

VMD AUDIT & RISK ASSURANCE COMMITTEE

Minutes of meeting held on 8 March 2016

Members	Present
David Corner (Chair)	Pete Borriello - VMD
Julia Drown	Marie-Odile Hendrickx - VMD
Andrew Coulson	David Rayner – VMD
Observers	Linda Simmons - VMD
	Amy Manning – NAO
	Tamas Wood – KPMG
	Nick Stokell – Defra IA
	Maggie Steel – VMD
	Noemi Garcia del Blanco – VMD

1. Apologies for absence and welcome.

Apologies were received from Paul Green, Nigel Gibbens Nathan Paget and Sally-Anne Eldridge.

2. Declaration of Interests in the Matters to be Discussed

None.

3. Minutes of the meeting held on 10 December 2015 VMD ARC 15/55

Agreed

4. Matters Arising/Actions VMD ARC 16/02

- The actions table was noted.

Financial Year 2014/15 and 2015/16**5. Internal Audit****5.1 Internal Audit progress report - KPMG VMD ARC 16/03**

- It was noted that the Workforce Review had been delayed and that the report would be available for the May meeting.
- Work on the 206/17 Internal Audit plan has been started and a meeting held with Directors. Plans for cross-Defra work are also being developed and this will be reflected in the VMD plan. The draft plan will be discussed with the CEO. Proposals include:
 - Fees and Charges – a sense check of current work
 - Statutory cost recovery versus commercial income – study within the VMD but linking to a wider piece of work across Defra
 - Finance, two parts linked to proposed new software platform.
 - Data migration and system transition

- Embedding of any new controls
 - Risk management across the VMD (inc. IT, AMR etc)
 - Standard financials
- The meeting discussed the level of Internal Audit required to inform the annual “opinion”. It was noted that delivery was below plan for the last two years. This was mainly due to contingency in the plan not being used. Views differed as to whether contingency should be allowed at the start of the year or additional work added later if required. To help inform the Internal Audit opinion it was agreed that the Assurance Map should be backed up with more detailed information about sources of assurance, coverage etc.

5.2 Audit reports finalised since the October meeting –

Contract Management Review

VMD ARC 16/04

The meeting noted the extremely clear bill of health given by the report which followed on from work identified through the ISO9001 surveillance visits.

On Page 5, recommendation 1 the meeting noted that the management response is not a direct acceptance of the recommendation.

Action: KPMG to review the management response and discuss with VMD and agree any changes as appropriate.

6. External Audit

6.1 Audit Plan Verbal Update – NAO.

The NAO reported that the interim audit has been carried out in February and went as expected. High level controls were tested and agreed to be appropriate. Particular areas of focus were the two common risks of management override of controls and correct fraud & revenue recognition; no issues were shown in either of these areas.

The draft Annual Report and Accounts has not been looked at, but feedback will be provided after the meeting.

The NAO mentioned that the NAO Value for Money team are doing a review of Department’s oversight of Arm’s Length Bodies, looking at 4 Departments and 3 ALBs in each. Defra and the VMD are included in this review. The report is expected by the end of June.

7. VMD Finance/Other

7.1 First draft Annual Report & Accounts including the Governance Statement

VMD ARC 16/05

The current draft was discussed, attendees were asked to provide suggestions for improvement as soon as possible after the meeting.

Action: All – to provide comments on the AR&A to the VMD Head of Financial Services.

7.2 Year-end timetable update

The Head of Financial Services explained that we have to lay the AR&A by 30 June to meet the overall Defra timetable. This appears possible but tight, especially as parliament's mid-term recess dates had not yet published. The NAO confirmed they were able to meet the timetable.

It was confirmed that a near-final AR&A would be circulated in advance of the final version that will be tabled at the May meeting to allow any comments from attendees to be considered. The meeting was reminded that the final version is tabled at the May meeting to allow the formal recommendation to the CEO to sign the AR&A and not as a platform for further change unless critical to the recommendation.

Action: Near-final AR&A to be circulated to ARC attendees before the May meeting for final comments

Action: The SOP for the AR&A has been extensively re-written and it was agreed that this be circulated with the May meeting papers for information.

7.3 Implementation of auditors' previous recommendations – progress report

VMD ARC 16/06

Noted.

Audit & Risk Committee Procedural Items

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

None

9. Risk and Assurance

9.1 Heads of Team Update (a strict 5 minute max update on key operational risks within their team plus questions)

- Maggie Steel - IT
- Noemi Garcia del Blanco - Biologicals

The meeting thanked both Maggie and Noemi for updating the Committee on the risks in their particular areas.

The meeting in particular discussed the issue of the lack of availability of capital where key components of the IT system need to be replaced (for example the main network switch at circa £36k). The Committee considered that this represented a significant operational risk and felt that pressure should be put on Defra to resolve the issue.

Action: Chair to pursue through the Heads of Defra Audit Committees links

9.2 Risk Register

VMD ARC 16/07

Noted.

- 10. ISO9001:2008 Minutes of Quarterly Management Review 14 October 2015**
(for information) **VMD ARC 16/08**

Noted.

- 11. Update on Data Handling Fraud and Corruption issues Major Incidents or Near Misses (if any) and lessons learnt and complaints** **VMD ARC 16/09**

Noted. The issue that no Management Information is available from Civil Service Learning to show those passing the "Responsible for Information" learning and test was mentioned; this appears to be compounded going forward as CSL is to include all arm's length body staff within the parent Department rather than as separate reporting units.

The committee were pleased to note that only one complaint had been received and that this complaint had been pursued appropriately.

- 12. Audit committee work plan** **VMD ARC 16/10**

Noted. Towards the bottom of the plan, it was agreed that the Committee should review "changes to" financial regulations or accounting policies rather than reviewing the regulations or policies on a routine basis.

Action: Secretary to update work plan.

- 13. Introduction to the Audit Committee, Internal Audit and External Audit assessment form and timescale for completion** **VMD ARC 16/11**

The form was introduced and attendees asked that they and colleagues who have attended two or more meetings in the last year complete and return the form by the end of March.

Action: All to complete and return the form, encouraging others to complete it where appropriate.

- 14. Any Other Business**

None.

- 15. Dates of future meetings:**

2016 25 May, 8 September, 15 December

2017 7 March, 25 May, 12 September, 14 December

Noted.

Veterinary Medicines Directorate
March 2016