

## Audit & Risk Committee meeting

Agenda for the meeting to be held on Friday, 25 April 2014 at 09:30 am, in LG2 at the RCVS, Belgravia House, 62/64 Horseferry Road, London SW1P 2AF

1. Apologies for absence
2. Declarations of interest
3. Minutes of the meeting on 30 January 2014 Unclassified
4. 2013 Audit and accounts Confidential
5. Risk Register Confidential
6. Terms of Reference Unclassified
7. Annual Committee report to Council (June) Oral report
8. Any other business
9. Date of next meetings: Thursday, 31 July 2014, 09:30 am – 12:30 pm  
Thursday, 16 October 2014, 09:30 am – 12:30 pm

### Members:

Ms E Butler	Chair
Mr R Davis	
Mrs L V Hill	
Mr D Hughes	
Ms J Rutherford	

### In Attendance:

Mrs P Dean	PA to President & CEO
Mr G A Hockey	Registrar
Ms C McCann	Operations Director
Mr N Stace	CEO
Dr B P Viner	Treasurer
Mrs D Wiggins	Secretary

\*Absent

## Audit and Risk Committee

Minutes of the meeting held on 30 January 2014 at 11:30 am at the Langford Veterinary Services, Bristol.

### Members:

Ms E Butler  
Mr R Davis\*  
Mrs L V Hill  
Mr D Hughes\*  
Ms J Rutherford

Chair

### In Attendance:

Mr N Stace  
Dr B P Viner  
Ms C McCann  
CEO  
Treasurer  
Head of Operations

\* Absent

### Apologies for absence

1. Apologies for absence were received from Mr R Davis, Mr D Hughes and Mr G Hockey.

### Declarations of interest

2. No declarations of interest were received.

### Minutes of the meeting on 14 November 2013

3. The minutes of the last meeting were accepted as a true record and will go to March Council as a Committee report.

**Action: DW**

### Matters arising

4. None.

### 2013 Audit

#### a. Internal audit

5. The Head of Operations introduced the paper. It was agreed to use the word *Assurance* not *Audit*. She circulated the summary of checks carried out by The Treasurer since the last meeting.
6. Internal controls:-The purpose and approach agreed:
  - Purpose – to ask whether the procedures fit for purpose, whether they can mitigate the risks identified and recommendations for improvements
  - Approach - internal assurance process rather than external 'auditor' run process; conducted internally first, which may require further analysis following the initial report. Controls need to be proportionate
7. Appendix 2 of Deloitte's planning report could be used to clarify roles around internal assurance, including the role of Treasurer.

8. The next step will be to build a framework, supported by Deloitte, with a template and check on whether anything has been missed. The process will be overseen by CEO.
9. Reports to ARC to include numbers and narrative around five pages long.
10. Audit and Risk Committee to review the report.
11. The rationale for three areas identified for work in 2014 – biggest risks, mix of large and small areas and which areas subject to relatively recent changes.

**b.External audit** (Reza Motazed (RM) of Deloitte joined the meeting by videoconference)

12. RM presented the Audit Planning letter clarifying the scope and approach to be adopted. He went through each of the risk areas and clarified that these were areas of risk for the auditors when carrying out the audit not necessarily deemed to be risks at the RCVS. He said the content of the management letter would be appropriate for, and addressed to RCVS Council.
13. The accounts will be prepared under the Charities SORP.
14. A detailed timeline is required for the accounts approval process and will include the meeting between the Treasurer and Deloitte.
15. A presentation will be made to Council on what will be different, why, what will be included and what won't be included in the accounts. Outline of presentation :-
  - a. what to expect - new auditors
  - b. why - Good governance and accountability
  - c. Format of accounts-
    - i. One annual report (no RCVS Facts)
    - ii. Charter and Statutory no longer divided – one organisation
  - d. Include roles of Treasurer and others
16. To be presented as the way it will be in accordance with 'your instructions' - introduced and concluded by Bradley, with Liz providing content in the middle

**Action:BV/LB**

**Future items for discussion**

- |  |  |
|--|--|
| 17. Risk Register                      | April 2014   |
| 18. Terms of reference                 | April 2014.  |
| 19. Annual Committee report to Council | April 2014 (except report on audit to be a verbal update at June Council ) |

**Any Other Business**

20. Future meeting dates 25.4.14 10am not 9.30am
21. Other dates to be agreed by email.
22. There was no other business.

The Chair thanked Lynne Hill for her hospitality at Langford.  
CLM

<b>Meeting</b>	Audit and Risk Committee
<b>Date</b>	25 April 2014
<b>Title</b>	Terms of Reference and the Committee's annual agenda
<b>Classification</b>	Unclassified
<b>Summary</b>	To consider whether the terms of reference set out accurately and appropriately the functions of the committee; and set out broadly the committee's annual agenda
<b>Decisions required</b>	To recommend to Council any revisions to the terms of reference and agree the committee's annual agenda
<b>Attachments</b>	Annex A: Current Audit and Risk Committee terms of reference
<b>Author</b>	Gordon Hockey Registrar and Director of Legal Services 020 7202 0776 <a href="mailto:g.hockey@rcvs.org.uk">g.hockey@rcvs.org.uk</a>

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## Background

1. The committee's terms of reference were agreed by Council in March/July 2012.
2. Since the committee's first meeting in the autumn of 2012, various work has been undertaken to put into place up-to-date internal procedural and financial controls. This has included:
  - a. a revised risk register
  - b. a single document setting out financial controls and the RCVS Treasurer's role
  - c. a Council delegation scheme
  - d. consideration of appropriate internal audit
  - e. a tender procedure for external auditors
  - f. the appointment of new auditors
  - g. revised presentation for the annual audit
3. The initial phase of work is coming to an end and it may be helpful to set out an annual agenda for the committee.
4. Separate to the committee's work, RCVS Council is reviewing its delegation scheme in June 2014 and any changes to the committee's terms of reference can be made at this time.

## Issues

### Terms of reference

5. The current terms of reference (attached as Annex A) were drafted from the Audit and Risk Committee of the General Pharmaceutical Council, the pharmacy regulator, which was established in 2010. This is the first opportunity the committee has had to make amendments to its terms of reference and has previously indicated it may wish to amend paragraph 4.5 on internal audit.

In addition, the following minor amendments are required: re-wording of paragraph 3.1 for better clarity, the appropriate RCVS description of the manager described in paragraph 4.5(c)

### Committee's annual agenda

6. The various committee functions, as set out in the terms of reference, may usefully be dealt with on an annual basis, it is suggested as follows:

January:	Audit planning; internal audit; financial reporting (TOR paragraphs 4.5 and 4.7)
April:	Annual audit; annual accounts; annual report to Council (TOR paragraphs 2.1 and 4.6)
July:	Tender exercises as relevant (TOR paragraphs 4.5(b) and 4.6(a))
October:	risk management and internal controls (TOR paragraphs 4.2 – 4.4)

## Conclusion

7. The Audit and Risk Committee is asked to consider and advise on any revisions to its terms of reference and agree an annual agenda.

## **RCVS Terms of Reference for the Audit & Risk Committee**

### **1. Constitution**

- 1.1 The Council has established the Audit and Risk Committee to support the Council by reviewing the comprehensiveness and reliability of assurances and internal controls in meeting the Council's oversight responsibilities. The Committee is a non-executive committee and has no executive powers except as set out in these Terms of Reference.
- 1.2 Under the Council's Scheme of Delegation, the Committee has delegated authority to:
- a) Monitor the Council's risk management arrangements
  - b) Approve the internal audit programme
  - c) Advise the Council on the comprehensiveness and reliability of assurances and internal controls, including internal and external audit arrangements, and on the implications of assurances provided in respect of risk and control.
- 1.3 The Committee may request the attendance of any employee or member, as set out in section 6 of these Terms of Reference, and may incur expenditure for the purpose of obtaining advice in terms of section 8 below.

### **2. Accountability and Reporting**

- 2.1 The Committee is accountable to the Council. The minutes of each Audit and Risk Committee meeting shall be circulated to the Council. The Committee shall report to the Council annually on its work.
- 2.2 The Committee may also submit separately to the Council its advice on issues where it considers that the Council should take action. Where the Committee considers there is evidence of ultra vires transactions or evidence of improper acts, the Chair of the Committee should raise the matter at a formal Council meeting.

### **3. Membership**

- 3.1 The Committee, including its Chair, is appointed through arrangements agreed by the Council. The Committee shall have five members, but may operate with fewer while a vacancy exists, provided the quorum is maintained. The Committee members shall include two Council members, one lay member and one registrant member (excluding the RCVS Officers), and three external members (those who are not Council members) with appropriate audit and risk management experience.



3.2 The Council will appoint one of the external members serving on the Committee as Chair, based on relevant background and skills. In the absence of the Chair, the Committee shall elect another of its members to chair the meeting.

3.3 The following members have been appointed to the Audit and Risk Committee:

<b>Elizabeth Butler</b>	-	<b>External Member (Chair)</b>
<b>David Hughes</b>	-	<b>External Member</b>
<b>Judith Rutherford</b>	-	<b>External Member</b>
<b>Lynne Hill</b>	-	<b>Council Member (veterinary Surgeon)</b>
<b>Richard Davis</b>	-	<b>Council Member (Lay – Privy Council Appointee)</b>

#### 4. Remit

4.1 The duties of the Committee are as follows:

##### *Governance, Risk Management and Internal Control*

4.2 The Council is the governing body of the RCVS and determines the governance policy and framework for the organisation. The Committee supports the Council by reviewing and advising the Council on the operation and effectiveness of the arrangements which are in place across the whole of the Council's activities that support the achievement of the Council's objectives. In particular, the Committee will review the adequacy of:

- a) All risk and control related disclosure statements, together with any accompanying internal audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Council;
- b) The underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- c) The policies for ensuring compliance with relevant regulatory, legal, governance and code of conduct requirements;
- d) The policies and procedures for all work related to fraud and corruption.

4.3 In carrying out this work the Committee will primarily utilise the work of internal audit, external audit and other assurance functions. It will also seek reports and assurances from Department Managers as appropriate, concentrating on the over-arching systems of governance, risk management and internal control together with indicators of their effectiveness.

4.4 In reviewing risk management arrangements, the Committee should draw attention to areas where:

- a) risk is being appropriately managed and controls are adequate (no action needed)

- b) risk is inadequately controlled (action needed to improve control)
- c) risk is over-controlled (resource being wasted which could be diverted to another use)
- d) there is a lack of evidence to support a conclusion (if this concerns areas which are material to the organisation's functions, more audit &/or assurance work will be required).

#### *Internal Audit*

##### 4.5 The Committee shall:

- a) Ensure that there is an effective internal audit function that complies with any applicable standards and provides appropriate independent assurance to the Council, Audit and Risk Committee, and Chief Executive and Registrar;
- b) Consider the appointment of the internal auditors, the cost of the service and any questions of resignation or dismissal and make appropriate recommendations to the Council;
- c) Ensure that the Manager of Human Resources makes adequate resource available to the internal audit function;
- d) Review the internal audit strategy, operational plan and work programme;
- e) Consider the major findings of internal audit work, and management's response;
- f) Ensure co-ordination between the internal and external auditors;
- g) Annually review of the effectiveness of internal audit.

#### *External Audit*

##### 4.6 The Committee shall:

- a) Consider the appointment and performance of the external auditor, the audit fee and any questions of resignation or dismissal and make appropriate recommendations to the Council;
- b) Discuss and agree with the external auditor, before the audit commences, the nature and scope of the audit as set out in the external audit plan and their local evaluation of audit risks;
- c) Review the work and findings of the external auditor, consider the implications and management's responses to their work;

- d) Review all external audit reports, including agreement of the annual audit letter before submission to the Council and any work undertaken outside the annual audit plan, together with the appropriateness of management responses.

#### *Financial Reporting*

#### 4.7 The Committee shall:

- a) review the annual financial statements, focusing particularly on:
  - i. The statement on internal control and other disclosures relevant to the Terms of Reference of the Committee;
  - ii. Changes in, and compliance with, accounting policies and practices;
  - iii. Unadjusted mis-statements in the financial statements;
  - iv. Major judgmental areas;
  - v. Significant adjustments resulting from the audit.
- b) Ensure that the systems for financial reporting to the Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Council.

### **5. Quorum**

- 5.1 A quorum shall be three members of the Committee.

### **6. Attendance**

- 6.1 Only Committee members shall be entitled to attend meetings of the Committee. The Chief Executive and/or the Registrar, Head of Finance and representatives from the internal auditors shall normally attend meetings. Representatives from the external auditors shall attend meetings as required for relevant items. The President and other Council members may attend meetings at the invitation of, or with the agreement of, the Chair of the Committee.
- 6.2 The Committee may request any employee or member to attend a meeting to assist with its discussions on any particular matter or to provide any information it may reasonably require in order to fulfil its remit. All employees and members are directed to co-operate with any reasonable request made by the Committee.
- 6.3 The Committee may ask any or all non-members to withdraw for all or part of a meeting if it so decides. In such an instance, the Chair shall ensure that a proper record is made of the meeting.

## **7. Access**

- 7.1 The senior representatives of internal audit and external audit shall have free and confidential access to the Chair of the Committee. At least once a year, the Committee should provide an opportunity to meet privately with the external and internal auditors.

## **8. Authority**

- 8.1 The Committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 8.2 The Committee may obtain legal or other independent professional advice and secure the attendance of external advisers with relevant experience and expertise if it considers this necessary, within the budget approved by the Council.

## **9. Secretariat**

- 9.1 The Chief Executive and/or Registrar shall ensure that appropriate secretariat support is provided to the Chair and Committee.

## **10. Frequency of Meetings**

- 10.1 The Committee shall meet not less than three times a year. The external or internal auditors may request a meeting if they consider that one is necessary.

*Terms of Reference agreed by the RCVS Council March 2012*