provides definitions for each of the assurance levels.

Audit Area	Assurance Level 2006/07	Assurance Level 2007/08
Core Finance Systems	Substantial	Substantial
IT Legislative Compliance	N/A	Substantial
HR Recruitment and Retention	N/A	Substantial
EU Parliamentary Intelligence	N/A	Substantial
Performance Management	Substantial	Substantial
Risk Management	Substantial	Substantial
Corporate Governance	Full	Substantial
Value for Money – Business Travel	N/A	N/A
Stakeholder Relationship Management	N/A	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 100% substantial assurance is being achieved of the systems audited. In comparison, in 2006/07, 13% of audits received full assurance and 87% achieved a substantial assurance rating.

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
Core Finance Systems	6	6
IT Legislative Compliance	7	7
HR Recruitment and Retention	5	5
EU Parliamentary Intelligence	4	4
Performance Management	3	3
Risk Management	3	3
Value for Money – Business Travel	5	5
Stakeholder Relationship Management	5	5
Corporate Governance	2	2
Follow-up	2	2
Management	3	3
Total	45	45

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 Core Financial Systems (August 2007) Assurance: Substantial

The Joint Nature Conservation Committee Support Company (JNCC) has planned annual expenditure of approximately £9.1m for 2007/08, of which approximately £7.9m is funded by DEFRA via Grant In Aid (GIA).

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

Payroll

- Starters, leavers and changes to employee data;
- Payments and deductions;
- Processing payroll; and
- Amendments to data.

Budgetary Control

- Budget compilation;
- Budget approval and notification;
- Virements;
- Delegated responsibility; and
- Budget monitoring.

Payments

- Policies and procedures; and
- Authorisation of creditor's payments.

In addition, we have undertaken a follow up of recommendations made in our 2006/07 audit of GIA income.

As a result of our audit we have raised four priority 2 recommendations relating to guidance to finance staff on key financial processes, the development of procedures for recording receipt of goods and services and for processing of invoices for all JNCC staff, the creation and completion of a declaration of interests register for staff involved in tendering processes, and regular performance monitoring of contractors.

2.2 IT Legislative Compliance (November 2007) Assurance: Substantial

The Head of Corporate Governance and Stakeholder Relations has been assigned with the overall responsibility for managing, and as necessary refining, 'Open Government' processes including Freedom of Information Act and Environmental Information Regulations. A Business Planning Officer has been appointed who, amongst other duties, has responsibility for managing the processes in place for providing information under the Data Protection Act 1998, Freedom of Information Act 2000 and Environmental Information Regulations 2004 as well as other legislative codes.

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

Data Protection Act 1998

- Data Protection Policy;
- Data Processing Controls;

- Manual Data;
- Data Protection Notification;
- Authorised Data Processing;
- Security of Data; and
- Data Filing.

Freedom of Information Act 2000 and Environmental Information Regulations 2004

- Strategy, Policies and Procedures;
- Information Management;
- Information Request Processing;
- Information Publication Schemes; and
- Exemptions.

As a result of this audit there have been four priority 2 recommendations and five priority 3 recommendations raised. The priority 2 recommendations related to a review of all manual and automated data collection and processing systems to identify all current systems and their owners, and to facilitate a review of the systems to ensure that they meet the criteria for legitimate processing in accordance with the Data Protection Act 1998, a review of the JNCC registration that is sent to the information commissioner to ensure that it is accurate and up to date and reflects the use of data within the organisation, the need for the establishment of formally approved policies for dealing with information in accordance with legislation, and the need to implement training for appropriate staff on legislative requirements.

2.3 HR Recruitment and Retention (July 2007) Assurance: Substantial

All recruitment for the Joint Nature Conservation Committee Support Co. (JNCC) is performed in accordance with Personnel policies and procedures, which are communicated to all officers via the JNCC intranet. The guidance communicated to all staff was formalised in 2005 with the creation of the current organisation.

The JNCC had recruited eight new staff since January 2007, as at the time of audit. The recruitment of all roles is based upon an 'Authorisation to Recruit' form, to be authorised by a Director. In addition, each Line Manager creates a job specification, which is authorised by the Personnel Section in the event a new post is created. A contract is held with consultants Peter Lockier, whose role is to advertise approved posts externally.

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

- Strategy;
- Policies and procedures;
- Developing job specifications;
- Advertising and short-listing;
- Interview and assessment of candidates;
- Offer and acceptance;

- References and appropriate checks;
- Appointment and induction;
- Workload management;
- Welfare support; and
- Training and development.

As a result of this audit we have raised two Priority 3 recommendations where we consider that changes can be made in order to achieve greater control. The recommendations relate to the sign off of all job adverts produced by external consultants, and the development of a central spreadsheet to monitor completion of inductions.

2.4 EU Parliamentary Intelligence (March 2008) Assurance: Substantial

The Joint Nature Conservation Committee (JNCC) has an office based in Brussels, the UK Nature and Landscape Office (the Brussels office), which is a partnership of the statutory Country Agencies responsible for providing independent advice on nature conservation. There are two members of staff based in this Office.

The role of the Office is to promote the collective views, policies and programmes of the Agencies within the European Union (EU), and to gather and communicate information to the Agencies on relevant key EU policies and decisions, which may be of interest to them in developing their advice. Communications by the Brussels office are predominantly via a website, on which regular information about policy decisions, results of consultations and monitoring of key events is published

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

- Strategy;
- Gathering information;
- Responsible officers; and
- Monitoring and reporting.

As a result of our audit we have raised three Priority 2 and one Priority 3 recommendations where we consider that changes can be made in order to achieve greater control. The recommendations relate to development of a forward plan of meetings with IEEP, the need to consider the services provided by the IEEP and Brussels office prior to retender of IEEP services, and formal feedback should be obtained from recipients of IEEP and Brussels office information to ascertain which services are most valued and any improvements which could be made to those services provided.

2.5 Performance Management (November 2007) Assurance: Substantial

The Joint Nature Conservation Committee (JNCC) has a Corporate Plan which covers the period from 2007 to 2010. Within the Corporate Plan, each programme has set programme targets, together with key performance indicators for monitoring those objectives. The key performance indicators are those project targets for each programme that the Executive Management Board (EMB) and Committee have decided are the highest priority. The Corporate Plan is approved by Ministers.

Each programme within the JNCC Corporate Plan has a number of projects. To help ensure that the projects fulfil the programme targets, separate targets are assigned at a project level.

The JNCC has established 14 programmes in order to meet its strategic objectives. Each programme has 1-4 programme targets. There are 30 key performance indicators in total, with approximately 395 project targets to help monitor the achievement of programme targets.

On a quarterly basis, updates on the key performance indicators and project targets are requested by the Business Unit from the responsible programme leaders and project managers. The Business Unit is responsible for compilation of the reports that are issued to the Policy Advice Group and the Science Group for discussion. These management groups include the programme leaders and some project managers.

The reports and points raised at these two management groups are subsequently reported to the EMB. The conclusions of EMB are provided in the report to the Company Board on performance.

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

- Objective and goal setting;
- Analysis of actual to forecasts;
- Reporting and feedback;
- Corrective action; and
- Monitoring of performance.

As a result of this audit we have raised two Priority 2 recommendations where we consider that changes can be made in order to achieve greater control. The recommendations relate to formal reconciliation between all programmes and projects in the approved Corporate Plan to the corporate planning database to ensure that performance indicators are included for all areas, and consideration be given to documenting the measures put in place for identifying and training alternative officers to step into identified critical roles.

2.6 Risk Management (November 2007) Assurance: Substantial

The JNCC Risk Management Strategy adopts the principles issued by the Treasury in their guidance, 'Management of Risk – A Strategic Overview'. The strategy was approved in March 2006 by the Audit Committee.

The JNCC has three Risk Registers, a Corporate Risk Register, a register detailing Medium and Low risks, and a register detailing Inherent High risks where residual risk is low.

The Executive Management Board (EMB) meets monthly and new risks are identified as a standing agenda item. The Corporate and Inherent High Risk Registers are updated by the Management Board on a quarterly basis throughout the year to ensure that new and emerging risks are considered and identified risks are mitigated to an acceptable level.

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

- Review and update of the risk map;
- Embedding risk management; and
- Monitoring and reporting.

As a result of our audit we have raised five Priority 2 recommendations where we consider that changes can be made in order to achieve greater control. The recommendations relate to amendment of risk management guidance to provide direction to what is considered a high cost/risk project, review of the level of risk management training, the need for quarterly out-turn reports to be supported by documented returns from risk owners, out-turn reports to be submitted to the EMB in each quarter, and quarterly distribution of risk registers by programme leaders.

2.7 Corporate Governance (July 2007) Assurance: Substantial

The Joint Committee is responsible for discharging the functions set out in the Natural Environment and Rural Communities Act 2006. Many of the functions of the Joint Committee are discharged through delegated authority to the JNCC Support Company Board and sub-groups, including; the Process Working Group, the Vision Working Group and the Remuneration Committee. The Company Board has two sub-committees; the Executive Management Board and the Audit and Risk Management Committee.

Responsibilities of the JNCC and the JNCC Support Company Board are formalised in communicated terms of reference for each of the sub-groups and sub-committees.

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

- Board and Committee Structure; and
- Terms of references for the Board and Committees.

As a result of our audit we have raised two Priority 3 recommendations where we consider that changes can be made in order to achieve greater control. The recommendations related to reporting changes to sub groups and committees terms of reference to the Joint Committee and that declaration of interests should be a standing agenda item at all sub committees.

2.8 Stakeholder Relationship Management (February 2008) Assurance: Substantial

The Joint Nature Conservation Committee (JNCC) has identified good communication with its stakeholders as a key mechanism to help ensure the achievement of the Corporate Plan objectives. The objective of good stakeholder relationship management is to identify key stakeholders and to develop plans to help ensure that communications are sufficient and appropriate in terms of content and frequency.

The JNCC has developed an external communications strategy to help plan the communication activities of the organisation and to provide guidance to staff on how those activities are to be performed. The strategy was approved by the Executive Management Board (EMB) in October 2007.

The strategy includes the JNCC objectives, the identification of stakeholders, the communication channels, and the plans for implementing the strategy, together with the necessary planned resources. There is an implementation plan with timescales to help ensure the tasks relating to the external communications strategy are completed in a timely manner. The plans themselves include the identification of key stakeholders, assignment of responsible JNCC staff, and development of relationship management plans for each priority stakeholder, and methods and resources required for fulfilling the plans.

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

- Identification of key stakeholders;
- Objective setting;
- Assignment of responsibility;
- Communication; and
- Feedback process.

As a result of our audit we have raised two Priority 2 and one Priority 1 recommendations where we consider that changes can be made in order to achieve greater control. The recommendations agreed with management (one Priority 2 and one Priority 3 recommendations) related to revision of the implementation plan by the EMB, and training on the identification of communication objectives and requirements be provided to Project Leaders during one to one meetings.

In addition, we raised one Priority 2 recommendation which was disagreed by management. This recommendation related to development of stakeholder relationship plans for those stakeholders already identified by the EMB, which management felt was not the best use of resources.

2.9 Non Systems Work (February 2008)

Follow-up

As part of the Internal Audit Plan for 2007/08, we have undertaken a follow-up exercise covering recommendations raised to date in our internal audit reports and due for implementation by 31st January 2008, and audit reports from previous financial years where recommendations were reported as outstanding.

In 2007/08 25 recommendations were raised for reports finalised by 31st December 2007. Of these recommendations, seven were found to be implemented and three were partially implemented. Fifteen recommendations were not due for implementation as of the 31st January 2008.

Four recommendations relating to 2006/07 have been followed up. Of these recommendations, one was found to have been satisfactorily implemented, two were not implemented but were planned to be addressed during 2008, and one was considered as mitigated with other controls by management, and any residual risk was accepted. One audit, relating to three recommendations, was not followed-up as part of this audit, and is agreed with management to be performed in 2008/09.

21 recommendations relating to 2005/06 have been followed up. Of these recommendations, 17 were found to have been satisfactorily implemented, two were found to be partially implemented, and two are to be removed due to more appropriate recommendations being raised in 2007/08 audits.

The agreed recommendations from 2003/04 and 2004/05 internal audit reports, which have been previously reported as partly or not implemented, have been included in this report. Of the five recommendations relating to 2003/04, one was found to have been satisfactorily implemented, two had been partially implemented and one had not been actioned. It is recommended that the final recommendation be removed as no longer being relevant. Of the two recommendations relating to 2004/05, both were found to be satisfactorily completed.

Travel Expenses – Value for Money

As part of the planned internal audit work for 2007/08 we have completed our value for money (VFM) audit on Business Travel.

The purpose of the VFM audit was to assess how staff travel, both to and from work and on work related travel business travel, and to assess the level of staff awareness of environmental considerations. Full details of the terms of reference of this audit can be found in the main audit report.

As a result of our audit we have raised five suggested improvements, which the JNCC may consider to help meet their objectives for environmentally friendly business travel and achieve value for money.

Section 3 – 2008/09 Internal Audit Programme

Deloitte & Touche Public Sector Internal Audit Limited were appointed as the Internal Auditors to the JNCC for three years commencing 1 April 2005. Following this, we have been reappointed as internal auditors for the JNCC for a further year, and we were asked to produce an Internal Audit Strategy for 2008/09.

The Internal Audit Operational Plan covers the period 1 April 2008 to 31 March 2009 and is shown at Appendix 1. The plan forms part of the JNCC's Internal Audit Strategy, the purpose of which is to define the approach and methodology to be followed which will enable Internal Audit to:

- 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.
- Audit the JNCC's risk management, control and governance through annual audit plans, which give priority to the organisation's objectives and risks.
- Identify improvements to JNCC's risk management, control and governance by providing management with recommendations arising from the audit work.
- Identify the audit resources required to deliver an audit service which meets the GIAS.
- 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

May 2008

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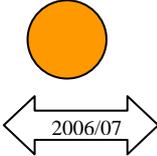
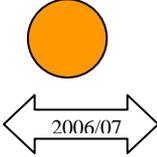
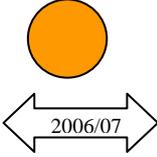
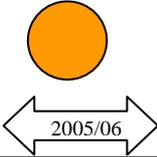
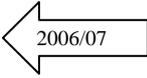
The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you 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.

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

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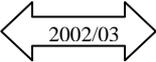
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Appendix 1 – Assurance Statement Summary Report

Audit Title	No	Limited	Substantial	Full
Core Finance Systems				
IT Legislative Compliance				
HR Recruitment and Retention				
EU Parliamentary Intelligence				
Performance Management				
Risk Management				
Stakeholder Relationship Management				
Corporate Governance*				

* It is to be noted that in 2006/07 the scope of the Corporate Governance audit was limited to declarations of interest. A wider scope was adopted in the 2007/08 internal audit.

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 – 2008/09 Internal Audit Operational Plan

Audit Area / Risk	Risk Ref. *	Corp. Plan *	Audit Sponsor	Proposed Date	Days
Business Planning and Performance Management	A2, A4, A7, A12, C6, C7, B7	4, 5	Head of Corporate Governance and Stakeholder Relations	June 2008	6
Information Technology	A5, A6, A10, A11,	16, 17, 18	Head of Resources	Dec 2008	5

	C8, C9				
Risk Management and Corporate Governance	A4, C2, C5, C7, B2	18	Business Manager / Head of Corporate Governance and Stakeholder Relations	June 2008	4
Media Communications and Publications	B8, A5	11, 12, 17, 18	Head of Communications	September 2008	5
<i>September 2008 Audit Committee Meeting</i>					
Core Finance Systems	A3, C5, B2, B3, B4	4	Head of Finance	Oct' 2008	9
Sustainable Development Action Plan	-	-	Env Mgt Project Manager	Nov' 2008	3
<i>December 2008 Audit Committee Meeting</i>					
Follow – up	-	-	Business Manager	Jan' 2009	3
<i>March 2009 Audit Committee Meeting</i>					
Contingency	-	-	-	-	1
Audit Management, Planning, Liaison etc.	-	-	-	-	4
TOTAL DAYS FOR 2008/09					40

* Each audit has been cross referenced to an individual risk within the JNCC Risk Registers and Corporate Plan, and will contribute to the assurance required that controls are in place to manage risk..

Annex B. Report on ‘top eight’ risks

Risk	Key control activities undertaken in 2007/08
A1: Staff number, structure and competencies do not allow JNCC to fulfil its role	<ul style="list-style-type: none"> • EMB decision to reshape directors team, including appointment of a new Director of Marine • Review of staffing requirements across the organisation as part of corporate plan preparation • Identification of annual training/development priorities (at corporate and individual levels) • Achievement of a pay settlement that, given tight Government constraints on public sector pay, provided a reasonable deal for staff (although a significant number of staff still received sub-inflationary increases)
A2: Other Government bodies take on functions of national and international significance without agreement of Joint Committee	<ul style="list-style-type: none"> • Ongoing stakeholder relationship management, especially at chairman and director levels
A3: Mismatch between resources needed to implement JNCC’s strategy over an appropriate timescale and funding provided by Government	<ul style="list-style-type: none"> • Achievement of a reasonable financial settlement for 2008/09, under the circumstances (although still inadequate to fully implement strategy) • Ongoing efficiency savings • Continuing success in securing funding from external sources for specific projects
A5: Inappropriate decisions, missed opportunities and failure to meet legal obligations through inability to easily retrieve information	<ul style="list-style-type: none"> • Approval for electronic information management project as part of 2008/09 business plan
A6: Lack of staff/stakeholder understanding, support and commitment to JNCC’s strategy	<ul style="list-style-type: none"> • Induction programme for all new staff • Ongoing stakeholder relationship management at all levels
A7: A change in the functions, composition or resourcing arrangements of JNCC and/or Company arising from statutory/political changes in the country agencies or sponsor bodies	<ul style="list-style-type: none"> • Ongoing stakeholder relationship management, especially at chairman and director levels
A9: Not being aligned to existing/developing Government priorities	<ul style="list-style-type: none"> • Ongoing stakeholder relationship management at all levels • Close liaison with Defra, other Westminster departments and devolved administrations to inform preparation of corporate plan (including mapping key performance indicators to Government targets)
B6: Significant loss of co-operation between JNCC and one or more partner organisations	<ul style="list-style-type: none"> • Ongoing stakeholder relationship management at all levels