

# **VMD Audit & Risk Assurance Committee**

## **Minutes of meeting held on 5 July 2022**

### **Members**

Timothy Riley (Chair)  
Julia Drown  
David Catlow  
Philippa Hardwick

### **Present**

Abigail Seager – VMD  
Mike Griffiths – VMD  
Gavin Hall – VMD  
Muiz Agbaje – VMD  
Kim Nobbs – GIAA  
Paula Stone – NAO  
Andrew Hamer - NAO  
Chris Abbott – VMD (note taker)

#### **1. Announcements and apologies for absence**

1.1 Apologies were received from David Kennedy.

#### **2. Declarations of interest in the matters to be discussed**

2.1 Timothy Riley has been appointed ARAC Chair to the FSA.

#### **3. Minutes of the meeting held on 23 March 2022**

**VMDARAC 22/22**

3.1 The minutes of the last meeting were agreed.

#### **4. Matters Arising/Actions**

**VMDARAC 22/23 & 24**

- 4.1 VMD's new Head of Finance, Muiz Agbaje, was welcomed to the committee and it was noted that the planned restructuring of the section would be paused while he familiarised himself with the role and while the current recruitment controls are in place. These had been invoked in May and a strong case had to be made for any exemptions for recruiting critical posts. Members were pleased to see in the audit reports that adequate segregation of duties had been achieved in the Finance team.
- 4.2 Members noted Defra's Data Protection Accountability Framework annual report and the good report it gave VMD in its approach to GDPR. It was agreed to review annually.

### **Financial Year 2021/22**

#### **5. Annual Report and Accounts**

**VMDARAC 22/25**

5.1 It had been agreed to lay the accounts in October as external auditor work had been paused following the appointment of the new Head of Finance and a new timeline is awaited. It was noted in the draft annual report that the failover test of digital systems could be done but the amount of disruption it would cause was not proportionate. Information on Northern Ireland would be added later as the situation was subject to change. The final report would be reviewed at the September ARAC meeting.

#### **5.2 External Audit Progress report**

**VMDARAC 22/26**

5.2.1 NAO reported that their report was substantially complete but there were complex areas still in progress and audit work was paused and would be restarted after the summer break. It was explained that the significant

increase in fees since 2018/19 was due to special circumstances and the additional work required to achieve the same level of assurance. The full costs incurred, including any inefficiencies, are not passed on to VMD. Baseline costs will be included in the 2022/23 audit plan. The increased fee for auditing the implementation of IR35 was due to the complex estimate provided and the revised model is yet to be reviewed. It was not expected to need specialist auditors for this task. Members welcomed an offer from the auditors to carry out a benchmarking exercise to compare the fees charged across Defra group ALBs.

- 5.2.2 NAO noted that the valuation is a significant figure in the accounts and challenged VMD to engage with the valuation. The VMD whilst willing to check for reasonableness, felt this was an issue for Defra estates.
- 5.3 Final Internal Audit Opinion and Report **VMDARAC 22/27**
  - 5.3.1 The GIAA's final report gave a moderate opinion and their representative went over the key themes that had been covered in the four areas which they had reported on and the improvements VMD was making in response to their recommendations. It was noted that VMD had been slow to action some recommendations but that only one now remains from 2021. VMD had also been included in three Defra group audits GIAA had carried out.
  - 5.3.2 Members thanked GIAA for their excellent report and the assurance it gave but also noted the need for VMD to focus on achieving substantial assurance.
- 5.4 Implementation of Auditors' Previous Recommendations **VMDARAC 22/28**
  - 5.4.1 The AMR recommendations were expected to be complete by the end of September.

## **6 Financial Year 2022/23**

- 6.1 Internal Audit strategy and plan for 2022/23 **VMDARAC 22/29, 30 & 31**
  - 6.1.1 GIAA noted that the current plan was progressing well and thanked VMD for the help it was providing. It was noted that the audit of procurement and letting of contracts currently planned for Q3 could provide evidence to support VMD's need for a contract manager. The committee asked for this to be brought forward to allow for this.
  - 6.1.2 Members asked whether use of space in the building was going to be reviewed now that it was only partially full due to hybrid working practices and VMD noted that it was involved in a site wide development plan and it was something it could revisit next year. GIAA said an estate wide audit was a possibility.
- 6.2 GIAA's ARAC supplement and cross government insights reports on spend control and legacy technology were noted.

### **Audit & Risk Committee Procedural Items**

## **7 Risk and Assurance**

- 7.1 Risk Register **VMDARAC 22/32**
  - 7.1.1 The Risk Register was reviewed and VMD reported that the risk increases were down to resource issues in terms of the services core Defra can provide and difficulty replacing VMD employees who had left due to recruitment constraints. Operational modelling reports had gone to Defra and the Cabinet Office for decision and the results are expected in September when the future of the VMD will become clearer. The executive found it frustrating that the fees

it receives from industry are being disregarded and had the view that even a small reduction in staff numbers could make it unviable for VMD to deliver some of its statutory obligations. Members appreciated the seriousness of the situation and would recommend to the Management Board that it write to FFaB expressing its concerns.

- 8 Update on data handling, fraud and corruption issues VMDARAC 22/33**  
8.1 The report was noted.
- 9 ARAC annual report for 2021/22 VMDARAC 22/34**  
9.1 The report on the committee's activities over the previous year was approved subject to minor changes.
- 10 Audit Committee, Internal and External Audit annual assessment results VMDARAC 22/35**  
10.1 The good scores received for the annual assessment of the committee were noted and it was agreed it was working effectively. Members would welcome more representation from core Defra.
- 11 Audit Committee Workplan VMDARAC 22/36**  
11.1 The final annual report and accounts would be reviewed at the September meeting. If there is time the committee would also have a review of the quality management system and how that supports risk management.  
**ACTION**
- 12. Any Other Business**  
12.1 There was no other business.
- 13. Dates of future meetings**  
13.1 Meetings have been arranged 27 September and 2 December.