

VMD AUDIT & RISK ASSURANCE COMMITTEE

Minutes of meeting held on 9 December 2014

Members	Present
David Corner – Chair Julia Drown Andrew Coulson	Pete Borriello - VMD Paul Green – VMD Linda Simmons - VMD David Lewsey – VMD
Observers	Nina Dorian - VMD
Bunmi Akamo Defra	Simon Helps – NAO Stuart Hunter - NAO Tamas Wood – KPMG Charlotte Goodridge - KPMG Nick Stokell – Defra Internal Audit Simon Brown Defra Finance

1. Apologies for absence and welcome.

Apologies were received from Nigel Gibbens, Philip Hall, and Anna Maria Brady. The Chair welcomed Bunmi Akamo as an observer of the meeting.

1.a Declaration of Interests in the Matters to be Discussed

None.

2. Minutes of the meeting held on 14 August 2014

VMD ARC 14/43

Agreed as a true record.

3. Matters Arising

VMD ARC 14/45

Members agreed the new format covering ‘Matters Arising’ tabled by the Secretariat and noted the actions the Secretariat had taken.

4. Internal Audit

4.1 Internal Audit progress report - KPMG

VMD ARC 14/46

Members noted KPMG’s report that updated them on progress against the annual audit plan.

Members considered KPMG's report on Partnership Governance and its status rating of 'moderate assurance' of the VMD's governance arrangements.

They noted:

- KPMG's recommendations on how the VMD could achieve better governance of its relationship with Royal College of Veterinary Surgeons (RCVS)
- the VMD's explanation of the services supplied to it by the RCVS and the way in which the VMD's regime of inspections of veterinary practices worked with the RCVS' voluntary Veterinary Practice Standards Scheme
- that the VMD's senior leadership team had inherited these arrangements
- that the VMD had welcomed the report as it enabled the agency to take forward the recommendations with the RCVS and
- that the VMD had already made good progress in this important area.

Action: Secretariat to report at the next meeting how the VMD was taking forward KPMG's recommendations with the RCVS.

Members also noted:

- KPMG's medium priority rating on how the VMD manages risk in its partnership arrangements
- that the VMD aimed to use its strategic risk register to capture and act on such risks
- the lack of a government-wide definition of a memorandum of understanding (MOU), a service level agreement (SLA) and a commercial contract
- that most of the VMD's partnership arrangements were expressed through either MoU/SLAs (MoU with the RCVS)
- that the VMD was negotiating with FERA over the future of the residues testing contract, in alliance with APHA and is not anticipating VAT charges as part of the contract.

Action - KPMG to approach Defra's Commercial Director for clear definitions of an MOU, SLA and contract; 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.

5. External Audit

VMD ARC 14/48

The NAO presented its draft Audit Planning Report.

Members noted:

- the report reflected that the VMD was in a steady state
- the NAO's clarification that its term: 'risk of fraud in income recognition' related to where an official had intentionally misrepresented when a body received income in order to show the accounts more positively– this was fraud in the commercial sense but not in the sense that monies had been 'stolen' and
- that contrary to the timing of audit work tabled, the Secretariat had set aside both 20 May and 28 May 2015 as dates when the A&RAC would consider the accounts.

6. VMD Finance/Other

VMD ARC 14/49

6.1 VMD presented the draft end of year timetable for producing its annual accounts.

Members:

- noted that because of MyCSP's delay in providing certain pension figures last year the VMD would lay its accounts in Parliament one week later in 2015 and
- agreed it would be useful for them to see drafts of the accounts via email while the VMD was developing them.

Action – VMD Head of Finance to email the draft accounts to Members as she was developing them.

6.2 Implementation of auditors' previous recommendations – progress report
VMD ARC 14/50

Members considered the implementation of auditor's progress report. They:

- noted that the secretariat had removed completed actions from the last report and recorded in summary two outstanding actions on the cover sheet in Members' dossiers
- welcomed the encouraging progress the VMD was making in links with APHA on business contingency and incident control and

- asked for an explanation at the next meeting on why the R&D team had decided not to take forward the recommendation about using a “Balanced scorecard”.

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

Audit & Risk Committee Procedural Items

7. Papers circulated to the Committee since the last meeting: None

8. Risk

8.1 Risk Register

VMD ARC 14/51

Members went through the VMD’s risk register.

They noted that the VMD had reflected

- KPMG’s Partnership Governance report recommendations regarding the RCVS in item 7 of the register on ‘delivery by partner organisations’ and
- their concerns about the financial risks associated with the implementation of the Veterinary Checks Directives in risk 3a.

They asked for clarification of the definition of ‘low’ risk, inherited from the VMD’s previous senior management team, as set out in ‘Risk Groups’.

Action: Secretariat to report at the next meeting on VMD’s review of the definition of low risk as set out in ‘Risk Groups’.

8.2 Update on Data Handling Fraud and Corruption issues

VMD ARC 14/52

Members considered the update on data handling fraud and corruption issues and were satisfied by the reported action the VMD had taken and the lessons it had learned:

9. **ISO9001:2008 Minutes of Quarterly Management Review 1 July** *(for information)*

VMD ARC 14/53

The committee noted the report.

10. Single Internal Audit Service for Government

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Members heard a verbal update from Defra Internal Audit. They noted:

- that discussions were on-going about Defra joining the single internal audit

- that Defra would not join until September 2015 at the earliest
- that KPMG's contract had another year to run with an option to renew for a further year, meaning no short or medium term changes to the provision of auditing for the VMD's A&RAC; and that
- Defra's A&RAC was tasked with identifying some 30% of savings and it was in this context that decision-makers were seeking clarification about savings from joining the single internal audit.

11. Audit committee work plan

VMD ARC 14/54

Members agreed:

- that the Secretariat denote the periods in which the A&RAC meets in quarters (Q1 to Q4) rather than by seasons and
- that the Secretariat move the NAO audit plan to the ex-Winter, now Q3 box; and
- that the VMD put in place measures, starting at the next meeting (Q4), by which Members review each other's effectiveness, using a Members' evaluation form from the Veterinary Products Committee.

Action – VMD to send an evaluation to Members by email.

12. Any Other Business

None

13. Dates of next meetings:

2015 10 March
 2015 28 May (hold 20 May)
 2015 27 August
 2015 10 December

**Veterinary Medicines Directorate
 December 2014**