

VMD AUDIT & RISK ASSURANCE COMMITTEE

Minutes of meeting held on 10 March 2015

Members	Present
Julia Drown Andrew Coulson	Pete Borriello - VMD Paul Green – VMD David Rayner – VMD
Observers	Simon Helps – NAO Lakshmi Kulkarni - NAO Tamas Wood – KPMG Charlotte Goodrich - KPMG

1. Apologies for absence and welcome.

Apologies were received from David Corner, Nigel Gibbens, Nathan Paget, Linda Simmons, Philip Hall, and Anna Maria Brady.

2. Declaration of Interests in the Matters to be Discussed

None.

3. Minutes of the meeting held on 9 December 2014

VMD ARC 14/55

Agreed as a true record.

4. Matters Arising

VMD ARC 15/02

Members agreed that actions brought to this meeting as complete be deleted from the table brought to the next meeting.

Line 8: *“Chair to lead on the re-draft of the Terms of Reference for ARAC and liaise with the Secretary for tabling next year.”* David Corner has confirmed he is content with the current draft. Issue complete.

Line 9: *“Secretary to explore NED access to IT systems with Head of IT.”* Members reiterated the need to help them be “part of” the VMD, and improve access to papers, information on the intranet, avoidance of visitor passes etc.

Action: Dirs to discuss at EMB what access can be given.

Line 10: *“Secretariat to report at the next meeting how the VMD was taking forward KPMG’s recommendations with the RCVS.”* Members noted the issue is being addressed. They noted that the VMD is now alerted to the risk that similar issues may arise where other organisations act on behalf of the VMD, and that this is being addressed, for example by the new MoU with the General Pharmaceutical Council.

Line 11: “*Defra Finance to confirm that there will be no VAT charges as part of the FERA joint venture contract; and both to report to the next meeting.*”

Members noted that the position on VAT is still unclear, but that there appears to be some assurance that VAT would be recoverable based on the experience of HSE/PSD. The issue is whether VAT will be recoverable and not whether it will be chargeable. If not recoverable this would result in an additional £400k (approx.) charge to industry.

Line 13: “*Secretariat to report at next meeting why the R&D team had decided not to take forward the recommendation about using a “Balanced scorecard”.*”

Members noted that Directors are now content that systems are in place to provide adequate MI on R&D.

5. Internal Audit

5.1 Internal Audit progress report - KPMG

VMD ARC 15/03

Members noted KPMG’s report that showed that delivery of the 2014/15 annual audit plan is on track. They also noted that the Digital by Default work had been deferred to 15/16 after Discussion with VMD Directors.

5.2 Audit reports finalised since the August meeting

Assurance and Performance

VMD ARC 15/04

Members considered the report which considers issues of corporate performance reporting, and sources of assurance and how to map them.

Members noted:

- The need for greater consistency in risk mapping and escalation;
- That the need to improve the definition of KPIs had been addressed through the consultation on the new business plan;
- That a useful simple one-page assurance map has been produced, and
- That the direct involvement of Directors in all key advisory groups provides a direct escalation path.

Action:

- The latest draft of the 2015/16 Business Plan which appears on the MB agenda has been circulated to all attendees. Any comments on KPIs or general drafting to be sent to David Rayner as soon as possible.

Key Financial Controls

VMD ARC 15/05

Members noted:

- That this is the first year that KPMG has carried out this work. KPMG have concluded that procedures are sound, and that really good checking processes are in place to assure accuracy.

Members considered the report which covers governance arrangements and implementation of strategy for AMR work.

Members noted:

- The excellent work that has been done to enact the AMR strategy,
- That links to the high level steering group, and the AMR Risk Register needs to be completed,
- That team growth has been resourced by savings elsewhere in the VMD,
- That the AMR Summit provided the means to involve organisations such as RCVS, BVA, NFU and others. The VMD will continue to keep organisations at all levels involved and informed of progress,
- That the team are working in an area with a high political profile, and
- That the VMD will be sharing the findings in the report with the Department of Health to help improve the reporting process.

5.3 Draft Internal Audit Plan for 2015/16

Members noted:

- That the draft presented follows discussion with the VMD Executive Team.
- That it is still unclear as to the extent that the proposed Cyber Security Audit may be covered by the existing ISO 27001 certification.
- That there may be the need for a defensive audit of possible changes to fees and charges to answer questions from Defra in a monetarily constrained operating environment.
- That the proposed Marketing Authorisations verification work does not contribute to the Head of IA View unless it identifies issues affecting financial controls.

Members agreed:

- The scope of the proposed audit plan is agreed, subject to the auditors and directors considering deferring contract management or another audit to 16/17 and moving fees and charges into 15/16 Action: KPMG and Directors to discuss the basis for the Fees and Charges Audit.

6. External Audit

The NAO gave a verbal update and Members noted:

- That the in-year work has been completed and that nothing unexpected has arisen.
- That the NAO may have to look at Defra's approach to cost reduction
- That this is Simon Helps' last meeting. Jo Taylor will replace him as Audit Lead.

7. VMD Finance/Other

7.1 Year end timetable for producing annual accounts. Email update.

Members noted the update provided:

- On track to meet set target dates.
- No second interim audit – (NAO cancelled and will pick-up Q4 sampling at Final Audit).
- Governance statement included in papers for comment, as Defra have asked for copy:
 - - First draft Year End Governance Statements by 27 March;
 - - Second drafts by 14 May and
 - - Final draft on 15 June (or as soon as possible after that).
- Accounts Draft: to NAO 20 April (numbers) to NEDS 29 April (incl. Report section)
- Defra seeking to review at earlier stages and opportunity to add comment –timetable being discussed with Viv Saville.

It was agreed that a copy of the draft accounts would also go to audit committee at the same time as to the auditors so that members comments could be made on presentation at this time.

7.2 Implementation of auditors' previous recommendations

VMD ARC 15/08

Members noted that good progress is being made to implement recommendations.

7.3 Holiday Pay Accrual

Members noted the update provided:

- Previous year NAO recommendations, looking for a more robust calculation and documentation.
- Defra take a 10% sample. CEFAS advised they calculated theirs through their MI system.
- VMD have been exploring options, and propose that the accrual continues to be estimated on sample basis and from a small sample extrapolate for the total VMD staff numbers. This was agreed.

7.4 Draft Governance Statement

VMD ARC 15/10

Members and those present discussed the draft and noted:

- That there is no reference to the Framework Document
- There is no reference to the recent work on assurance mapping.
- A need to state how significant issues listed at the end of the Governance Statement are being addressed.

- Consideration needs to be given to whether the section on Lapses in Data Security towards the end of the Governance Statement should refer to the incident reported at the Dec '14 ARC.

Audit & Risk Committee Procedural Items

8. Papers circulated to the Committee since the last meeting:

- Defra ARAC Agreed minutes for January 2015

9. Risk Register VMD ARC 15/09

Members noted and agreed the changes to the risk matrix.

10. ISO9001:2008 Minutes of Quarterly Management Review 6 January 2015 (for information) VMD ARC 15/11

Members noted the report.

11. Single Internal Audit Service for Government – Nathan Paget – Verbal update

In the absence of the Defra IA representative no update was available.

12. Update on Data Handling Fraud and Corruption issues Major incidents/Near Misses (if any) and lessons learnt VMD ARC 15/12

Members noted the report.

13. Audit committee work plan VMD ARC 15/13

The meeting noted that the work plan had not been updated since the last meeting however it was agreed that:

- Add reference to the three yearly review of the Terms of Reference.
- That at the May '15 meeting there should be a review of the overall framework re assurance mapping.
- That the headings to the matrix need to refer to the months in which the meeting will normally fall to aid clarity.

14. Annual “committee evaluation of effectiveness” form for ARC VMD ARC 15/14

The Chair introduced the form.

Action: Any attendees at two or more meetings to return completed forms to David Rayner by end March.

15. Any Other Business

The Chair thanked Simon Helps for his input to the Committee and wished him well for the future.

The meeting agreed that for 2016 the meeting will be held on 8 March and 25 May.

16. Dates of next meetings:

2015 28 May
2015 27 August
2015 10 December
2016 8 March
2016 25 May

**Veterinary Medicines Directorate
March 2015**