



The one hundred and twenty-seventh meeting of the Joint Nature Conservation Committee to be held at 08.45 on 3 June 2021 virtually via Microsoft Teams

This paper was 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 2020/21

Sponsor director: Gemma Harper

Executive Summary

1. Action required

- 1.1. The Audit and Risk Assurance Committee (ARAC) invites the Joint Committee to:
 - i. **discuss** ARAC's annual report for 2020/21;
 - ii. **consider** the ARAC programme on pages 11-13 of the report and forward look on page 14 and propose changes as required; and
 - iii. **identify** any other areas where ARAC can provide assurance and add value for the Joint Committee.

2. Key issues

- 2.1. This paper contains the Audit and Risk Assurance Committee's (ARAC) report for the year ending 31 March 2021. ARAC has a well-established role and it is important that an annual report based on the work undertaken is produced and recommended to the Joint Committee.
- 2.2. The report was considered by ARAC members intersessionally in early May and their comments and amendments have been incorporated. ARAC will discuss the report at their meeting on 2 June, and any amendments arising from the discussion will be reported to the Joint Committee orally by the ARAC Chair.
- 2.3. Each June, the Joint Committee is afforded the opportunity to help set the forward programme for ARAC for the next 12 months. ARAC's standard forward programme is contained on pages 11-13 of the report with a forward look on page 14 listing some additional considerations for 2021/22. The Joint Committee is asked to identify any other areas where ARAC can provide assurance and add value.
- 2.4. ARAC has provided its own statement of assurance to the Joint Committee at the conclusion of the report. The statement provides the Joint Committee with independent assurance that it has in place adequate and effective governance, risk management and internal control frameworks, and internal and external audit functions and financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that the Joint Committee expects. This statement of assurance is included in the Governance Statement contained in the Annual Report and Accounts for 2020/21.

- 2.5 The report has endeavoured to capture the enthusiasm of ARAC members and the lively debate at meetings. The report sets out where ARAC has added value and improved or promoted the control environment, and describes ARAC's effectiveness in meeting its purpose and functions. The report also helps to demonstrate, ARAC's broad and evolving remit.

Annual Report of the JNCC Audit and Risk Assurance Committee 2020-2021



Mourne Mountains, County Down, Northern Ireland (picture courtesy of Planetware.com)

Annual Report of the JNCC Audit and Risk Assurance Committee 2020-2021



Mr Charles Banner QC

Chair of ARAC (From 15 March 2021)

Professor Colin Galbraith (Chair of ARAC April 2020 – 14 March 2021)

Members

Professor Mel Austen (Independent JNCC Member) (Joined 10 March 2021)

Ms Karen Balmer (External Member)

Ms Cath Denholm (Scottish Natural Heritage)

Mr Nigel Reader (External Member)

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Chair's Foreword

Dear Joint Committee member,

I was appointed Chair of ARAC in March 2021, following the appointment of my predecessor, Professor Colin Galbraith to Chair of JNCC. I thank Professor Galbraith for chairing ARAC for the last 12 months and I look forward to taking on his profound legacy. As the new Chair of ARAC I am pleased to present the Annual Report for the year ended 31 March 2021, which has been prepared and approved by ARAC members. In my introduction to this report, I would like to highlight a few key aspects of ARAC's work over the past 12 months.

In what has been an extraordinary year, ARAC has benefitted from a strong collaborative relationship with JNCC staff, ensuring that the organisation's response to the Covid-19 pandemic has been robust and proportionate. ARAC continues to play an increasingly significant role in the organisation's governance, set against ever increasing challenges in terms of complexity of the organisation's activities, its financial sustainability and responsiveness to change. To help meet these challenges, ARAC has over the past year robustly reviewed the significant risks register and the separate Covid-19 risk register which was developed to address the immediate effects of the pandemic. ARAC members have also undertaken risk drilldowns in the areas of change management, response to Covid-19 and staffing.

ARAC's role is a challenging one; it delivers strong, independent scrutiny via its members who bring an appropriate range of skills and experience. ARAC is required to act as the conscience of the organisation and to provide insight and strong constructive challenge where required, such as on risks arising from financial and resource constraints, new service delivery models, information flows on risk and control, and on the agility of the organisation to respond to emerging risks and challenges.

ARAC supports the Chief Executive and Accounting Officer and the Joint Committee in their responsibilities for issues of risk, control and governance, and associated assurance. During the past year, ARAC has continued to promote a culture of financial discipline and internal control, and has overseen arrangements to ensure value for money, regularity, and propriety, and in so doing, reducing the risks of financial or other mismanagement within JNCC.

The conclusion at the end of this report presents the outcome of ARAC's work in relation to its areas of responsibility over the past 12 months, but also includes a forward look to the next 12 months where ARAC will focus its efforts and resources.

Mr Charles Banner
June 2021.

Key Areas of ARAC Decision and Discussion in 2020/21

- Agreed the internal audit plan for 2020/21 and forward look to 2021/22, taking into account historical coverage of risk.
- Reviewed and endorsed the significant risks register for 2020/21 and undertook three risk drilldowns.
- Reviewed the COVID-19 risk register developed in-year by the Executive to address the risks associated with the pandemic.
- Recommended the Company Board approve the Annual Report and Accounts (ARA) for 2019/20.
- Recommended the Governance Statement for 2019/20 to the Company Board.
- Discussed the NAO Audit Completion Report and associated recommendations.
- Noted the collective approach to risk by the Defra group, linking risks to Defra's strategic objectives, providing a clear line of sight.
- Made an annual declaration to the National Audit Office (NAO) to confirm that JNCC had complied with all relevant legislation.
- Considered the external audit strategy and agreed the timetable for production of the ARA for 2020/21.
- Produced an ARAC strategy action plan.
- Advised on a progressive equality and diversity programme for staff.
- Reviewed the JNCC counter fraud and anti-corruption policy.
- Discussed the controls around the process of costing and tracking income projects.
- Advised the Executive on the relocation of the Peterborough Office to Fletton Quays.

Governance

The Audit and Risk Assurance Committee was in place throughout 2020/21 and met four times, with four additional intersessional meetings in April, July, August, and January on specific topics from the main meetings. All meetings were online due to the Covid-19 pandemic. Individual attendance at meetings has been good.

All members are non-executives and independent in accordance with the provisions of the Treasury Handbook on Audit Committees.

The PA to the JNCC Chair and Chief Executive is the ARAC Secretary. The role is overseen by the Governance Manager.

Summary of ARAC Responsibilities

- To promote a climate of financial discipline and internal control and oversee arrangements to ensure value for money, regularity, and propriety, and reduce the risks of financial or other mismanagement.
- To approve long-term and annual plans for internal audit and commission audits of specific projects and value for money audits as required.

- To advise on the comprehensiveness and reliability of assurances on strategic policies and processes for risk assessment and management, control and governance and related assurances including the annual Governance Statement.
- To advise on internal and external audit plans and strategies, findings, and results, and on the adequacy of management responses and follow-up to issues identified by audit activity.
- To ensure that a process operates effectively to enable matters involving significant risk to the JNCC's, UK Government's or devolved administrations' reputation, legal standing, or financial position (where these lie within the bounds of the Audit and Risk Assurance Committee's remit) to be identified and referred to the Joint Committee.

Attendees at Meetings

In addition to its membership, ARAC invites the following to its meetings:

- Chief Executive and Accounting Officer
- Director of Finance and Resources
- Governance Manager
- Head of Internal Audit
- Defra Group Chief Internal Auditor
- National Audit Office Senior Manager

And from time to time:

- JNCC's Science Directors
- JNCC Team Leaders

In 2020/21 ARAC also benefited from the regular attendance of the Joint Committee Chair as an observer.

Closed Session Meetings

The ARAC Chair holds annual closed session meetings with the internal auditors and NAO staff without the Executive in attendance. These sessions ensure an open and frank relationship between ARAC and the external and internal auditors. Issues of note are reported back to ARAC. Annual meetings also take place between the ARAC Chair, Accounting Officer and Director of Finance and Resources.

Closed sessions are also held at meetings where ARAC members and the Executive discuss sensitive issues with the auditors and other attendees not present.

Internal Audit

In 2020/21 JNCC's audit programme comprised three audits in the areas of risk management, governance (Joint Committee and ARAC Performance) and response to Covid-19. The financial management audit which was planned for 2020/21 was moved to 2021/22 to allow more time for the finance system (Kypera) to be upgraded. The Covid-19 response audit replaced the financial management audit.

The audit plan was delivered by the Government Internal Audit Agency (GIAA) through a Defra Memorandum of Understanding. In 2020/21 JNCC's Head of Internal Audit (HIA) was Ms Hannah Plowman. Ms Plowman stepped down from her role at the end of March 2021 and has been replaced by Mr Dayo Olusesi. Mr Olusesi shadowed Ms Plowman during quarter 4 of 2020/21 and received a comprehensive induction to JNCC from staff. ARAC found the internal audit service to be good in 2020/2021.










The HIA devised the audit programme from discussions with senior JNCC staff and from consideration of the organisation's risk registers. The table below details the audits undertaken in 2020/21, the assurance rating achieved and the recommendations raised and agreed.

Internal audit	Days	Assurance rating and risk to CEO	Recommendations raised				Recommendations accepted by the Executive
			High priority	Medium priority	Low priority	Total	
Risk management	10	Moderate		3	2	5	4*
Governance: Joint Committee & ARAC performance	7	Moderate		4	1	5	5
Covid-19 response	8	Substantial		1	1	2	2
Financial Management audit	Re-scheduled to 2021/22						
Total	25			8	4	12	11
		Annual HIA assurance opinion Moderate					

*One recommendation raised in the risk management audit was not accepted by the Executive. This related to the explanation of mitigations, expanding them to include more detail on how controls would be applied with actions, who by and target delivery dates. The Executive did not feel that this additional level of detail would add significant value to the current risk management process and the information presented to ARAC.

Definition of assurance levels used across the Defra Group

Overall Opinion Key

RAG	Definitions for annual and assignment opinions	Definitions for CEO residual risk	RAG
	Substantial The framework of governance, risk management and control are adequate and effective.	Low Risks to the CEO are well managed in the areas examined.	
	Moderate Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.	Medium Risks to the CEO are generally well managed; effective processes are in place to identify and rectify material errors and failures that arise.	
	Limited There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.	High The CEO is exposed to high levels of risks of error or failure in some parts of the audit, which, if not addressed, could lead to external reputation damage or additional material disallowance exposure.	
	Unsatisfactory 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.	Very high The CEO is exposed to a very high level of risk of error or failure, which, if not addressed, could lead to significant external reputation damage or disallowance exposure.	
	Advisory	Audits to assist the Executive in taking an area of work forward.	
Factors influencing choice of opinion <ul style="list-style-type: none"> • Adequacy and effectiveness of the governance, risk management and control framework • Impact of any weakness on delivery of objectives • Extent of risk exposure • Materiality: by value to the entity, by value in the engagement context and by nature (e.g. irregularity and reputational risk) • We may also take account of management responses to recommendations/ management actions 			

The audit plan each year also includes management time for the internal audit team to meet JNCC staff and attend ARAC meetings and two days of follow-up audit work to examine implementation of audit recommendations. The follow-up work for 2020/21 was undertaken in-house by the Governance and Accountability Team. The results showed that overall implementation of recommendations was generally good but fell short of the performance target of 100% implementation by the due date.

The annual opinion of the Head of Internal Audit in 2020/21 was to give a 'moderate' opinion.

Defra Audit and Risk Chairs Meetings

The JNCC ARAC Chair attends meetings of the Defra Audit and Risk Chairs to discuss activity across the Defra group of organisations. Meetings provide the opportunity to take an overview of current issues across the Defra group. In 2020/21 meetings were postponed due to the Covid-19 pandemic. The meeting programme will resume in 2021/22 with a meeting being planned for Spring 2021.

Risks

ARAC had regular sight of JNCC's Significant Risk Register and considered the risks arising from the specific and generic topics which were subject to its scrutiny, together with the Executive's mitigation measures. Enhancements to the significant risks register in 2020/21 included the addition of a residual target risk rating and making the status of mitigating actions explicit so it was clear whether an action had been implemented. Both enhanced ARAC's understanding of the register.

In 2020/21, the Executive produced a separate Covid-19 risk register which brought together all the risks faced by the organisation presented by the pandemic. Through this register and regular updates at meetings and intersessional teleconferences, ARAC were able to monitor JNCC's response to Covid-19 and discuss the challenges that the pandemic presented. A deep dive into the Executive's response and the associated mitigation measures was undertaken by Mr Reader in October. This work helped to inform the mitigation in place and led to the addition of a risk covering organisational culture and cohesion.

ARAC has been greatly reassured by the impetus to the management of risks which the Chief Executive and other staff have provided throughout the year. This has engaged ARAC and the Joint Committee in thinking through the key strategic risks which the organisation faces and in considering possible measures for mitigating these, and the Committee's particular role in the process.

In 2020/21, ARAC advised the Joint Committee on the effectiveness of mitigating actions for each of the significant and Covid-19 risks, to provide assurance that management action in relation to risk was having the intended effect, noting that the identification and resourcing of mitigation actions is an executive function. In considering effectiveness, ARAC needed to contemplate:

- the extent to which risk mitigation undertaken by management was having the desired effect.
- where JNCC wants to position itself in relation to risk mitigation, ranging from doing nothing to mitigating a risk at one extreme, to doing nothing else but mitigating a particular risk at the other extreme, taking into account the organisation's ability to influence the causes of risks and the reasons for tolerating risks at certain levels.

- whether there was a need to rebalance resources between risk areas and the consequences of investing greater effort/resource in one area and the impact this might have on other risks: and
- how far JNCC could control the causes of significant risks with the resources that are available.

Risk drilldowns

ARAC have agreed that insufficient time is available at routine business meetings to explore the detail behind all risks adequately and that risk drilldowns undertaken by non-executives would provide a cost-effective way of remedying this. In 2020/21 three risk-drilldowns were commissioned by ARAC. Two are reported here in full. The staffing risks drill-down falls over two reporting periods. Recommendations from this work will be reported in next year's annual report.

Change management drill-down

In August 2020, Cath Denholm undertook a risk drill-down into change management. The report concluded that there was not currently a clear articulation of the key changes being pursued in JNCC in order to deliver the strategic intent, no complete assurance that the ambition to change was adequately resourced nor complete assurance that the commitment to drive change wouldn't be lost from the agenda during the pandemic. Given the ambitions of the new JNCC Strategy and the challenges ahead, it was considered legitimate for ARAC to consider what else was required in order to have a collective understanding of the Executive's approach to change and assurance that it was working. Following further discussion, ARAC agreed that change management would be incorporated into 'business as usual' and progress would be reported in the quarterly performance reports to the Joint Committee. ARAC could then decide to drill-down into particular aspects of change as required.

Response to Covid-19 drill-down

In October 2020, Nigel Reader undertook a drill-down into the Executive's response to Covid-19. His report highlighted that the risks and issues arising from Covid-19 had been effectively managed to date. ARAC had been kept well-informed and had been able to offer advice to management at key points in the response process. However, some omissions in the register were identified, including, changes and inconsistency in the Government's policy and guidance on Covid-19 measures, increased risk of fraud, impact on organisational culture and cohesion, implications for performance management and good practice learning and other opportunities including income generation.

Staffing risks drill-down

In February 2021, Karen Balmer began a risk drill-down into staffing risks. The drill-down report will be considered by ARAC in June 2021.

The risk drill-down programme has been successful and future drilldowns will be driven by the risks on the significant risks register.

New and emerging risks discussed in the past 12 months

- Covid-19 pandemic
- Remote working and managing staff workloads
- Lockdown restrictions and impact on staff
- Staff morale and well-being
- Pay parity within the Defra Group
- Cyber security and JNCC's data breach.
- Funding implications for 2021/22 and beyond.
- Peterborough office move (Fletton Quays)
- Leadership changes in JNCC
- Financial viability of key non-governmental organisations as a result of the pandemic
- Organisational cohesion and culture
- Managing rapid change
- International action on biodiversity and climate change
- The demographic staffing profile of JNCC and succession planning.

Other Matters Considered by ARAC

Over the past 12 months ARAC has considered and advised on a number of issues in addition to those covered in the forward programme. These have included:

- Cyber security and information management.
- Peterborough Accommodation project (Fletton Quays).
- Equality and Diversity programmes for staff.
- Pay flexibility business case.
- Integrated risk approaches.
- Defra data protection review
- Income projects and tracking cost recovery
- Payroll contract
- Change management

Covid-19 Pandemic

During the past 12 months, the Covid-19 pandemic has changed how JNCC operated. ARAC discussed the impact of the Covid-19 outbreak at all of its meetings and considered the risks and mitigation to address them. ARAC were able to take assurance on management's plans to deal with the situation, through a series of discussions both at meetings and intersessionally and detailed drilldowns. ARAC's role going forward is to advise and consider the Executive's post pandemic plans to ensure they meet the

needs of the business but also maximise the opportunities that new ways of working have presented over the past 12 months.

Peterborough Accommodation project (Fletton Quays)

The Peterborough accommodation project has taken many twists and turns over the past 12 months. The principal constraint to JNCC moving into Fletton Quays continued to be the anticipated increased running costs which were unaffordable. Other issues such as IT provision had been resolved. Early in 2021, JNCC received a proposal from Defra to transfer its property interests to them, along with associated budgets and for Defra to provide workspace within Fletton Quays at no extra cost. This proposal is currently being considered by the Executive.

Over the next 12 months, ARAC will continue to receive updates on the project and members will continue to advise the Executive as appropriate. A key message from ARAC to the Executive has been to encourage them to develop an effective communication plan to ensure staff understand the benefits of the move and that change management processes are put in place to ensure work delivery can continue effectively through the relocation phase.

Health and Safety Reporting

Over the past 12 months, ARAC received quarterly reports from the Health and Safety Manager on issues arising and on new developments. In June 2020, JNCC were responding to the pandemic ensuring home working assessments were completed, line managers had learnt how to keep their teams engaged through the use of virtual communication tools and consideration was being given to how the business might restart and staff could safely return to work.

In September, ARAC were alerted to some compliance issues relating to out of date fire risk assessments, the absence of safety data sheets and risk assessments for the control of Substances Hazardous to Health, no Asbestos Management Survey of 2nd/3rd floor offices in Peterborough and 5 yearly electrical testing records not found for the Peterborough office. ARAC were given assurances that these would be addressed by the incoming Health & Safety Manager.

In the latter part of the year, focus returned to how staff could return to JNCC's offices safely. For new staff, health & safety induction had been tailored to home working, including fire safety, lone working, electrical safety and health and wellbeing. ARAC will continue to have oversight of the Health & Safety through regular compliance reporting.

ARAC Programme 2020-2021

Standing items on the agenda for every meeting

- Matters Arising
- Head of Internal Audit progress reports
- Internal audit reports

- Audit recommendation implementation updates
- Review of significant risks and discussion on new, emerging, and fast-evolving risks
- Quarterly assurance reporting
- Covid-19
- Cases of fraud or presumptive fraud and significant losses
- Any significant non-compliance relating to health and safety, scientific evidence quality, equality and diversity and environmental performance
- Forward plan
- Meeting feedback

June 2020 meeting

- Recommended the post-audit JNCC Annual Report and Accounts to the Company Board and endorsed the final draft of the Governance Statement
- Reviewed NAO's draft Audit Completion Report on the previous year's Financial Statement audit
- Final draft of internal audit's annual assurance report
- ARAC Annual Report to the Joint Committee
- Report on internal audit performance indicators
- Summary of audit recommendations and report on outstanding recommendations
- ARAC strategy session action plan

September 2020 meeting

- Internal audit mid-year assurance report
- Annual report on performance of external audit
- Report on legislative compliance
- Report on ARAC effectiveness review
- Risk drill-down – change management
- Update on payroll contract
- Data protection review
- Update on Peterborough Accommodation project
- Income projects and tracking cost recovery

December 2020 meeting

- Commented on the draft annual strategy for external audit
- Considered the timetable to produce the JNCC Annual Report and Accounts
- Preparation for the Joint Committee's annual discussion on risk
- Preparation for ARAC's annual report to the Joint Committee
- Position statement on the financial management audit
- Risk drill-down – Covid-19 response
- Change management in JNCC
- Update on Peterborough Accommodation project

March 2021 meeting

- Audit strategy and plan for 2021/22
- Draft internal audit assurance report
- Annual report on performance of internal audit
- Commented on the draft Governance Statement
- Risk management in JNCC (Joint Committee paper)
- Annual report on information risk and cyber security
- Risk drill-down – Brexit/devolution

- Update on Peterborough Accommodation project
- Update on the new payroll contract

Intersessional items

- A pre-audit draft of the JNCC Annual Report and Accounts, for comment
- The annual report on single tenders over £7,500
- The annual report on fruitless payments, losses, and special payments for the previous year
- Internal audit reports for the year
- Risk drill-down – EU Exit and Devolution
- Pay flexibilities business case
- Risk management in JNCC
- Covid-19
- Equality, Diversity & Inclusion
- Peterborough Accommodation project
- Significant risks 2021/22.

Annual Assessment of ARAC Effectiveness

The last survey on ARAC effectiveness took place in July 2020 and findings were reported to the September 2020 meeting. This review concluded that ARAC was an effective committee and members were confident in the direction of travel.

ARAC noted a reassuring report on findings and agreed that the frequency of future reviews should be changed to every two years. ARAC proposed that the ARAC and Joint Committee effectiveness surveys should in future be aligned. Joint Committee members agreed this proposal at the March 2021 meeting.

In its quest for continuous improvement, ARAC includes an instant feedback slot at the end of each meeting and uses the learning to inform the arrangements for, and conduct of, future meetings.

ARAC Reporting to the Joint Committee

ARAC takes seriously its responsibility to ensure effective communication between itself and the Joint Committee. This is demonstrated by the presentations at Joint Committee meetings and routine reports by the ARAC Chair.

The agenda of each Joint Committee meeting includes a report from ARAC, which is used to present the highlights from each ARAC meeting, together with an update on activities conducted by ARAC and/or ARAC Chair since the last Joint Committee meeting.

This ARAC Annual Report for 2020/21 completes the reporting process for the year.

Forward Look

ARAC will continue to review a range of issues to ensure that it covers its remit. Whilst this is driven by our agreed forward programme, ARAC members may also request reports or details of follow-up actions on specific areas of concern. In addition, the Joint Committee Chair may commission reviews or investigations where ARAC scrutiny is needed to help address particular risks or issues.

ARAC's forward programme for 2021/22 will contain most of the same items as for 2020/21. Additional considerations for the coming year will include:

- A standing invitation for Joint Committee members to raise any queries with the Chair of ARAC ahead of any ARAC meeting.
- Standing over the implementation of new processes of internal control and governance.
- Examining management's post pandemic plans, including the move to blended working and implications for staff and the organisation.
- Scrutinising cyber security arrangements.
- Advising on the Executives revised pay flexibilities business case.
- Continuing with the programme of risk drilldowns.
- Advising on the effectiveness of risk mitigation and the balance of resources allocated to mitigation.
- Scrutinising plans for the Peterborough accommodation move and assessing the comprehensive user requirement.
- Consideration of outcomes from risk scenario testing through an integrated risk approach.
- Advising on proactive Equality and Diversity policy and procedures.

Acknowledgements

Thanks go to the members of ARAC; to the Chief Executive; the Governance & Accountability team; ARAC attendees; and Joint Committee members for the invaluable support which they have given to ARAC, as well as for contributing to the spirit of openness and constructive challenge which ARAC continues to adopt in the conduct of its business.

Thanks go to Nigel Reader for his time and dedication in ensuring that the Annual Accounts receive sufficient scrutiny and for his risk drill-down into the Covid-19 response; Cath

Denholm for her comprehensive drill-down into change management in JNCC and Karen Balmer for her drill-down into the staffing risks, including consideration of bullying and harassment, an area which ARAC had raised concerns about following the results of the People Survey. ARAC looks forward to considering her findings in June 2021. I also welcome our newest ARAC member, Mel Austen, whose knowledge, and experience will ensure 2021/22 will again be a successful year for ARAC.

ARAC's Assurance Statement to the Joint Committee

ARAC is required to provide an opinion on the adequacy and effectiveness of the organisation's arrangements for risk management, control and governance, efficiency, and effectiveness. ARAC's opinion is based on its consideration of the organisation's risk registers, the internal auditor's annual report and opinion, the external auditor's Audit Completion Report and Letter of Representation, other work undertaken or commissioned by ARAC such as risk drilldowns and discussions at its meetings. In addition, ARAC receives a range of written reports throughout the year. These include annual reports on information management and cyber security, updates to the organisation's counter-fraud and anti-corruption policy and an annual paper on legislative compliance.

During 2020/21, ARAC has operated to a high standard and has received appropriate, regular, and timely information regarding the production of JNCC's Annual Report and Accounts and about JNCC's internal control environment. ARAC assists the Accounting Officer and Joint Committee to formulate their assurance needs and to consider how well these needs are met by gauging the extent to which assurance on the management of risk is comprehensive and reliable.

Assurance draws attention to the aspects of risk management, governance and control that are functioning effectively and, just as importantly, the aspects which need to be given attention to improve. Assurance cannot be absolute, so ARAC needs to know that the organisation is making effective use of the assurance mechanisms at its disposal, targeting these at areas of greatest risk.

The establishment of JNCC's internal control and risk management systems is based on the identification of the numerous external and internal risk factors that could influence the operational and financial objectives of the organisation. It includes an effective system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with ARAC and subsequently reported to the Joint Committee through quarterly performance reports and an annual discussion paper on risk assessment and management.

Financial management in JNCC has continued to be applied with rigour, and reliance can be placed on the financial statements and disclosures presented in JNCC's Annual Report and Accounts.

As with other organisations, cyber security incidents continue to pose an increasing threat to management of JNCC's information, with the possibility of hacking, ransomware, cyber fraud, and potential accidental information losses. This was particularly the case in 2020/21, as JNCC was notified by the National Cyber Security Centre (NCSC) of a security breach to its systems. Cyber security is an area of management activity that ARAC scrutinises at each

meeting and discusses in detail when it receives the annual report on information risk and cyber security.

The Peterborough office move into the Government hub being built by the Government Property Agency (GPA) at Fletton Quays has been a prominent feature of ARAC agendas this year. During the year, ARAC have monitored the risks around the move, including desk and meeting space availability, the additional running costs of the new building, the building's environmental credentials, the suitability of the new accommodation to meet JNCC's long-term requirements as the organisation returns to a new blended working model and staff views and buy-in to the move. ARAC will continue to monitor the risks through to completion of the project in the summer of 2022.

Covid-19 has been a significant challenge to the organisation in 2020/21. ARAC monitored the necessary change in working practices and the transition of staff to working from home. Policies, guidance and working practices were effectively revised to support the new situation. Re-planning work was undertaken in line with government priorities, budget changes and other constraints. Evaluating risks at each stage of the transition was vital and will continue as the organisation moves, in due course, to post Covid-19 working arrangements.

ARAC, on behalf of the Joint Committee, has conducted an annual assessment of the operation of the organisation's systems of risk management and internal control. Overall, the organisation has performed well in 2020/21. JNCC's accounts for 2019/20 were unqualified and for the first time in 10 years there were no audit points raised by National Audit Office. This demonstrates the strength of JNCC's internal controls and the quality of information presented. During the year, there were no significant losses and no fraud. The IT area has stood up well, despite the breach that did not result in loss or damage. Staff turnover in JNCC remains low from the Executive's perspective and is within the Defra norm. The Executive's response to Covid was rapid and comprehensive and the delivery of strategic objectives was strong.

Mr Charles Banner QC
On behalf of ARAC

2 June 2021