

VMD AUDIT & RISK ASSURANCE COMMITTEE

Minutes of meeting held on 25 May 2017

Members	Present
David Corner (Chair) Julia Drown Andrew Coulson	Pete Borriello - VMD Paul Green – VMD Marie-Odile Hendrickx - VMD Mike Griffiths – VMD
Observers	Linda Simmons – VMD
Anil Pillai - Defra Accountability and Governance Gordon Woods – Defra Food and Farming Directorate Carol Siwicka - VMD	Sam Fletcher - VMD Chris Abbott – VMD Amy Manning – NAO Asif Malik – NAO Tamas Wood - KPMG

1. Apologies for absence

1.1 None.

2. Declarations of interest in the matters to be discussed

2.1 None.

3. Minutes of the meeting held on 7 March 2017

VMD ARC 17/02

3.1 Agreed.

4. Matters Arising/Actions

VMD ARC 17/03

4.1 Members noted the actions table. The Chair was asked to write to Defra as there had been insufficient time to raise the issue of capital funds with the Heads of Audit Committees.

4.2 It was agreed that the action for examples of 'good governance statements' had been over-ridden by completing our own governance statement in this year's accounts.

Financial Year 2016/17 and 2017/18

5. VMD Finance/Other

5.1 Final draft Annual Report & Accounts

VMD ARC 17/09

5.1.1 The Committee reviewed the final draft Annual Report & Accounts. It was noted that the change in the way Defra reports funding from net to gross affects the performance summary figures, and text providing further clarification would need to be added. It was noted that for the VMD the change to gross funding made the account harder rather than easier to read.

5.1.2 Some examples of unclear terminology were identified and would need to be amended, as it is important the report can be understood by the public.

5.1.2 It was agreed to ask Defra why only estimates for utilities usage figures were provided and to ask for actual figures if possible and to state that they are estimates if actuals are not available.

5.2 Year-end Timetable **VMD ARC 17/10**

5.2.1 The Committee noted that the upcoming General Election may affect the timetable for submission of the Annual Report to Ministers, and, if necessary, it would be possible to submit after the recess.

5.3 Internal Audit annual report and opinion **VMD ARC 17/04**

5.3.1 The Committee reviewed the draft Internal Audit annual report for 2016/17 which gave an overall opinion of moderate assurance. It was discussed with the auditor whether the opinion could be changed to one of substantial assurance except for the limited preparatory work being done for future fees and charges which does not affect the current accounts under review.

Action: Auditor to consider amending the final opinion.

5.4 External Audit Completion Report **VMD ARC 17/08**

5.4.1 External auditors presented the findings of the report which gave the overall conclusion that they anticipate recommending the accounts for 2016/17 be certified with an unqualified opinion. However, Defra had not been able to provide information about VMD starters and leavers during the last year and further testing would be required to resolve this before the report can be finalised.

Action: Auditors to report back to the Committee with the outcome of further testing.

5.5 The Committee agreed to recommend that the Chief Executive sign the Annual Report and Accounts subject to the above amendments being made and the audit reports for 2016/17 being finalised.

6. Internal Audit

6.1 Audit reports finalised since the March meeting **VMD ARC 17/05**
VMD ARC 17/06

6.1.1 The Committee reviewed the completed Enforcement report and accepted its recommendations and welcomed the substantive assurance they provided. The Committee asked for their thanks to be communicated to the team for their work which led to this substantive assurance.

6.1.2 The Committee reviewed the completed Retail and Wholesale Inspections audit report and accepted its recommendations and welcomed the substantive assurance they provided. The Committee

asked for their thanks to be communicated to the team for their work which led to this substantive assurance.

6.1.3 It was agreed that shortened reports could be submitted in future if all the recommendations were positive.

6.2 Strategic (2017-20) and Operational Plan (2017-18) **VMD ARC 17/07**

6.2.1 The Committee agreed the plan for the VMD audits and there was further discussion on the Defra group audits where the VMD is involved. The committee were assured that though they wouldn't be involved in detail in the Defra wide audits on programme and project management, on governance and on recruitment, the VMD would be consulted for their views as part of the audits.

Action: Internal auditors to feed back to the Committee the timelines for Defra wide audits.

7. Other

7.1 Implementation of auditors' previous recommendations – progress report

VMD ARC 17/11

7.1.1 VMD provided an update.

Audit & Risk Committee Procedural Items

8. Papers circulated to the Committee since the last meeting

8.1 None

9. Risk and Assurance

9.1 Risk Register

VMD ARC 17/12

9.1.1 The Committee reviewed the Risk Register and noted that an update on EU Exit planning would be given at the September meeting.

10. Update on Data Handling Fraud and Corruption issues Major incidents/Near Misses

VMD ARC 17/13

10.1 One instance of government procurement card fraud had occurred recently and is being investigated. A full report will be given at the September meeting.

11. Risks Managed by Authorisations Safety team

11.1 The Head of Authorisations Safety team, Sam Fletcher, explained how his team evaluates risks when assessing applications for new products. Their assessment divides into three main areas: user safety (including toxicology), environmental safety and food use. They can ask the applicant questions during the procedure and the risk mitigation measures they use include adding warnings to product literature, deciding on appropriate legal distribution categories and setting safe withdrawal periods. Their final decision is based on a benefit:risk assessment and they can refuse applications.

11.2 The Chair thanked Mr Fletcher for an informative presentation.

12. Risk Appetite of the Management Board

- 12.1 The Committee agreed that the risk appetite of the Board should be defined as depending on the context within each risk is assessed and therefore determined on a case by case basis.

13. Defra Chairs of ARACs meeting

- 13.1 The Chair reported that 13 strategic risks had been identified at the Chairs of ARACs meeting he had recently attended. A Defra group strategic approach to risk management has been formulated and a revised formal operating framework document will be produced.

14. Audit Committee work plan

VMD ARC 17/14

- 14.1 The Committee noted the work plan and agreed that the Defra whistleblowing policy and the assurance map would be reviewed at the September meeting.

15. Audit Committee, Internal Audit and External Audit assessment form

VMD ARC 17/15

- 15.1 The results of the annual assessment forms were reviewed. The majority of scores for all three areas were positive and there were no negative scores. It was agreed that it would be useful to find out how other ARACs operate and noted that a Defra NED group meeting would be taking place in September.

16. Items for Information

- 16.1 There were no other items.

17. Any Other Business

- 17.1 The Committee was informed that the introduction of the new Finance accounts system had been put back to October 2017 so that the ongoing work could be completed successfully.

- 17.2 Proposed dates for meetings in 2018 would be circulated by the Secretariat after the meeting for agreement.

18. Dates of future meetings:

2017: 12 September, 14 December