

VMD AUDIT & RISK ASSURANCE COMMITTEE

Minutes of meeting held on 5 December 2024

Members

Alison White (Chair)

Present

Abi Seager – VMD

Gavin Hall - VMD

Mike Griffiths – VMD

Muiz Agbaje – VMD

David Martin – GIAA

Andy Hamer – NAO

Charlie Paddock – NAO

Chris Abbott – VMD (note taker)

1. Announcements and apologies for absence

1.1 Apologies were received from David Catlow and Sian Wright, whose time as the VMD's boardroom apprentice is ending. Apologies were also received from the newly appointed ARAC member, Mike Venables.

1.2 Charlie Paddock will be the NAO's engagement manager for the VMD external audit.

2. Declarations of interest in the matters to be discussed

2.1 None.

3. Minutes of the meeting held on 3 October 2024

VMDARAC 24/48

3.1 The minutes were agreed.

4. Matters Arising/Actions

VMDARAC 24/49

1.2 Contractors are in place to develop the Synergy programme and VMD's project lead is fully looped in. The Committee will be kept updated on any specific risks that arise.

2.2 A digital summary version of the annual report and accounts for 23/24 is being prepared for distribution to stakeholders and Board members.

5. Risk Report

VMDARAC 24/50

5.1 VMD reported that there is still a staffing gap but positions are being filled and are now capped by the funding available rather than headcount. The outcome of the first phase of the spending review is being examined. The risk of being unable to fulfil statutory obligations due to staff shortages has been flagged up to Defra but does not appear on its risk register. However, VMD noted that the issue is regularly discussed at leadership meetings and its engagement with the complex reporting process to Defra has improved since the audit of escalation procedure earlier this year.

5.2 The Chair emphasised that valid reasons are needed for adding items to the VMD risk register. She noted that the findings of the task force on climate related disclosures (TCFD) have led to obligations on organisations to give more active consideration to climate change related risk in their day-to-day activities and to disclose them in their annual reports. Having a stand-alone risk is probably not appropriate for the VMD but it needs to show it has considered the effects of extreme climate events on its ability to delivery policy. She will send some examples to VMD to consider.

5.3 The Chair asked that deep dives on significant risks are reviewed at each meeting and it was agreed to look at cyber security at the next meeting and invite the Head of Digital Services to attend.

5.4 VMD noted that there is a need to accelerate the replacement of its IT legacy systems so they are completely modernised. It is in discussions with FBT about the funding available following the CSR bid and there are complications around the RDEL and CDEL components which need to be resolved. Industry use some of the systems but charging fees for them would require statutory changes and would be challenging. The new government has asked its departments to think creatively and is supportive of change and there is an exciting opportunity for VMD to have more control and confidence over delivering big projects. It was agreed to review VMD's finance strategy at the Board strategy meeting in January.

6. Risk Assurance Map **VMDARAC 24/51**

6.1 It was noted that the risk assurance map had been in the same format for a number of years and is only reviewed at ARAC meetings, whereas it should be used to benefit the business and to help achieve higher performance. It was agreed for the Chair to meet with VMD before the next meeting to look at revising it.

7. First draft of Governance Statement **VMDARAC 24/52**

7.1 An early draft of the governance statement had been provided. It was noted that, with some exceptions, information on roles rather than names should be used for security reasons.

8. Year-end Timetable **VMDARAC 24/53**

8.1 VMD presented a draft timetable based on the annual report and accounts being laid before summer recess. VMD will discuss with NAO bringing the date for laying and publishing forward into June and to arrange ARAC meetings so that the timings help to facilitate the laying timetable. The Chair asked that ARAC dates are confirmed as soon as possible and that a technical meeting is arranged beforehand to review the financial statements.

9. Internal Audit progress report **VMDARAC 23/54-60**

9.1 The internal auditor reported that progress against the audit plan was going well with three out of four audits completed and the remaining work in progress. The report on Workforce Planning had been completed since the last meeting and gave moderate assurance. It reported that VMD has good understanding and oversight of the operational side of managing recruitments. Recommendations have focused on single points of weakness and the need for a strategic vision for consolidating ideas and information. Good initiatives are in place to use staff on lower grades and agency staff in a controlled environment. The Chair commended the VMD on achieving a good report and noted the moderate assurance given was due to low resources rather than the good processes which were in place. VMD agreed to document its strategic workforce plan and align it with its corporate strategic priorities, and that this would be discussed at the forthcoming Board strategy day.

9.2 The Chair noted that some of the service standard scores recorded for the audit work this year were lower than expected. VMD confirmed it had no real issues or concerns but would report back fully at the next meeting.

9.3 The auditor confirmed that GIAA intends to meet with ARAC members and VMD Directors in January to start work on what to include in next year's audit plan.

9.4 The Chair commended the interesting supplementary and insights reports provided to the Committee.

- 10. External Audit Plan** **VMDARAC 24/61**
- 10.1 The external auditor reported that the audit for this year will be broadly similar to last year's in scope. It will look at costs for the replacement of IT systems and how the VMRs have affected revenue. IR35 remains a risk factor awaiting the HMRC decision on the final settlement. The auditors will need 4 weeks to complete the audit and all sampling and evidence will need to be done by then and any slippage will cause an issue. The audit fee has increased from last year as a result of inflation. The Committee approved the audit plan and noted that there was nothing they were aware of which might materially mis-state the financial statements due to fraud. Would there be anything which came to their attention they would transparently disclose that in audit committee meetings. The VMD will provide a paper to the Committee to brief it on changes to accounting standards and on any critical judgements that may have been issued.
- 10.2 The Chair noted the importance of having a realistic timetable and narrative ready for the start of the audit. She asked for the golden thread for the annual report narrative and a document on VMD status as a going concern to be provided at the next Management Board meeting.
- 11. Security report** **VMDARAC 24/62**
- 11.1 The security report was noted.
- 12. Work Plan** **VMDARAC 24/63**
- 12.1 There will be a deep dive on cyber security at the next meeting.
- 13. Any Other Business**
- 13.1 There was no other business.