VMD AUDIT & RISK ASSURANCE COMMITTEE

Minutes of meeting held on 4 September 2018

Members
David Corner (Chair)
Julia Drown

Present
Pete Borriello – VMD
Paul Green – VMD
Mike Griffiths – VMD
Linda Simmons – VMD
Jakki Steer - VMD
Renee Sheehan – VMD
Sarah Norton - VMD
Stuart Hunter - NAO
Ian Livingstone - KPMG

Chris Abbott – VMD (note taker)

1.  Announcements and apologies for absence
1.1  The Committee members had been saddened to hear that Andrew Coulson had recently passed away and would send their condolences to his family.
1.2  Apologies were received from Abigail Seager, Amy Manning and Tamas Wood.

2.  Declarations of interest in the matters to be discussed
2.1  None.

3.  Minutes of the meeting held on 22 May 2018  VMD ARC 18/36
3.1  The minutes were agreed.

4.  Matters Arising/Actions  VMD ARC 18/37
4.1  Members were concerned that Defra have not yet been able to provide a connection from their systems to the VMD’s disaster recovery site as this represented a major threat to business continuity. The issue had been raised with the Director General and added to the risk register. A meeting with Defra’s IT services will be held on 26 September when it is hoped that a timeline can be set. David Corner also offered to raise it at the next Chairs of ARACs meeting.

5.  Cyber Security
5.1  Jakki Steer from the VMD’s IT team reported on measures taken to maintain cyber security with particular reference to the NAO’s document ‘Cyber security and information risk guidance for Audit Committees’:
The VMD manages information security through ISO 27001 certification which ensures policies and procedures are in place to safeguard data against cyberattacks internally and externally.

- Regular risk management meetings are held and an IT risk register is used to monitor areas of concern.
- IT staff attend annual security courses and VMD staff complete Defra annual security training and are kept informed of requirements with office notices and intranet postings.
- Firewalls are checked every 6 months and annual penetration tests are performed by external companies.
- Event logs are checked daily and event logging software highlight any attacks which have been prevented.
- User privileges are carefully managed and encrypted devices are provided for remote use.
- Clients sign non-disclosure agreements and access to data is restricted.

5.2 Paul Green informed members that he is the VMD’s information security officer and chairs its IT Security Committee where recommendations from systems audits are reviewed. He praised the efforts of the team to maintain standards in this area and provided reassurance that there was no complacency.

6. EU Exit Progress
6.1 Renee Sheehan from the VMD’s EU Exit and International team presented an update on current progress towards Exit. The VMD had recently completed ‘wave 2’ EU Exit project work and had received the highest mark out of the 14 projects to reach final checkpoint, which showed that the plans are robust and well thought through and the project plan is comprehensive.

6.2 Issues which continue to be challenging include EU negotiations and dealing with a number of different bodies and attending different committees which are continually reorganising. It is also proving difficult to recruit for some additional inspector and project manager posts and adverts are being reworded to target suitable applicants. New primary powers will be needed by Exit to create new legislation but members were reassured that there will still be a functioning regulatory framework on Day 1, and the issue has been given a high priority by Defra. In regards to whether or not an Exit deal will be achieved, all possible options are being planned for and risk assessed, and the team maintains a risks log. The VMD is aligned with the MHRA on key points.

6.3 The dedicated EU Exit team is small but more staff are being recruited and all VMD staff members are contributing to the process. The VMD regularly challenges any unreasonable requests and deadlines and workloads are high but effectively managed. Members congratulated Renee and the team on the work they are doing and asked to be sent their next Exit risks log.

ACTION
6.4 The Committee reviewed the internal audit of EU Exit governance and risk management arrangements which had been completed since the last meeting. It noted that all its recommendations had already been implemented and took additional assurance above the moderate assurance given.

Financial Year 2018/19

7. Internal Audit

7.1 Internal audit plan – KPMG

7.1.1 The Committee reviewed the internal audit plan for 2018/19 and recommended that the VMD’s international work be audited instead of EU Exit which had already been well covered. It was also felt that an audit of IT strategy next year could place extra strain on the team and instead asked that the head of IT attend the next ARAC meeting to give a review of progress. The auditor agreed to update the report and re-circulate.

ACTION

7.1.2 The auditor agreed to investigate if the VMD should be involved in the Defra Group/Corporate Services plan to review fees and charges, talent management, incidence response, culture and management and control of contingent labour.

ACTION

8. External Audit

8.1 Update - NAO

8.1.1 The external auditor noted that issues raised at the last meeting had been addressed in the 2017/18 audit completion report circulated after the meeting. The VMD’s annual accounts had been signed off and published in July. Going forward, the intention was to plan the financial audits for this year and present the plan at the December meeting.

9. VMD Finance/Other

9.1 Implementation of auditors’ previous recommendations – progress report

9.1.1 The Committee noted that a working group has been formed to look into fee setting which plans to create a template model by October.

Audit & Risk Committee Procedural Items

10. Papers circulated to the Committee since the last meeting

VMD ARC 18/41 & VMD ARC 18/42

10.1 The 2017-18 External Audit completion report and Internal Audit annual report and opinion were noted.

11. Risk and Assurance

11.1 Risk Register

11.1.1 The Committee reviewed the Risk Register. It was noted that the worst case scenario of interim funding needed had been re-calculated from the first estimates and was now £3.5m.
12. **Update on data handling fraud and corruption issues**  

12.1 VMD have applied for a trade mark registration for its international work, and received a suspicious invoice in this respect from a company offering to register the trade mark. The issue has been passed on to the National Fraud Investigation Bureau to investigate.

13. **Review of Risk Policy**  

13.1 Members agreed to review the 2014 Framework document and feed back any comments before it is sent to Defra for approval.  

**ACTION**

14. **Audit Committee work plan**  

14.1 It was agreed to review the risk assurance map at the May meeting next year.  

**ACTION**

15. **Any Other Business**  

15.1 Members agreed to check the proposed dates for meetings in 2019 and send their preferences to the Secretariat.

15. Dates of future meetings:  
2018  18 December