

19 April 2018

ANNUAL REPORT TO THE ENGLAND NATIONAL COMMITTEE**Purpose**

1. To report the activities of the FC England Plus Audit and Risk Committee over the past year to the England National Committee.

Background

2. The National Committee for England has established an Audit and Risk Assurance Committee (ARAC) as a sub-committee to support you in your responsibilities for issues of risk, control, governance and assurance by:
 - reviewing the comprehensiveness of assurances in meeting the assurance;
 - reviewing the reliability and integrity of these assurances;
 - providing an opinion on how well the National Committee and Accounting Officers (AOs) are supported in decision making and in discharging their accountability obligations, particularly in respect of financial reporting.
3. I have chaired the Committee since November 2016. The other members are Mary Barkham, Mark Pountain and Clive Tucker. Ian Gambles, Simon Hodgson, Richard Greenhous and Steve Meeks attend the Committee, together with representatives of the National Audit Office, Ernst & Young and the Government Internal audit Agency (GIAA). Other Forestry Commission officials attend as necessary. Liz Holmes, the outgoing Head of Internal Audit, attended the May meeting prior to her retirement.

Key Facts

4. The ARAC met four times during 2017/18 – 10th May 2017, 1st June 2017, 7th December 2017 and 1st March 2018.
5. The FC England and Central Services strategic risk register, together with one of lead business unit registers on rotation, were reviewed at all but the 10th May meeting. In addition, the ARAC has considered three risks in detail during the year – HMRC Tax Compliance Audits, Government Internal Audit Agency (GIAA) transition and preparations for the General Data Protection Regulation (GDPR), as well as an in-depth discussion on proposal for new arrangements for Forest Holidays. Regular reports were also received from FC England's Senior Information Risk Owner (SIRO).
6. At regular intervals the ARAC undertakes an effectiveness review through discussing one of the five principles of Good Practice. Principle 1 – Membership, Independence, Objectivity and Understanding – was discussed at the December meeting.
7. The ARAC reviewed and approved the Corporate Governance Report for 2017/18.
8. The ARAC reviewed the Internal Audit annual report for 2016/17 and the strategy, mid year report and emerging findings for 2017/18.
9. Ernst & Young reported to the ARAC on their audit of the 2017/18 Annual Report and Accounts, including their letter to Management highlighting areas for improvement. They also

reported on the AP09 interim accounts for 2017/18 and discussed their strategy for the 2017/18 audit.

10. Each meeting starts with any conflict of interest declarations. A discussion between the committee members, Internal Audit and the National Audit Office/Ernst & Young representatives is also held to allow issues of concern to be raised without officers present.
11. The 10th May meeting was held primarily to provide an opportunity to review and discuss the draft Annual Report and Accounts for 2016/17, prior to the 1st June meeting which recommended their approval to the National Committee. The AP09 interim accounts for 2017/18 were reviewed at the March meeting.

Conclusion

12. The control of risk and financial management for the Forestry Commission England/Central Services is adequate.
13. The main challenges for 2018/19 and beyond are:
 - managing the transition to the Future Forestry Commission operating model in April 2019 following completion of the devolution process;
 - delivering government policy, including continued progress in woodland improvement and creation within a constrained resourcing environment and competing priorities for land use;
 - securing sufficient funding from Defra to support the delivery of the FC's business and corporate plan targets at a time of significant financial constraint across the department and government in general;
 - continue developing plans and resourcing to achieve success in a post-EU exit environment;
 - handling the continued impact and consequences to Forestry Commission England of the introduction of new Rural Development Programme for England grant schemes and Common Agricultural Policy delivery systems;
 - continue developing an appropriate response to the increasing threat of cyber security attacks;
 - completing plans for devolving central services and establishing new corporate service provision, whilst maintaining business continuity;
 - completing the further devolution of cross-border activities, including potential trisection of funds in future years and the handling of associated residual costs; and,
 - handling the continued biosecurity threat and the potential substantial cost of counter-measures.

Recommendations

14. The Committee accepts the report.

Julia Grant
Chair, Forestry Commission England Plus Audit and Risk Assurance Committee
April 2018