



**THE AUDIT AND RISK MANAGEMENT COMMITTEE'S ANNUAL REPORT TO THE
COMPANY BOARD 2012/13**

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**JNCC SUPPORT CO.
BOARD OF DIRECTORS**

**THE AUDIT AND RISK MANAGEMENT COMMITTEE'S ANNUAL REPORT TO THE
COMPANY BOARD 2012/13**

Paper by Tracey Quince

1. Introduction

- 1.1 This paper sets out the Audit and Risk Management Committee's annual report for 2012/13 to the Company Board. The paper also includes a forward look at the internal audit and risk management programmes for 2013/14.
- 1.2 The report was considered by the Audit and Risk Management Committee in June intersessionally and any amendments have been incorporated into the latest report. For formal approval of the Audit and Risk Management Committee's annual report to the Board will take place at their meeting on 19 June. Any amendments following the meeting will be submitted to the Company Board as an addendum to this paper.
- 1.3 In September 2010 the Joint Committee agreed that each June the Company Board should help set the agenda for the Audit and Risk Management Committee for the next 12 months. The forward programme for the Audit and Risk Management Committee can be found in Annex 5.
- 1.4 The Audit and Risk Management Committee invites the Board to **discuss** the Report and to **consider** the forward programme in Annex 5 and propose any additional items as required.

2. Statement of Assurance from internal audit

- 2.1 As required by the Government Internal Audit Standards, the Head of Internal Audit, who is an employee of our internal audit providers, RSM Tenon, submits an Annual Assurance Report to the Audit and Risk Management Committee. This includes a summary of internal audit activity and gives the formal opinion on the adequacy, effectiveness and reliability of the organisation's internal control system. The Annual Assurance Report (attached at Annex 1) was sent intersessionally to ARMC members in June and will be discussed at their meeting on 19 June. A progress report was noted and commented on by the Audit and Risk Management Committee at their meeting in March which gave internal audit's opinion based on the work completed between 1 April 2012 and 25 March 2013. The opinion in March was that there were no weaknesses that had been identified within internal audit reports that would result in a qualified Head of Internal Audit opinion. This opinion remains unchanged following the completion of the internal audit work on risk management and corporate governance which received full assurance.
- 2.2 Based on the results of the audit work carried out for the year ending 31 March 2013, RSM Tenon 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 JNCC Support Co. While this represents a positive opinion, there were areas of weakness noted that led to audit recommendations being raised to enhance the control framework. Two audits in the 2012/13 programme received an amber/red rating last year; these were in the areas of HR Staff Induction & Training and Business Continuity & Disaster Recovery. Such ratings are unusual for JNCC and, while still representing a positive opinion there is some work to be done to ensure the processes and procedures deliver objectives. The Annual Assurance Report in Annex 1 contains the full list of audits undertaken last year, the assurance given and recommendations raised.

3. Overview of the year

Risk management

- 3.1 The major themes in this area of work during 2012/13 are summarised below. The new risk management process implemented in 2011/12 has continued to bed into the organisation, enhanced by training on risk management delivered to project managers and programme leaders as part of the finance, planning and quarterly monitoring training course. In February 2012, a survey of the new risk management process was undertaken to help the Executive Management Board understand how Directors, Programme Leaders and Project Managers are engaging with the risk management process and whether risk management is fully embedded in JNCC's management processes. The results were discussed by ARMC in September and they were happy with the proposed actions but raised some concerns around the cultural issue of embedding risk management and making it part of day to day management activity. Members felt it was important to communicate the relevance using examples of best practice. Members agreed that embedding risk management was a key issue for the Executive Management Board to take forward.
- 3.2 The flow chart in Annex 3 summarises the process for managing risk within the organisation in 2012/13. For 2013/14, a new programme risk profile has been devised to capture programme risks and their effect on delivery of Priority Performance Measures (PPMs). As part of the quarterly monitoring process, programme leaders will report on programme risk and provide EMB with an update on any high risks, new and emerging risk and any mitigation measures which are no longer effective in managing the risk. For the latter, they are asked to suggest new measures to mitigate the risk for consideration by Directors. Programme leaders are also asked to say whether the risks will impact on delivery of PPMs.
- 3.3 During the year, the Executive Management Board reviewed the corporate risk register quarterly and made changes to the corporate risks, as required. These changes were based on information collated at project level and from discussions on risk at Executive Management Board and ARMC meetings. High risks were escalated to Directors and, where possible, action was taken to mitigate the risks. The main risk priorities for the year are highlighted in the Governance Statement (included with the Annual Report and Accounts 2012/13) and in Annex 2 of this paper. The ARMC regularly considered new, emerging or fast-evolving risks, and received an oral report from the

Executive Management Board of such risks. A summary of the new and emerging risks that were discussed can be found in Annex 4. To strengthen its process for reporting on high priority risk issues to the Company Board, ARMC undertake a review of the 'significant risks' included in the most recent Governance Statement at each meeting as part of the agenda item on 'new, emerging and fast-evolving risks'. Comments on trends or controls were reported to the Company Board through the ARMC Chair's written reports.

- 3.4 In 2013/14 the following key attributes of JNCC's risk management process will be maintained or reinforced:
- i. specific risks associated with the core objectives of the organisation will be identified, assessed and monitored. The internal audit programme will be risk-based against this same context;
 - ii. strengthen the process for linking risks to strategic objectives by adding the strategic objective number to both the programme risk profile and the quarterly comments column on the corporate risk register;
 - iii. using the Civil Service Framework, include risk management competencies in staff performance agreements and include a brief introduction to risk management in JNCC's corporate induction;
 - iv. the corporate risk register will contain assessments of impact, likelihood and consequence using Treasury definitions, control measures, actions and contingencies. The register will be subject to annual review by the Audit and Risk Management Committee and will be updated as required;
 - iv. high risk projects and programmes for 2012/13 will be monitored and managed through JNCC's management groups;
 - v. 'significant risks' will be discussed by the Audit and Risk Management Committee at each of their meetings and changes reported quarterly to the Company Board;
 - vi. a clear and embedded process for risk management in JNCC, which is responsive to in-year changes, will continue and will be strengthened through input from all internal management groups and through annual training on finance, risk and project/programme performance monitoring;
 - vii. the organisation's risk appetite will be reviewed in light of the current risk climate. Changes made will be communicated to all staff; and
 - viii. the risk management area is audited annually.

Internal audit

- 3.5 In 2012/13 RSM Tenon undertook five audits as agreed in the operational plan (see Annex 1). Four final reports were issued before 31 March, with one report on risk management & Corporate Governance completed and finalised in the first quarter of 2013/14. Alongside the four audits a follow-up audit was

conducted in January which included an update on the implementation of previous audit recommendations. All final audit reports were reviewed by the ARMC.

- 3.6 In June 2011 ARMC meeting, ARMC members agreed a set of performance indicators for both RSM Tenon and JNCC (AC11P07). Members agreed that they wished to receive an annual report on all indicators. Alongside the agreed performance indicators management agreed with RSM Tenon a second set of indicators which would provide additional information on the numbers of recommendations in draft reports and those included in final reports together with the number of recommendations accepted or rejected and the reasons why.
- 3.7 In 2012/13, RSM Tenon achieved all but one of their performance indicators with JNCC achieving four out of six of their indicators. The one indicator not achieved by RSM Tenon related to the issue of final reports where one was returned outside of the deadline. The two indicators missed by JNCC related to the return of draft reports with management responses by deadlines and the implementation of audit recommendations to agreed deadlines. In relation to the first indicator, some audits have required considerable discussion, partly because recommendations were numerous and partly because some related to low priority work areas. Management felt that it was important to discuss recommendations and agree the work to be taken forward, rather than agreeing to recommendations that will not be implemented in full. Going forward, some streamlining of the approval system for management responses in 2013/14 should help to ensure the indicator is met in the future. In relation to the second indicator, management track recommendations and remind responsible officers of the need to implement recommendations by due dates. A central register of actions and when they are due is kept and as each deadline approaches the individual and their line manager are contacted to confirm the action has been completed. Major pieces of work in relation to implementation are included in personal development plans and in the new corporate change plan. Occasionally, due to higher priorities, a recommendation misses its deadline. The follow up report (contained in Annex 1) concludes that management are making adequate progress towards implementation of recommendations. At 31 March 2013, 9 recommendations that had missed their original deadline were in progress but were yet to be fully implemented.
- 3.8 During the year, RSM Tenon sought regular feedback from JNCC staff through the use of client questionnaires. These were issued on completion of each audit and enabled both RSM Tenon and JNCC to monitor performance. RSM Tenon is required to achieve an overall mark of 'satisfactory'. An overall mark of 3 has been achieved this year, 3 being satisfactory. This is slightly lower than the 3.1 achieved last year. The area receiving the lowest scores related to usefulness of recommendations. The issues have been discussed by ARMC and management will be discussing this with the internal audit team with a view to preventing problems in the future.
- 3.9 In preparation for the new financial year, work with RSM Tenon on a new operational plan began at the end of 2012 when the annual plan and revised strategy were prepared. These were presented to the Executive Management Board in November for their consideration, and were discussed and approved by the ARMC at its meeting in March. Changes were made to the documents which included:

- i. amend the internal audit approach for the IT and Data Security audit to an assurance and advisory audit rather than risk based assurance. This will allow the audit to look at and advise on JNCC's future plans for becoming a Data Archive Centre (DAC) for marine data; and
 - ii. remove the high level review of the Joint Committee assessment of effectiveness from the risk management & corporate governance audit to focus on management of personal data.
- 3.10 An audit programme of 30 days has been agreed with RSM Tenon for the financial year 2013/14. This level is considered sufficient to allow RSM Tenon to provide JNCC's Accounting Officer with an overall opinion on the organisation's risk management, control and governance, as well as meeting the Government's internal audit standards. The cost of internal audit for 2013/14 has been set at £13,832, an increase of 0.53% on last year. A table detailing the cost of internal audit in 2012/13 and proposed costs for 2013/14 and skills mix for each audit has been considered by the Executive Management Board and has been agreed.
- 3.11 There is no forward look to 2014/15 in the internal audit operational plan for 2013/14 as this is the last year of the contract with RSM Tenon. Defra have advised that they will be re-tendering for internal audit services for April 2014 and beyond in the next few months as part of a Defra shared internal audit service. This is Defra's response to the internal audit transformation requirements set out in the Civil Service Reform Plan. The Defra shared services group has been established and will consider the rationalisation of audit services to lower the overall cost of the service. Proposals for delivering the shared service will be circulated to network bodies at the end of June, with Service Level Agreements ready by September.

External audit

- 3.12 The Audit and Risk Management Committee continued to review the external audit programme and strategy provided by the National Audit Office (NAO), and lessons from the previous year's experience. The external audit is an important part of the preparation of the Annual Report and Accounts (ARA), which are also reviewed in detail by the ARMC, including the annual Governance Statement which forms part of the ARA. The ARMC were pleased to note good progress since last year's audit of the accounts. JNCC had benefited from using auditors working across government rather than in the private sector.

Audit and Risk Management Committee meetings, membership and Terms of Reference

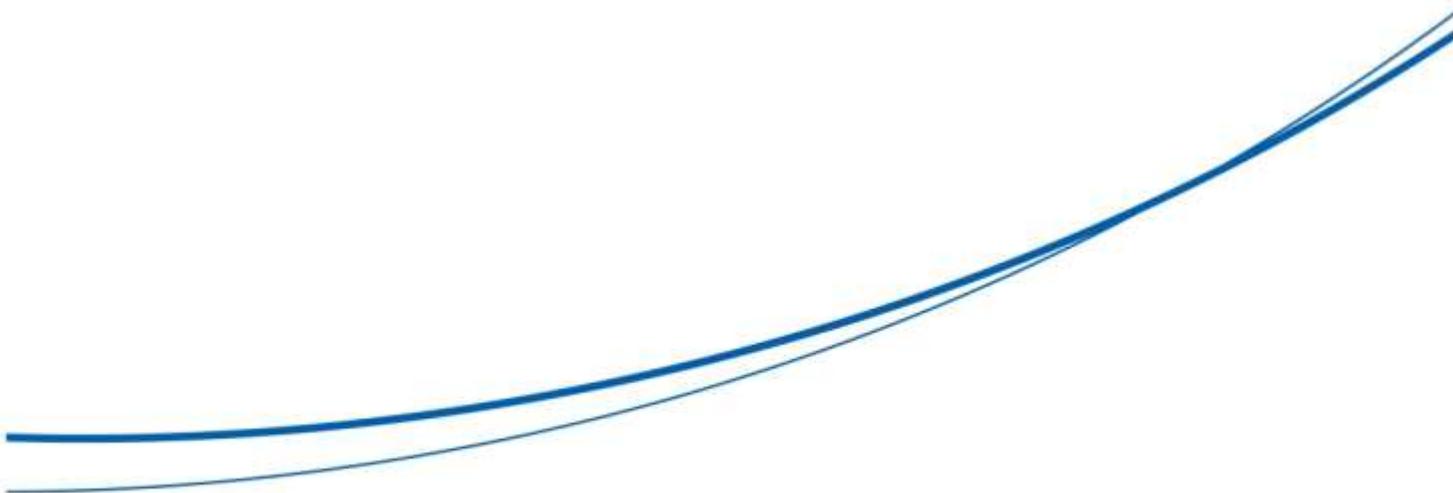
- 3.13 The Audit and Risk Management Committee met four times during the year, in June, September, November and March. Business follows a rolling forward plan of priorities, and has included:
- consideration of internal audit plans and associated progress;
 - the draft Governance Statement;
 - improving financial management in JNCC in 2012/13;
 - consistency and auditability of JNCC evidence standards;
 - corporate change plan & prioritisation of audit recommendations 2012/13;

- results of the risk management survey and revised risk appetite;
 - Audit Committee effectiveness – questionnaire findings;
 - updates on the Triennial Review; and
 - annual reports on internal and external audit.
- 3.14 Information papers on single tender approvals, fruitless payments, losses and special payments were also considered, and through a standing agenda item the Committee maintained its vigilance in relation to fraud-related risks.
- 3.15 Membership issues were a key consideration in 2012/13. In June, Guy Duke joined ARMC as a new member and David Crawley left after five years of service. Dr Susan Walker was appointed to the ARMC in August and attended her first meeting in September. In November, the Chair of ARMC Dave Pritchard left after six years of service. In December, Guy Duke was appointed to the role of Chair.
- 3.16 In March 2012, members received a paper on succession planning. As a small Committee, succession planning is a key factor in ensuring that it has the right set of skills, talents and attributes to fulfil its role in supporting the Company Board and the Joint Committee in its responsibilities for issues of risk, control and governance and associated assurance. It was agreed that a forward-looking Committee should give thought in advance to the expected rotation of its members, and to the options that might be available in the event of needing to respond to change. Appointing new members in a structured manner with minimum disruption to business was considered a key priority. This will continue in 2013/14 with the departure of Bryan Riddleston (external member) in December 2013.
- 3.17 During the year, there were no changes to ARMC's Terms of Reference. However in 2013/14 it is expected that some changes will be required following the Joint Committee's review of its governance arrangements and the HM Treasury's revision of the Audit Committee Handbook which is expected shortly.

4. Forward look for 2013/14

- 4.1 In March 2013, the Audit and Risk Management Committee approved the operational plan for internal audit for 2013/14. In June, the Audit and Risk Management Committee will consider draft scopes for the audits to be undertaken through the year. The internal audit programme for 2013/14 includes:
- IT & Data Security
 - Risk management & Corporate Governance
 - Health & Safety
 - Scientific Evidence
 - Key Financial Controls
 - Follow-up
- 4.2 The forward programme for the Audit and Risk Management Committee can be found in Annex 5.

Annex 1



Joint Nature Conservation Committee (JNCC)

Internal Audit Annual Report
Year ended 31 March 2013

Presented at the Audit Committee meeting of: 19th June 2013

Mark Jones
Head of Internal Audit

1 INTERNAL AUDIT OPINION

1.1 Context

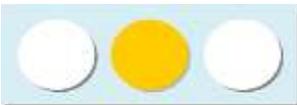
As the provider of the internal audit service to JNCC we are required to provide the Accounting Officer and the Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance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

As your internal audit provider, the audit opinions that RSM Tenon provides the organisation during the year are part of the framework of assurances that assist the Accounting Officer prepare an informed annual governance statement.

1.2 Internal Audit Opinion 2012/2013

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of JNCC's arrangements.

For the 12 months ended 31 March 2013, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of JNCC's arrangements for governance, risk management and control is as follows:

	Red	Amber	Green	Direction of travel
<p>Governance</p> <p>The JNCC had adequate and effective Governance processes in place.</p>				
<p>Risk Management</p> <p>The JNCC had adequate and effective Risk Management processes in place.</p>				
<p>Control</p> <p>We have undertaken three other assurance reviews in 2012/13, all of which resulted in positive opinions. The JNCC had adequate and effective control processes in place, however, there were some areas where weaknesses and improvements were identified as noted in Appendix A and B.</p>				<p>N/A</p> <p>Scope of Individual reviews different to previous years</p>

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

Note: An amber opinion still represents a positive opinion

1.3 The Basis of the Opinion

1.3.1 Governance and Risk Management

This audit was included within the 2012/13 audit plan to meet the internal audit requirements set out in the Government Internal Audit Standards. Both Governance and Risk Management form key elements of the JNCC's high level control framework and impact on the strategic and operational decision making processes within the organisation.

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

1.3.2 Control

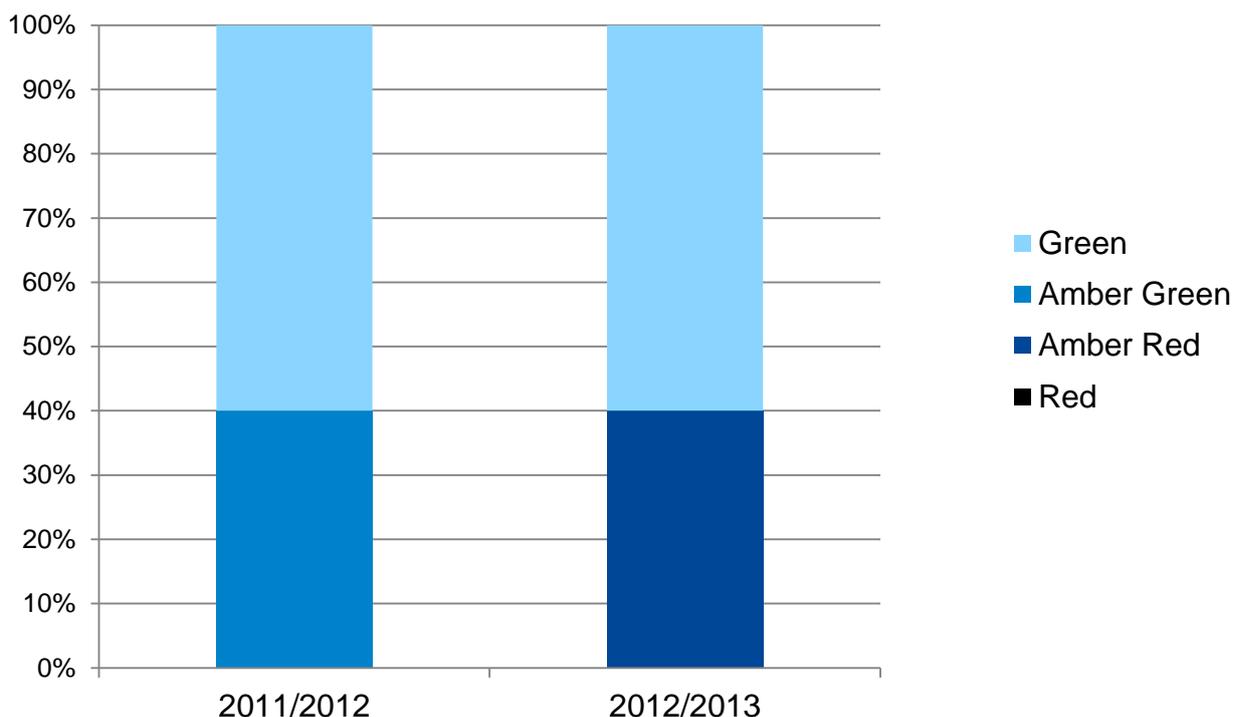
We have undertaken three reviews on the internal control framework. Of these reviews one was given a Green opinion and two were given Amber /Red opinions. In addition, we undertook a follow up review of the recommendations made by the 2011/12 internal audit reviews. This concluded that adequate progress had been made to implement the recommendations.

1.3.3 Acceptance of Recommendations

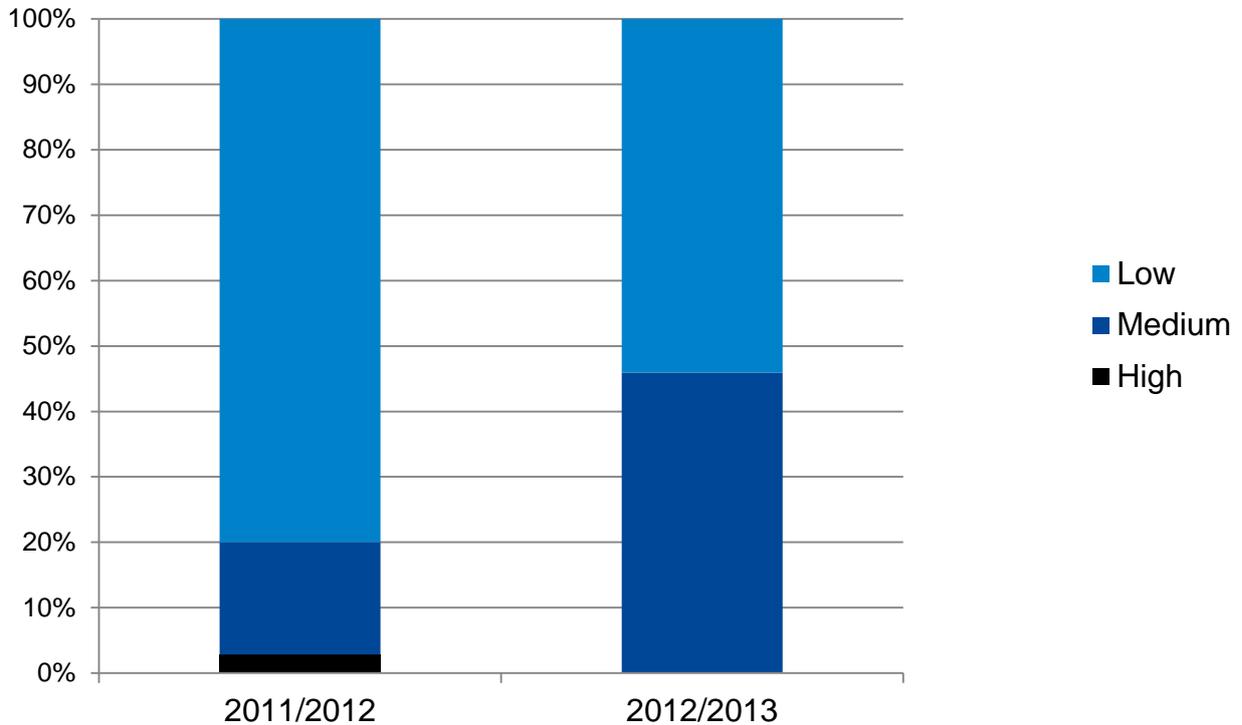
With the exception of one Low priority recommendation and one Medium priority recommendation, all other recommendations made during the year were accepted by management. In respect of the Medium priority recommendation this was raised within our review of Disaster Recovery & Business Continuity where we recommended that the testing of ICT systems and equipment should be carried out on a regular basis and both the test and the outcomes should be formally recorded and reported. This was not agreed by management based on the fact that there was already a formal agreement in place under the DR contract with 3rd party for yearly tests of plans. Provided that all of the tests are recorded and formally reported to EMB this is acceptable. However it should be noted that the DR contract was a new one and as such no testing had yet taken place.

In terms of the Low priority recommendation this was not accepted due to work priorities.

1.3.4 Comparison of Internal Audit Opinions (Assurance assignments) in 2012/2013 compared with 2011/2012



Comparison of Internal Audit recommendations made 2012/2013 compared with 2011/2012



1.3.5 Progress made with previous internal audit recommendations

Our follow up of the recommendations made in 2011/2012, including those that were outstanding from previous years, showed that the organisation had made adequate progress in implementing the agreed recommendations, as summarised below:

Recommendation Priority	Number made in 2011/2012	Of which:	
		Addressed	Not implemented or still in progress
High	1	0	1
Medium	2	1	1
Low	11	10	1
Totals	14	11	3

1.3.6 Reliance Placed Upon Work of Other Assurance Providers

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

2 OUR PERFORMANCE

2.1 Wider value-adding delivery

As part of our client service commitment, during 2012 we issued 10 client updates and general briefings.

2.2 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services to JNCC are designed to comply with the Government Internal Audit Standards (GIAS) and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA. The GIAS are based on the IIA Standards.

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

During 2012/13 we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

2.3 Performance Indicators

Our performance during 2012/2013 is summarised below across a range of performance indicators.

RSM Tenon Performance Indicators	Achieved Yes/No/Partially	Comments
Produce an annual Internal Audit Plan outlining the scope of review based on the agreed Internal Audit Strategy by early January for discussion and endorsement by EMB at their January meeting. Produce a final draft of the Plan and timetable of audits (timetable to be agreed with audit sponsors) for the March meeting of the ARMC for their endorsement.	Yes	Discussion on the internal audit plan for 2012/13 was discussed at November EMB and is presented to the March ARMC meeting (AC13P02). The timetable of audits has not been agreed with audit sponsors but will be agreed as soon as time allows.
All draft audit scopes to be issued 25 working days prior to the commencement of the audit.	Yes	Draft scopes were presented to ARMC in June (AC12N02). These were then circulated to relevant staff in JNCC for comment and discussion with internal audit.
To provide a verbal briefing to the audit sponsor at the closure meeting on emerging findings.	Yes	Closure meetings have been well received and offer a good opportunity for discussion on findings. A time for the closure meeting is agreed at the start-up meeting.
All draft reports to be issued within 15 working days of the exit meeting or when fieldwork is completed.	Yes	All draft reports are issued following the exit meeting.

RSM Tenon Performance Indicators	Achieved Yes/No/Partially	Comments
All final reports to be issued within 10 working days of receipt of the management comments.	No	Final reports have all been issued well within the 10 working days deadline, with the exception of Staff Induction and Training which was issued after 15 working days.
An overall mark of 'satisfied' to be achieved on the customer satisfaction survey.	Yes	An overall mark of 3 has been achieved.
All audits to be completed and submitted to the relevant Audit and Risk Management Committee meeting in line with the approved plan	Yes	Four final audit reports are presented to the March ARMC meeting (AC13D02). The final report from 2012/13 will be presented to the June meeting.
Attend ARMC meetings as required providing any presentational material 15 working days prior to the meeting.	Yes	
Half yearly progress report to be presented to the Audit and Risk Management Committee each September.	Yes	Half year progress report presented in September (AC12P12). Additional progress reports have also been sent intersessionally to members.
Final assurance report to be presented to the Audit and Risk Management Committee each June.	Yes	A final assurance report will be presented to the June meeting. A progress report is presented to the March meeting (AC13D01).
All audits to be completed within pre agreed budget days. The Internal Audit Plan to be completed in line with the approved annual fee for the year unless specific approval is sought and given by management for a variation to the annual fee.	Yes	A final payment on the contract will be made shortly. The total cost for 2012/13 was £13,494 exc. VAT. This figure is in line with the figure quoted in the audit plan and agreed by EMB.
Cooperation and coordination to take place between the IAS and external audit to prevent duplication and to allow for reliance to be placed where appropriate on the work performed by the IAS.	Yes	RSM Tenon and NAO met and agreed the coverage required.
Ensure accessibility and contact throughout the year through regular quarterly meetings with the JNCC Risk Manager.	Yes	Regular meetings have taken place with Suzanne Lane and the new contract manager Louise Davies.

2.4 Conflicts of Interest

We (RSM Tenon) have not undertaken any work or activity during 2012/2013 that would lead us to declare any conflict of interests.

APPENDIX A:

INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/2013

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Corporate / Business Plan Consultation	Not being aligned to the priorities of UK Government and devolved administrations. Changes to the status or functions of the country conservation bodies or JNCC's government sponsor bodies. Lack of clarity regarding JNCC's role in relation to other government bodies.	GREEN	0	1	3
Disaster Recovery & Business Continuity	Loss of key information or failure to maintain key data sets Inability to easily retrieve information leading to inappropriate decisions, delays, inefficiencies, missed opportunities, and failure to meet legal obligations	AMBER / RED	0	9	5
Staff Induction and Training	Failure of contractors to deliver effectively	AMBER / RED	0	6	5
Key Financial Controls	Control compliance review of key controls	GREEN	0	0	1
Risk Management & Corporate Governance	Ineffective governance at Committee, Board and Executive Management Board	GREEN	0	1	7
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	ADEQUATE PROGRESS	1	1	1
Total			1	18	22

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

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

APPENDIX B: KEY FINDINGS FROM INTERNAL AUDIT REVIEWS 2012/2013

Assignment: Corporate/Business Plan Consultation

Opinion: Green



Headline Findings:

Design of control framework

We found that the following controls were designed adequately:

- The appointment of Committee members was in accordance with legislation
- Consultation on the Corporate Plan was taken at relevant stages within its preparation.
- Comments received as part of the consultation were considered in the Corporate Plan.
- Beneficiaries were recorded in the Corporate Plan
- Processes were in place to ensure the organisation was kept up-to-date with changes.
- Stakeholder views had been considered in the project planning process.
- Performance information in relation to the Corporate Plan was provided to stakeholders.

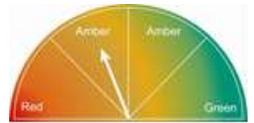
Application of and compliance with control framework

We found that the above controls were adequately complied with although there were five areas where weaknesses were identified and these resulted in one medium category and three low category recommendations being made. The medium category recommendation related to:

- As at the date of our visit the Corporate Plan for 2012/13 had not been formally approved and submitted to DEFRA.

Assignment: Disaster Recovery & Business Continuity

Opinion: Amber Red



Headline Findings:

Design of control framework

We found that the following controls were designed adequately:

- There was a Business Continuity Plan and an ICT Disaster Recovery Plan, both of which had been subject to updates in 2012.
- Key ICT systems were subject to daily back up routines and the back-up tapes were securely retained in fireproof safes.
- Both the Business Continuity Plan and the ICT Disaster Recovery Plan contained up to date contact details of key staff.
- Both the Business Continuity Plan and the ICT Disaster Recovery Plan contained the roles and responsibilities of key staff within the BCP / ICT DR command structure and their brief to ensure that staff were effectively communicated with.
- Key stakeholders and key suppliers were included as part of both plans.
- The Business Continuity Plan covered alternative working practices to some degree. The ICT Disaster Recovery Plan stated that this was outside of their remit and was covered by the BCP.
- Business Continuity Assessments (impact assessments) were conducted by the Programme Leaders.
- A Business Continuity action plan had been produced.
- The Business Continuity Plan included a section on plan exercising and described the testing criteria.

However, we identified the following weakness which resulted in a medium priority recommendation:

- Not all key staff had been supplied with hard copies of the Business Continuity Plan and where they had been, they were not the most up to date version. Additionally these were not retained off site, which in the event of an incident may result in a delay in implementing the Business Continuity Plans. A recommendation was also made under compliance in respect of this.

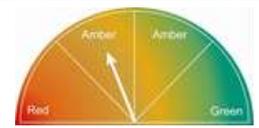
Application of and compliance with control framework

Whilst the above mentioned controls had been designed adequately, we identified the following weakness with the compliance of the controls which resulted in 8 medium recommendations which could result in failure to have effective Business Continuity Plans:

- Changes to staff detail or procedural amendments made to the Business Continuity Plan, had not been reflected within the formal BCP document or cross referenced to the appropriate process.
- A relocation site had not been identified for Peterborough and further steps were needed to progress this. If the decision is not to have a relocation site, this should be formally noted by the Executive Management Board. Additionally there is an issue regarding the loss of a server room as neither of these aspects are covered by the BCP/ Disaster Recovery Plans and EMB should include this in their decision making.
- The ICT Disaster Recovery Plan did not reflect all of the changes and amendments made. There was no annual review and reporting structure in place to ensure formal update reports were given to Senior Management.
- Whilst testing of IT equipment had been conducted in the past, there was no formal record of this and there had been no requirement to formally report to management.
- The completion of the Business Continuity Assessments had not been conducted on a regular basis and had exceeded the timelines as set out in the BCP action plan.
- Business Continuity Action Plans had not been completed on a regular basis. The last plan was drawn up in 2012. There was no indication of completed actions and some actions had not been completed within the set timescales
- Testing of ICT equipment had been undertaken in the past but there had been no requirement to formally report the results of the test or of any issues arising from that test, therefore no formal reporting of BCP / ICT DR issues had been undertaken in recent times. It was unclear how progress against the action plan was reported. Discussion revealed that this had not previously happened.
- Regular testing of BCP /ICT DR processes had not been evidenced as tested, although testing on some equipment had taken place. Formal ICT testing of the systems recovery should take place once the new systems are in place in March. The plan stated that this exercise would be carried out annually and that the plan revision and updating will be conducted 6 monthly. Disaster scenarios had been set up but timescales to test against these had not been set. A planned staff awareness programme had also not been carried out.

Assignment: Staff Induction & Training

Opinion: Amber Red



Headline Findings:

No significant issues were identified with regards to the design of control framework

Application of and compliance with control framework

We made 6 Medium priority recommendations in the following areas:

- The Training and Development Strategy and staff induction guidance were found not to have been reviewed for over five years and discrepancies were noted with regards documented controls and operational practice which has resulted in two medium recommendations. The organisation should ensure that guidance supporting training and development is fit for purpose and adequately sets out what responsibilities everyone has in relation to the booking and monitoring of compliance with agreed training priorities.

The strategy should also include up to date agreed competences. If documents are not subject to a regular review then there is a risk that documented procedures are inconsistent with operational practice resulting potentially in the poor management of training which may have an impact on the delivery of tasks undertaken by staff and the organisations ability to effectively develop areas of weakness.

- During testing of completed appraisal documents we were unable to locate one Personal Development Plan (PDP) to confirm the identification of training needs. Personnel should request supporting documentation for all performance reviews regardless of the completeness. If personnel do not receive the agreed training plans for individuals then there is a risk that required training needs may go unreported and gaps not bridged resulting in a poor service delivery by the individual thus having an impact on the reputation and potential financial delivery of the organisation.
- In addition during testing on appraisals we noted in one instance that the individual stated that they did not feel supported in their role. Neither the line manager or countersigning officer's comments made reference to the actions that would be taken. Where lack of support is formally noted, managers should note what actions they will take to rectify situations and support staff members.
- It was also noted through testing that four out of eleven of our sample of employees tested had not undertaken their required training as identified within their PDPs. We understand that the organisation has had a number of work pressures which has been a factor for releasing staff for training. Significant recruitment has since happened which should reduce work pressures and allow staff to attend agreed training courses.
- During testing and interviews with seven members of staff it was identified that the booking process was unclear and confusing which has in some instances resulted in a lack of training being undertaken by staff. Whilst we confirmed that the process has been communicated the organisation do however need to ensure that the process is clear and understood by staff.

Assignment: Key Financial Controls

Opinion: Green



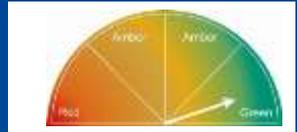
Headline Findings:

Design of control framework

We found that the controls were designed adequately.

Application of and compliance with control framework

Through the course of the audit we confirmed that the control framework was consistently complied with only one minor exception where a 'low' recommendation was made.



Headline Findings:

Design of control framework

We found that the controls were designed adequately.

Application of and compliance with control framework

One medium priority recommendation was made relating to the following weakness:

- The corporate strategic goals did not directly correlate to the key risks identified

Headline Findings:

Taking account of the issues identified and in line with our definitions, in our opinion Joint Nature Conservation Committee has demonstrated ADEQUATE PROGRESS in implementing actions agreed to address internal audit recommendations.

We reiterated recommendations where these had not yet been implemented; these included one 'High' and one 'Medium' recommendation both of which had only been partially implemented, and we also made one new recommendation to further enhance the control framework. The reiterated recommendations were as follows:

RECORDS MANAGEMENT 2003/04

Until a corporate records management system is in place, instructions should be put in place setting out a document retention policy.

(Medium)

KEY DATA SETS 2009/10

Recommendation restated:

Management should ensure that contractual agreements with external organisations holding key data sets on behalf of the JNCC are reviewed to ensure that they are updated to include provisions for the confidentiality, integrity and availability of the key data sets, while under the responsibility of the external organisation.

Management should undertake a risk assessment to establish whether these provisions should be included when the existing agreements are renegotiated at the end of their term or whether a 'Contract Variation Order' is required to include these provisions before the agreements are renegotiated.

Management should consider adopting the data security provisions provided by the Office of Government Commerce (OGC) in Annex 3 – ICT Services Model Agreement Security Provisions of the OGC Procurement Policy Note: Data Handling Review.

(High)

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

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Annex 2. Significant Risks 2012/13 (Final two columns current as at mid-March 2013)

Risk No.	Significant risks (from 2011/12 Governance Statement)	Risk Score			Cross-reference to corporate risk register	Action by management (undertaken or planned) March 2013
		Residual likelihood	Residual impact	Residual score		
1	Increased complexity in fulfilling JNCC's role and associated risk to relationships arising from increasing divergence in approaches and institutional arrangements arising from devolution and changes in legislation and other Government priorities.	4	4	16	RR1,RR2,RR3,RR4	<ul style="list-style-type: none"> · JNCC staff and Committee members are continuing to maintain strong relationships with UK government departments, devolved administrations and country nature conservation bodies to increase mutual understanding of roles and priorities. · JNCC Chair and Chief Executive have met the Chair of Natural Resources Wales and will follow this up with contact at director level. · Preparatory work on JNCC's Triennial Review has begun and the Review is scheduled to be formally launched shortly. This will provide a mechanism for reviewing JNCC's role and governance arrangements.

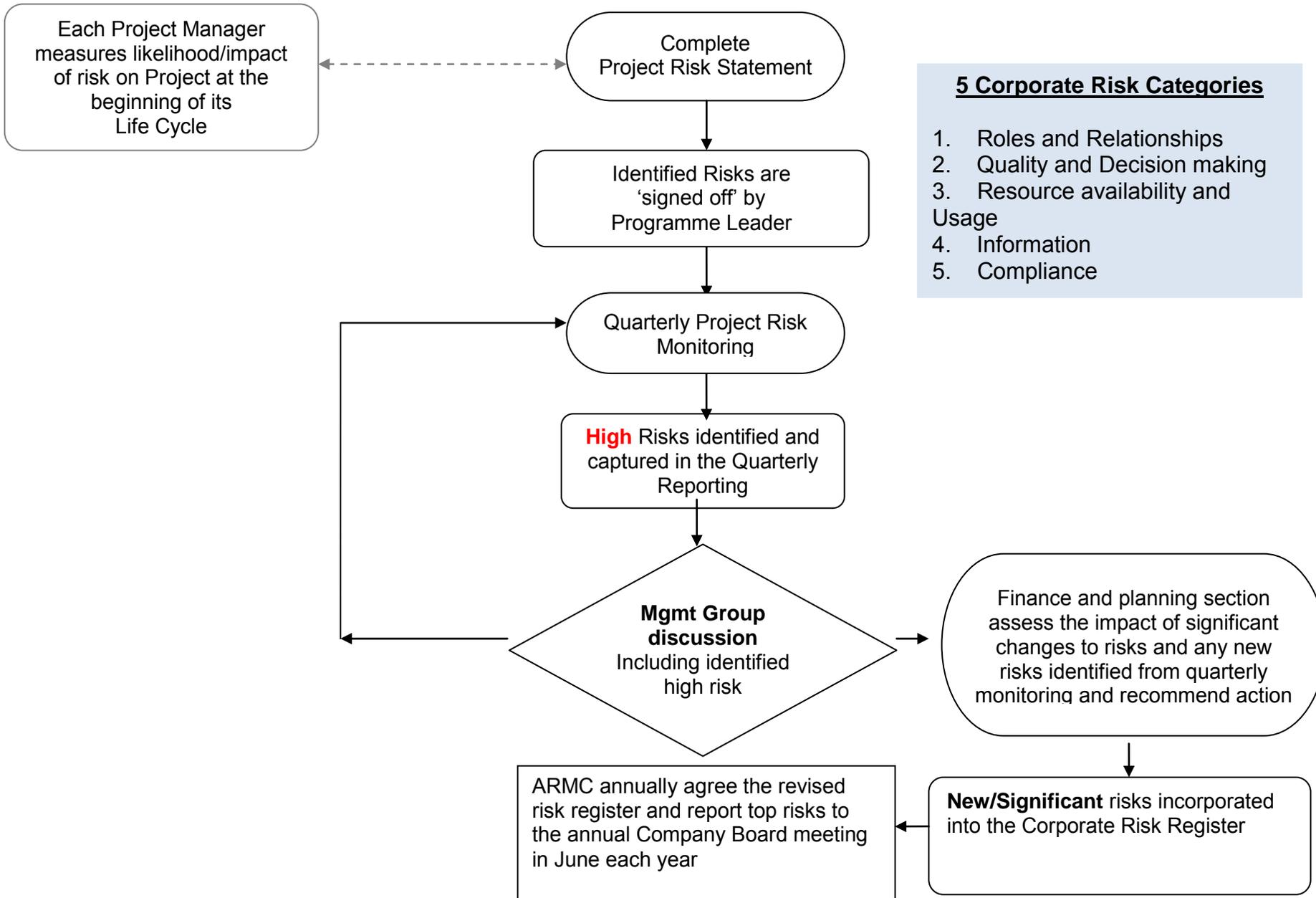
Risk No.	Significant risks (from 2011/12 Governance Statement)	Risk Score			Cross-reference to corporate risk register	Action by management (undertaken or planned) March 2013
		Residual likelihood	Residual impact	Residual score		
2	High internal turnover of staff and difficulties in recruiting appropriately skilled and experienced new staff for some posts, especially in marine teams, has led to delays to projects, targets being missed, and funding being under-utilised.	5	4	20	RA2,RA3	<ul style="list-style-type: none"> · A phased timetable for recruitment of new marine staff during 2012/13 has been successfully implemented. · Where necessary work has been re-planned to ensure targets are realistic but workloads remain very demanding across JNCC.
3	Procedures for the production and quality assurance of JNCC's advice are insufficiently robust and transparent.	4	4	16	Q1,Q3	<ul style="list-style-type: none"> · JNCC will adopt more formal procedures for the production and quality assurance of evidence that can be shared with partners and used in cases of challenge to JNCC's evidence. The work of the JNCC Science Quality Task Force is focused on working with the country conservation bodies to identify where standardisation of evidence provision is desirable and in producing internal JNCC policy for the quality assurance of evidence. · Some of the work planned for 2012/13 has been delayed by staffing problems. A

Risk No.	Significant risks (from 2011/12 Governance Statement)	Risk Score			Cross-reference to corporate risk register	Action by management (undertaken or planned) March 2013
		Residual likelihood	Residual impact	Residual score		
						new delivery plan for developing internal evidence quality standards has been agreed with the aim of achieving substantial progress by the end of April 2013 and full completion by the end of June 2013.
4	Increasing difficulty in securing long-term funding to fulfil obligations for advice on marine industries to satisfactory standards.	5	4	20	RA1	<ul style="list-style-type: none"> With Defra's agreement, JNCC has recruited the staff necessary to meet current demand for advice and performance is gradually improving. Defra have informed JNCC that we have the power to charge for services and have confirmed they wish JNCC to introduce a charging system for non-statutory advice to the offshore renewables industry. This is far from straightforward as there are several complex issues to be addressed before charging can be introduced. An oral update will be provided at the March ARMC meeting.
5	Significant under-spending against available grant-in-	3	4	12	RA3	<ul style="list-style-type: none"> Measures put in place to avoid under spending in 2012/13 include mandatory

Risk No.	Significant risks (from 2011/12 Governance Statement)	Risk Score			Cross-reference to corporate risk register	Action by management (undertaken or planned) March 2013
		Residual likelihood	Residual impact	Residual score		
	aid.					<p>financial training for all project managers; monthly financial reporting; improving JNCC's finance management system; strengthening the links between performance, budget and risk reporting; and placing greater emphasis on financial management in staff performance.</p> <ul style="list-style-type: none"> The financial position has been closely monitored throughout the year by EMB and additional expenditure has been approved in some priority areas to ensure GIA is fully utilised. We are currently projecting a small (£60k) underspend against GIA by the end of the year.
6	Insufficient corporate services and management resource to effectively support growth in marine work and other new obligations.	3	4	12	RA2,RA3	<ul style="list-style-type: none"> Internal structures and processes are being reviewed as future requirements are clarified. Additional resources are being deployed to support marine growth where necessary.
7.	Risk of losing key data and information.	3	3	9	IN1	<ul style="list-style-type: none"> Work has progressed with a consolidation of most of the corporate

Risk No.	Significant risks (from 2011/12 Governance Statement)	Risk Score			Cross-reference to corporate risk register	Action by management (undertaken or planned) March 2013
		Residual likelihood	Residual impact	Residual score		
						<p>services directory structure into the new Z: drive Marine data has been put into the system structure and organised.</p> <ul style="list-style-type: none"> The draft retention policy is now with the Head of Data Services for a final review and update on copyright matters.

Annex 3. Risk management process 2012/13



Annex 4. Summary of “new and emerging risks” considered by ARMC at its meetings in 2012/13

June 2012

- Marine staff recruitment/internal turnover and the work involved with gaining approval to recruit to posts.
- Issues flagged at the March meeting under this heading continue to be relevant, including work associated with (potential outcomes of) the Triennial Review.
- JNCC’s involvement in a project might receive undue negative attention. Staff should be advised to remain vigilant.

September 2012

- Risk associated with the change of JNCC Chair next autumn.
- Outcomes of the Triennial Review.
- Ministerial changes in Defra and the effect this may have on government policy.
- Institutional change e.g. new Welsh body combining the functions of Countryside Council for Wales, the Environment Agency Wales, and Forestry Commission Wales.
- Future funding for marine work with a gap of £1.5m between work to be done and the funding available.
- Imminent changes in the Northern Ireland executive with the possibility of a new marine body within the Department of the Environment.
- The risk that staff are not engaged in the risk management process as fully as required.

November 2012

- Brussels Office update: The office will close at the end of December 2012. Staff in the European team have adjusted their work accordingly.
- *Chalara fraxinea* fungus (Ash tree die back) – The fungal outbreak across the country caused JNCC to divert staff resources into this area of work. One member of staff is currently working on this more or less full-time. This would not impact on other priorities.

March 2013

- The emerging financial risk arising from the withdrawal from 1 August 2013 of VAT exemption for supplies of research between two eligible bodies. This will result in JNCC having to pay VAT on research contracts. Projected costs are in the region of £250k or more per annum. This issue is of particular concern at a time of contracting budgets.

Annex 5. ARMC forward programme¹

1. Standing items on agenda for every meeting

- i Internal audit reports
- ii Cases of fraud or presumptive fraud and significant losses
- iii Forward programme
- iv Update on significant risks and discussion on new, emerging and fast-evolving risks
- v Consideration of whether there is a need to provide the Board with reports relating to health and safety, quality strategy and environmental performance.

2 Every March meeting

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

3. Intersessionally between March and June

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

4 Every June meeting

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

5 Intersessionally between June and September

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

6 Every September meeting

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

¹ This programme may be subject to change following a forthcoming review of terms of reference arising from the Joint Committee's review of its governance arrangements and the HM Treasury's revision of the Audit Committee Handbook

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

7 Every November meeting

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

8 Miscellaneous/Occasional Items

- i Value for money auditing
- ii Post project reviews of major projects
- iii Review/extension of the internal audit contract*(next review Nov 2013 for new contract 1 April 2014)
- iv Internal Audit Strategy (every three years; advise on draft in November, approve in March)
- v Review of audit committee effectiveness (next review November 2015)
- vi Review of the Fraud Policy (next review November 2013)
- vii Performance indicators for internal audit
- viii Reports on staff risk management surveys
- ix Corporate Change Plan (annually in June)
- x Advise the committee of major changes to accounting policies (as required).

*closed session items