



The one hundred and seventh meeting of the Joint Nature Conservation Committee to be held at 0845 on 9 June 2016, at SNH Offices, Silvan House, 231 Corstorphine Road, Edinburgh, EH12 7AT

This paper is provided to the Joint Committee for decision/discussion or information. 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 for 2015/16**

#### **Executive Summary**

**Sponsor Director: Marcus Yeo**

#### **1. Action required**

- 1.1. The Audit and Risk Assurance Committee (ARAC) invites the Joint Committee to:
  - i. **discuss** the ARAC's annual report for 2015/16; and
  - ii. **consider** the forward programme in Annex 2 and propose changes as required.

#### **2. Key issues**

- 2.1. This paper sets out the Audit and Risk Assurance Committee's (ARAC) report for the year ending 31 March 2016. The report has been considered by members intersessionally in May and amendments have been incorporated. ARAC members will discuss the report at their meeting on 8 June. Any amendments arising in the meeting will be reported to the Joint Committee as an addendum to this paper.
- 2.2. Each June the Joint Committee is afforded the opportunity to help set the forward programme for ARAC for the next 12 months. ARAC's proposed forward programme can be found in Annex 2.

# The Audit and Risk Assurance Committee's annual report to the Joint Committee for 2015/16

## Paper by Tracey Quince and Colin Galbraith

### 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 JNCC's internal audit providers KPMG, has 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 2015 and 31 March 2016. The Annual Assurance Report (attached at Annex 1) was discussed (in draft) by ARAC members at their meeting in March. Members were content with the report and with the suggested moderate or substantial assurance rating which was to be decided following completion of the internal audit operational plan.
- 1.2. The Head of Internal Audit's (HIA) opinion has been included in the Governance Statement for 2015/16, which forms part of the Annual Report and Accounts. The HIA opinion is based on:
  - i an assessment of the design and operation of the risk management framework; and
  - ii an assessment of the range of individual assurances arising from the risk-based internal audits that have been reported throughout the year, taking into account the relative materiality of the audited areas.
- 1.3. For the 12 months ending 31 March 2016, based on the work undertaken, the opinion regarding the adequacy and effectiveness of JNCC's arrangements for governance, risk management and control is '**substantial assurance over the adequacy and effectiveness of the framework of governance, risk management and control**'. The opinion is contained on page three of the report.
- 1.4. The opinion for 2015/16 is outstanding and represents the hard work and commitment of the staff involved in the areas audited. The annual opinion does not imply that audit has assessed all risks and assurances relating to the organisation as it is derived from the conduct of risk-based audits, in line with a plan generated from the organisation's risk management framework. Members can however take assurance that the organisation's governance framework and internal control processes over the past 12 months are adequate and effective, and that they have enhanced the system of internal control.

### 2. Risk management

- 2.1. In 2015/16 EMB, ARAC and the Joint Committee reviewed the significant risks register quarterly. In reviewing the significant risks, EMB provided updates on the planned management action.
- 2.2. Significant risk issues for 2015/16 are highlighted in the Governance Statement (included with the Annual Report and Accounts for 2015/16). A significant risks register for 2016/17 was prepared and Joint Committee members were sighted

on these risks as part of their annual discussion in March. This initial list of risks for 2016/17 has subsequently been refined and will be discussed by ARAC in June.

- 2.3. ARAC regularly considered new, emerging or fast-evolving risks, including those informed by an oral report from the Chief Executive. Comments on trends or controls were reported, through the ARAC Chair's written reports to the Joint Committee.
- 2.4. In 2015/16 a new risk appetite statement was devised which provided better definition and segmentation of the appetite into different activity areas. This has led to a statement that articulates more clearly the amount of risk JNCC is prepared to accept in pursuit of long-term objectives. In considering the revised statement in March, Joint Committee members agreed that further refinement, including adding some examples and segmenting the relationships activity into different categories, would add clarity. A task and finish group comprising staff from across the organisation has been established to complete this task.

### **3. Internal audit**

- 3.1. In 2015/16 KPMG undertook four audits as agreed in the operational plan (see Annex 1). KPMG are contracted through a Defra collaborative arrangement that JNCC are obliged to use. For 2015/16 the cost per day remained the same as the previous year in line with the contract terms and conditions. A two-day follow-up audit testing the implementation of previously raised audit recommendations was undertaken in-house by JNCC, as agreed with KPMG. A report on findings will be considered by ARAC in June 2016.
- 3.2. The performance of internal audit is appraised by ARAC through an annual report from management in March and against performance indicators in June. The performance of KPMG was appraised in March with the overall conclusion that KPMG had provided an efficient and useful service, particularly through the provision of experienced, knowledgeable auditors and well-written, concise audit reports which include additional material such as flowcharts to help the reader understand the process audited.
- 3.3. The cost of the internal audit service for 2015/16 was £13,188 excluding VAT.
- 3.4. For 2016/17 a new team of auditors from KPMG have been brought in to offer a fresh approach. The new team were introduced to ARAC in March and will be briefed on JNCC by the outgoing KPMG team.

### **4. External audit**

- 4.1. External audit of JNCC is undertaken by the National Audit Office (NAO). The NAO provides an independent opinion ensuring JNCC's accounts are:
  - 'true and fair';
  - properly prepared – in accordance with the relevant Accounting Framework; and
  - regular – income or expenditure, or both, in line with Parliamentary intention.
- 4.2. The NAO approach complies with International Standards on Auditing (ISAs),

is a risk-based audit approach and focuses on material matters, i.e. matters which could alter the user's understanding of a set of financial statements.

- 4.3. ARAC continued to review the external audit strategy and programme provided by the NAO, and good practice from the previous year's accounts preparation was noted. A solid relationship has been built between management and auditors with benefit gained from using auditors working across government rather than primarily in the private sector.
- 4.4. The fee for completing the JNCC external audit in 2014/15 was £18,500. The fee proposed for the 2015/16 audit remains the same, subject to the satisfactory delivery of the draft Annual Report and Accounts by the Finance and Planning Team.

## **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 the internal audit programme; audit scopes; progress of the internal audit operational plan; matters arising from audit reports; the Annual Assurance Report; performance indicator reporting; performance of the internal auditors; and briefings on the Government single internal audit service and wider Defra issues;
  - ii external audit issues, including the annual strategy; the audit completion report; and a report on the performance of external audit;
  - iii risk management issues, including significant risks; new, emerging and fast-evolving risks; and preparation for the Joint Committee's annual discussion on risk;
  - iv other issues, including the Annual Report and Accounts; the draft Governance Statement; agreed actions from the 2015 ARAC effectiveness review; review of the fraud policy; updates on Defra's Transformation Programme; and a new conflicts of interest policy for JNCC.
- 5.2. Information papers on single tender approvals, fruitless payments, losses and special payments were also considered, and through a standing agenda item ARAC maintained its vigilance in relation to fraud-related risk. ARAC extended this standing item to include compliance reports on health and safety, environmental policies, equality and diversity, scientific evidence quality assurance and data security.
- 5.3. ARAC membership continued to be a key consideration in 2015/16. In December, Guy Duke stepped down as Chair of ARAC and was replaced by Colin Galbraith. Guy kindly agreed to continue as a member of ARAC for his remaining term as a Joint Committee member. Tony Hams continued as an external member and Nigel Reader as an independent member sponsored by Natural Resources Wales (NRW). Nigel's sponsorship by NRW will come to an end in September 2016. Work is in hand to propose the appointment of Nigel as an external ARAC member from September 2016.

- 5.4. In March 2016, ARAC completed its annual self-assessment exercise involving a questionnaire sent intersessionally to ARAC members. Results of the exercise will be discussed in full at the June 2016 meeting, but the findings indicate that ARAC is an **effective** committee.
- 5.5 Defra has an Audit and Risk Committee (ARC) which meets approximately every three months. The Chair of the Defra ARC established a forum of ARC/ARAC Chairs from across the Defra Group which met every six months and which JNCC's ARAC Chair regularly attended. However, for a period during 2015/16 the composition of this forum was narrowed to mirror the membership of Defra's Executive Committee, restricting attendance to the ARC/ARAC Chairs of Defra, the Environment Agency (EA), Natural England (NE), the Rural Payments Agency (RPA) and the Animal and Plant Health Agency (APHA). Towards the end of the year the decision was taken to revise the membership of Defra's own ARC, reducing the number of Defra non-executive members and bringing in the ARAC Chairs of EA, NE, RPA and APHA. This has permitted the reintroduction of the Defra Group-wide forum of ARC/ARAC Chairs. During 2015/16 JNCC was therefore excluded temporarily from the forum, although Nigel Reader was a regular attendee representing NE and MMO and was able to provide feedback where it was relevant to JNCC. With the reintroduction of the wider attendance for the forum in 2016/17 Colin Galbraith will represent JNCC.
- 5.6 ARAC's terms of reference are reviewed biennially. The terms of reference were due to be reviewed in November 2015, but this was postponed until after the JNCC Review and will now take place in September 2016.
- 5.7 In November, as part of a discussion on Joint Committee effectiveness, the Joint Committee agreed to take reports from ARAC earlier on their agenda and for ARAC to provide a presentation on the discussion from the previous day's meeting. This was actioned in March and was well received.

## 6 Forward look for 2016/17

- 6.1 In order to retain relevant skills and competencies on ARAC, it has been agreed with the JNCC Chair that formalising arrangements for external members of ARAC would benefit all parties concerned. The mechanism for doing this is currently being explored, but from 1 September 2016 both Nigel Reader and Tony Hams will be contracted as external ARAC members and will be reimbursed for their time in addition to their expenses.
- 6.2 Internal audit for 2016/17 will continue to be provided by KPMG. The operational plan for 2016/17 has been agreed as a 20-day programme with a contingency of three days. The follow-up audit, which consists of a report on the implementation of audit recommendations, has been taken out of the KPMG contract and will be performed once again by JNCC management with quality assurance provided by KPMG.
- 6.3 The audit programme of 20 days is one day less than last year with three contingency days. The number of days in the plan reflects the balance between keeping costs down and allowing KPMG to provide the 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.

- 6.4 In March 2016, ARAC approved the operational plan for internal audit for 2016/17, subject to discussion and approval by EMB in April. The plan includes three audits and has been developed with JNCC's business development work in mind. Consequently, the plan includes an audit on income generation which will review existing funding from non-Grant in Aid sources and compliance with processes for development and approval of business cases. The audit will also include a review of the risk appetite and risk management process in relation to income generation. It has therefore been agreed that a separate audit of risk management and corporate governance is not required in 2016/17, unless the government review of JNCC requires this to be completed later in the year.
- 6.5 In September, ARAC will consider the draft scope for each audit to be undertaken. The internal audit programme for 2016/17 includes:
- key financial controls
  - HR processes
  - income generation
- 6.6 The ARAC forward programme is provided in Annex 2.

## **Annex 1**

Internal audit annual assurance report 2015/16

PDF attached



# Annual internal audit report

**Joint Nature Conservation Committee (JNCC)**  
**May 2016**

**DRAFT**

# Contents

	<b>Page</b>
1. Executive Summary	3
2. Internal Audit Coverage and Outputs	4
3. Implementation of Recommendations	6
4. Performance of Internal Audit	7
5. Head of Internal Audit Opinion	8

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# Executive summary

We set out in this report our main findings from our agreed plan of work. Our plan was based on the risks identified by management of [organisation name] and the specific areas of focus were decided following conversations with Executive and Non-Executive Directors. Individual reviews were completed following agreement of Terms of Reference with management. Final reports have been presented to the Audit Committee following their agreement with management. In this annual report we summarise:

- Our findings in relation to the planned internal audit coverage and output;
- Implementation of recommendations;
- Our performance as measured against the agreed suite of performance targets; and
- The Head of Internal Audit Opinion.

This report satisfies the Public Sector Internal Audit Standards requirement that the Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement and which incorporates:

- The annual internal audit opinion which must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Objective	Key observations		
Planned audit coverage and output Section 2	<ul style="list-style-type: none"> <li>— Our plan included 25 days in relation to 4 reviews. We completed 4 reviews in 23 days. All changes to our original programme of work were agreed with Management and approved by the Audit Committee in advance.</li> <li>— Our reviews were undertaken by team members from our public sector internal audit department.</li> </ul>		
Significant outstanding recommendations Section 3	<ul style="list-style-type: none"> <li>— We raised 10 recommendations in the year, none of which were high priority. All our recommendations were accepted by Management and reported to the Audit Committee.</li> <li>— The implementation of outstanding recommendations has been followed up by JNCC officers, as agreed in our Audit Plan. We have reviewed this follow up work to ensure reliance can be place on this when forming our Head of Internal Audit opinion. No high priority recommendations are overdue at year end.</li> </ul>		
Performance of internal audit Section 4	<ul style="list-style-type: none"> <li>— Our internal audit service complies with Public Sector Internal Audit Standards.</li> <li>— Our performance is monitored against an agreed suite of performance indicators which are routinely reported to Management and the Audit Committee. We have met or exceeded all agreed measures this year.</li> </ul>		
Head of Internal Audit Opinion Section 5	<ul style="list-style-type: none"> <li>— Based on the work completed, the Head of Internal Audit Opinion is: <table border="1" style="margin-left: 20px;"> <tr> <td style="background-color: #008000; color: white; padding: 5px;"><b>Substantial Assurance</b></td> <td style="padding: 5px;">The framework of governance, risk management and control is adequate and effective.</td> </tr> </table> </li> <li>— We did not identify any high priority recommendations as a result of our planned internal audit work this year.</li> </ul>	<b>Substantial Assurance</b>	The framework of governance, risk management and control is adequate and effective.
<b>Substantial Assurance</b>	The framework of governance, risk management and control is adequate and effective.		

# Internal audit coverage and outputs

## Review assurances

Assurances have been given for all of our reviews.

We have used the following categories as the basis of the levels of assurance that we provide you with (although it should be noted that these represent an indicative approach as the overall assurance provided is a matter of professional judgement).

These are the assurance levels preferred by the Government Internal Audit Agency and adopted by Defra Shared Audit Service from 1 April 2014.

Assurance level	Classification
Substantial	In the areas considered in the scope of work: The framework of governance, risk management and control is adequate and effective.
Moderate	In the areas considered in the scope of work: Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	In the areas considered in the scope of work: There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	In the areas considered in the scope of work: There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

#	Review	Days	Assurance rating	Recommendations raised				Agreed
				High	Medium	Low	Total	
1	Risk Management and Governance	3	Substantial	-	1	3	4	4
2	Scientific Evidence	3	Moderate	-	4	-	4	4
3	Key Financial Controls	6	Substantial	-	-	2	2	2
4	Financial Management and Budgetary Control	5	Substantial	-	-	-	-	-
Contract management and follow up		6						
<b>Total</b>		<b>23</b>	<b>Substantial</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>10</b>

# Internal audit coverage and outputs (cont.)

## Actual days compared to planned days

Our plan included 25 days in respect of 4 reviews that would be flexed to take account of the nature of the skills required and the areas under review. We delivered 4 reviews in 23 days as shown below. The only change highlighted is that our contingency days were not used in year and thus these have been deducted from the overall total.

Changes in year to the plan	Days	Reviews
Total per our original plan	25	4
Contingency days not utilised	- 2	
<b>TOTAL</b>	<b>23</b>	<b>4</b>

## Reliance placed upon the work of other assurance providers

We have not placed direct reliance on other assurance providers. Where we are made aware of the findings of other assurance providers we consider the impact on our opinion or profile of work.

We have noted:

- the findings of the ISAe 3402 report provided by the auditor of SSCL which reported that controls were suitably designed and operating effectively to meet SSCL’s stated control objectives. ‘Low-risk items of non-compliance’ were identified and have been reported to SSCL management and shared by SSCL management with its customer base.
- the findings of the audit of the CGI payroll environment on the primary areas of control over payroll data and related systems managed by CGI. The audit was commissioned by HMT on behalf of all members of the consortium. The audit scope was designed specifically to provide assurance over the completeness, accuracy, authorisation, availability and confidentiality of payroll arrangements managed and controlled by CGI. Substantial assurance was given by the auditor.

The Defra Group Head of Internal Audit also provides relevant updates on the outcome of internal audit work conducted by the Defra department internal audit team direct to Accounting Officers for consideration. In 2015-16 this has included work seeking assurance over the Defra programme that is managing the transition to the shared services centre Single Operating Platform (SOP) for Defra, and the preparations the programme is making to manage the transition and inform the decision to go live (or not). The first reporting outcome of this work has been sent to local officers reporting on governance arrangements and has provided moderate assurance. This work is not considered in reaching our Head of Internal Audit opinion and the impact of this work is for the consideration of the Accounting Officer.

## Fraud and irregularities

It is a management responsibility to maintain systems and to ensure that resources are properly applied in an appropriate manner on approved activities. This includes responsibility for the prevention and detection of fraud and other illegal acts.

Internal audit staff have regard to the possibility of such malpractice and should seek to identify within the systems and processes they review serious defects in internal control which might permit the occurrence of such events. As stated in our internal audit strategy, the Head of Internal Audit should be advised of any discovery or suspicions of malpractice by management or the Audit Committee. Likewise the Head of Internal Audit is responsible for notifying management or the Audit Committee in the event of internal audit staff discovering evidence or suspicion of malpractice. Management should determine any action to be taken.

Based on the work we have performed, we have not identified any such matters we wish to bring to your attention, nor have we been notified by management or the Audit Committee of any fraud or illegality in the 2015/16 financial year.

# Implementation of recommendations

**This section provides an update on the status of recommendations not yet actioned at the beginning of the period and those raised during the year.**

We have raised 10 recommendations from our reviews in 2015-16, of which all 10 were accepted by management. These are summarised below. There were 14 recommendations raised in prior periods that remained outstanding at the start of the 2015-16 financial year. These are also summarised below. We have largely relied on the management’s internal follow up process for this annual summary, but have corroborated management’s view on progress through validating action taken to address a sample of high and medium priority recommendations.

Recommendations raised	Priority			Total
	High	Medium	Low	
Recommendations raised in periods prior to 2015-16	3	6	5	14
Recommendations raised by KPMG during 2015-16 and accepted by management	0	5	5	10
<b>Total</b>	<b>3</b>	<b>11</b>	<b>10</b>	<b>24</b>

### Overdue recommendations

As at 31 March 2016, there were no overdue high priority recommendations. Good progress is reported by management in the implementation of all other recommendations.

# Performance of internal audit

## Key performance indicators

Performance indicators agreed in our audit strategy and our performance against them is detailed below:

Measure	Target	Achievement
% of draft reports issued within 10 working days of closure meeting	100%	100%
% of final audit reports issued within 5 working days of Management responses	100%	100%
% of audit recommendations accepted by Management in finalised audit reports	90%	100%
% Agreed recommendations implemented by agreed due date	100%	100%
Respond to all emails within:	1 working day	Yes
Respond to all telephone calls within:	1 working day	Yes
Respond to all requests for assistance within:	2 working days	Yes
Customer satisfaction: Results from client questionnaire	Average of 4.0 or greater	4.8
Completion of annual plan	100%	100%

## Staffing

All staff deployed on this service hold or are training for suitable industry qualifications. All staff complete an online induction to the Defra network. Where team changes have had to occur, staff have been replaced with similarly qualified individuals and detailed handovers take place.

## Compliance with standards

Based upon our ongoing assignment and client review processes, our internal audit service has complied with Public Sector Internal Audit Standards since our appointment.

## Quality control

Our aim is to provide a service that not only meets this organisation's needs but also maintains consistently high standards. This is achieved through the following internal processes:

- Preparation of a detailed audit plan which is agreed by management and the Audit Committee for approval;
- Regular review of progress against the plan to ensure we are delivering the work we have promised. This year, we completed all audit work as required;
- A tailored audit approach using a defined methodology and assignment control documentation which is subject to the Firm's review protocol;
- The use of qualified, highly trained and experienced staff;
- Monitoring of performance against targets;
- The review of all audit files and reports by the manager and all reports by the HoIA;
- Reviews of a random sample of files by staff from other offices within the firm to ensure they comply with the Firm's standards of technical excellence and client service and meet or exceed PSIAS requirements.

# Head of internal audit opinion

## **Basis of opinion for the period 1 April 2015 to 31 March 2016**

Our internal audit service has been performed in accordance with KPMG's internal audit methodology which conforms to Public Sector Internal Audit Standards. Our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) or International Standard on Assurance Engagements (ISAE) 3000. PSIAS require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

## **Roles and responsibilities**

The Accounting Officer, supported by the Board, is accountable for maintaining appropriate governance arrangements and a sound system of internal control including risk management. The Accounting Officer is also responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accounting Officer setting out:

- the governance framework of the organisation, including information about the board's committee structure, its attendance records, and the coverage of its work;
- the board's performance, including its assessment of its own effectiveness;
- highlights of board committee reports, notably by the audit and nomination committees;
- an account of corporate governance, including the board's assessment of its compliance with the Corporate Governance Code, with explanations of any departures;
- information about the quality of the data used by the board, and why the board finds it acceptable;
- a risk assessment, including the organisation's risk profile, and how it is managed, including, subject to a public interest test: any newly identified risk; a record of any ministerial directions given; and a summary of any significant lapses of protective security.

The Head of Internal Audit (HoIA) is required to provide an annual opinion in accordance with Public Sector Internal Audit Standards, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the system of internal control). This is achieved through a risk-based programme of work, agreed with Management and approved by the Audit Committee, which can provide assurance, subject to the inherent limitations described below.

The purpose of our HoIA Opinion is to contribute to the assurances available to the Accounting Officer and the Board which underpin the Accounting Officer and Board's own assessment of the effectiveness of the system of internal control as reflected in the Annual Governance Statement (AGS)

The opinion does not imply that the HoIA has covered all risks and assurances relating to the organisation. It is one component that the Accounting Officer and Board take into account in preparing its AGS.

# Head of internal audit opinion (cont.)

## HEAD OF INTERNAL AUDIT OPINION

*Our opinion is set out as follows:*

- Basis for the opinion;
- Overall opinion; and
- Commentary.

*Our opinion is formed based on:*

- An assessment of the design and operation of the risk management framework; and
- An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas; and

*Our overall opinion for the period 1 April 2015 to 31 March 2016 is:*

**Substantial Assurance**

The framework of governance, risk management and control is adequate and effective.

### Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety. Our opinion covers the period 1 April 2015 to 31 March 2016 inclusive, and is based on the audits that we completed in this period.

#### The design and operation of the risk management framework

Overall our work found that a systematic risk management process is in place and does provide appropriate assurance to the Board. The risk register and associated reporting reflects the key objectives and risks and is reviewed by the Board through its nominated committees.

#### The range of individual opinions arising from risk-based audit assignments, contained within our risk-based plan that have been reported throughout the year

For all 4 reviews, we provided substantial or moderate assurance.

No significant issues remained outstanding at the year end which would have an impact on our opinion.

### KPMG LLP

Chartered Accountants

Canary Wharf

TBC April 2016



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## **Annex 2. ARAC forward programme**

### **ARAC forward plan**

#### **1. Standing items on agenda for every meeting**

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

#### **2. Every March meeting**

- i Approve the annual Internal Audit Operational Plan
- ii Summary of audit recommendations and report on outstanding recommendations (follow-up audit report)
- iii Draft of internal audit annual assurance report
- iv Annual report on performance of internal audit\*
- v Comment on the draft Governance Statement
- vi Recommending the corporate risk register to the Joint Committee
- vii Review of ARAC effectiveness

#### **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 and 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 year's Financial Statement audit
- iii Final draft of internal audit's annual assurance report
- iv ARAC annual report to the Joint Committee
- v Audit scopes for audits to be undertaken in the current financial year
- vi Report on internal audit performance indicators

#### **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 and review of the operational plan in light of external audit findings and emerging risks
- ii Review the process for producing the accounts for the previous year

- iii External audit – if required, review and consider the management responses to recommendations raised in the external auditor's Audit Completion Report and progress on implementation
- iv Annual report on performance of external audit\*
- v. Report on legislative compliance

## **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
- iii Preparation for the Joint Committee's annual discussion on risk

## **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 due in November 2016 for new contract from 1 April 2017)
- iv. Internal Audit Strategy (every three years)
- v. Review of the Fraud Policy (next review November 2017)
- vi. Performance indicators for internal audit
- vii. Reports on staff risk management surveys
- viii. Advise ARAC of major changes to accounting policies (as required)
- ix. ARAC meeting dates
- x. Review of ARAC terms of reference (next review September 2016)
- xi. Joint Committee dinner discussion on risk (every March)

\* closed session items