

12 April 2017

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 English 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. Clive Tucker chaired the Committee from January 2014 to November 2016 when Julia Grant took over the role. The other members are Mary Barkham, Mark Pountain and Clive Tucker. Ian Gambles, Simon Hodgson, Richard Greenhous, Liz Holmes and Steve Meeks attend the Committee, together with representatives of the National Audit Office and Ernst & Young. Other Forestry Commission officials attend as necessary.

Key Facts

4. The ARAC met four times during 2016/17 – 4th May 2016, 26th May 2016, 24th November 2016 and 2nd March 2017.
5. The full suite of FC England and Central Services risk registers were reviewed at all but the 4th May meeting. In addition, the ARAC has considered three risks in detail during the year – HMRC Tax Compliance Audits, the NAO review of Joint Ventures and Information Security. 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 – The Role of the Audit Committee – was discussed at the November meeting.
7. The ARAC reviewed and approved the Corporate Governance Report for 2016/17.
8. The ARAC reviewed the Internal Audit annual report for 2015/16 and the strategy, mid year report and emerging findings for 2016/17.
9. Ernst & Young reported to the ARAC on their audit of the 2015/16 Annual Report and Accounts, including their letter to Management highlighting areas for improvement. They also reported on the AP09 interim accounts for 2016/17 and discussed their strategy for the 2016/17 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 4th May meeting was held primarily to provide an opportunity to review and discuss the draft Annual Report and Accounts for 2015/16, prior to the 26th May meeting which recommended their approval to the National Committee. The AP09 interim accounts for 2016/17 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 2017/18 and beyond are:
 - managing Forestry Commission structural reform as part of building the new Defra Group, as well as completing the process of devolution, subject to decisions by Ministers;
 - delivering government policy, including continued progress in woodland improvement and creation within a constrained resourcing environment and competing priorities for land use;
 - handling the 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;
 - managing the one-off and continuing financial burdens arising from HMRC tax audits and ensuring future compliance;
 - 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;
 - engaging with the further devolution of cross-border activities, including potential trisection of funds in future years and the handling of associated residual costs;
 - develop forward planning to achieve success in a post-EU exit environment; 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 2017