

Audit & Risk Committee meeting

Agenda for the meeting to be held on Thursday, 30 January 2014 at 11:00 am at Langford Veterinary Services, Bristol

1. Apologies for absence
2. Declarations of interest
3. Minutes of the meeting on 14 November 2013 Attached / Unclassified
4. 2013 Audit:
 - a. Internal audit Attached / Unclassified
 - b. External audit (auditors to join meeting by video conferencing)
5. Future items for discussion:
 - a. Risk Register – April 2014
 - b. Terms of reference – April 2014
 - c. Annual Committee report to Council – April 2014 (June Council) or July 2014 (November Council)
6. Any other business
 - a. Future meeting dates: July and October 2014
7. Date of next meetings:
 - Friday, 25 April 2014, 09:30 am – 12:30 pm
 - Wednesday, 30 July 2014, 09:30 am – 12:30 pm **(tbc)**
 - Wednesday, 8 October 2014, 14:00 pm – 17:00 pm **(tbc)**
 - Wednesday, 17 December 2014, 09:30 – 12:30 pm

Members:

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

In Attendance:

Mr G A Hockey	Registrar*
Ms C McCann	Head of Operations
Mr N Stace	CEO
Dr B P Viner	Treasurer
Mrs D Wiggins	Secretary*

*Absent

Audit and Risk Committee

Minutes of the meeting held on 14 November 2013 at 09:30 am at the RCVS, Belgravia House, 62-64 Horseferry Road, London SW1P 2AF

Members:

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

Chair

In Attendance:

Mr G A Hockey
Ms C McCann
Mr N Stace
Dr B P Viner
Mrs D Wiggins

Registrar
Head of Operations
CEO
Treasurer
Secretary

* Absent

Apologies for absence

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

Declarations of interest

2. No declarations of interest were received.

Minutes of the meeting on 22 July 2013

3. It was commented that there was a big gap between meetings – this was because the meeting scheduled for September 2013 had been cancelled. It was suggested that the November 2014 meeting be brought forward to October in order to have staging points for the auditor's planning meeting.

Action: DW

4. The minutes of the last meeting were accepted as a true record.

Matters arising

Approval of external auditors

5. At the Council meeting held on 12 September 2013, Council appointed new external auditors – Deloitte.
6. The Committee noted that the first planning meeting held with Deloitte had gone well, but were disappointed that the planning letter was yet to be received. It was agreed this should be chased. The Committee agreed to keep the appointment under review.

Action: HoOps

Planning for annual accounts and layout

7. The Head of Operations reminded the Committee that it had agreed the best format for the annual accounts would be the charity SORP as it provided a standard format with enough flexibility for additional information to be added if required – it was very clear, transparent, fitted in with RCVS Disciplinary Committee requirements, and the 'trustee' report, in this case the Council report – was much more detailed. This format was noted to be most suitable for a regulator and was in use by other regulators.
8. There was discussion about how the RCVS might wish to streamline the Annual Report and *RCVS Facts* into one document and how the annual accounts could be used. Concern was expressed that useful data should be retained for the benefit of the profession.

Action: CEO

Risk Register

9. The Registrar updated Committee on the outcome of the afternoon session of the Council meeting held on 7 November 2013. The purpose of the session had been to achieve Council buy-in and reach a consensus on the corporate Risk Register. Key aspects of the discussion were:
 - the risks identified while useful to the Senior Team and the Operational Board, were too detailed and operational for Council, for which only the strategic risks should be identified;
 - as anticipated, Council had a greater awareness of external risks, in the UK and overseas;
 - the risk scoring could be reviewed and whether the gross risk could be omitted; also that a catastrophic risk occurred only if the College might as a result have its statutory function removed.
10. The CEO re-iterated the positive processes undertaken and highlighted:
 - the need to go through the strategic plan to pick up issues to have opportunities to create income;
 - Council wished to identify 3 – 4 mega risks that members and staff would lose sleep about i.e.
 - loss of regulatory powers
 - loss of confidence
 - fraud and financial sustainability
11. The Committee was pleased to note the level of discussion the paper generated and the idea of having a pyramid for strategic risks was approved; and with Council engagement in the process. The Committee commented that an understanding of gross risk is important within the risk register. It was confirmed that Council will review the risk register in March next year.

Action: CEO

12. Relating to Annex B of the paper, 'RCVS Corporate Risk Register (Draft August 2013) the Committee commented:

Risk # 7:

- 7a was an example where ARC was given as a control, but the ARC had not seen the RCVS's budget as part of its remit and, in any case, were not in a position to offer assurance, which would be provided more appropriately by the Operational Board;
- 7b was queried whether it should be in the 'further action' column and that the Committee oversees the financial controls and is not/does not apply the control.

Financial Controls

13. The Head of Finance and the Registrar introduced the financial controls and confirmed that much followed what was already current practice, but the document recorded control, providing clarity and certainty of the requirements for commitment to expenditure and authorisation and payment of invoices; the Treasurer role was clarified within the document. It was noted that the delegation scheme from Council would need to be revised to match the controls listed.

14. During discussion it was noted:

- that the controls relating to salaries related to the decision-makers rather than the process by which the salary was considered and any bonus agreed, which included benchmarking and input from department managers;
- the role of Treasurer was key: should a Treasurer be laissez-faire about the role, whilst there was an internal reporting system, there could become gaps if these spot checks/controls are not carried out. It was agreed that the Committee will be provided with a list of checks - in effect the internal audit - carried out by the Treasurer.

15. The Committee noted the RCVS response to the McKelvey Report (that had been provided to the Chairman before the RCVS Council meeting in November), which confirmed that largely the recommendations had been implemented and the ARC could now regard this issue as closed.

Action: HoOps

Future items for discussion

16. Internal audit – January 2014. Noted

Terms of reference – March 2014. Noted [This will move to April 2014, see minutes below.]

Any Other Business

17. There was no other business.

Dates of next meetings

January 2014 - Bristol

18. The current date set was Wednesday, 29 January 2014. Committee was to check diaries to consider Thursday, 30 January 2014 as a second potential date. If no consensus could be reached then the original date (Wednesday) would be confirmed.

Action: DW / Committee

19. Video conferencing should be available at the meeting in order to invite the Auditors to join the meeting from their offices.

Action: DW / HoOps

20. Once the date is confirmed, travel will be arranged to/from London for Committee members to travel together. [Committee will make its own arrangements to reach London.]

Action: DW

21. Suggested timings (to be confirmed) were:

Arrive mid-morning

1½ hr meeting

Lunch

1½ hr tour – equine/large animal/small animal facilities

Late pm, return to London

March and May 2014 - cancelled

22. It was reported that there were meetings set in March and May 2014. However, there needed to be a meeting after 16 April in order to present the audit papers for Council in June – the scheduled May meeting was too late.

23. It was agreed to cancel the meetings scheduled for Wednesday, 26 March and 28 May 2014 and combine them into one new meeting in April. Provisional dates were: Wednesday, 23 April or Friday, 25 April 2014; Committee was to check their diaries for their availability. It was noted that the meeting will be held at the College Flat as Disciplinary Committee was sitting that week.

Action: DW / Committee

Dawn Wiggins
Secretary, ARC
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Meeting	Audit and Risk Committee
Date	30 January 2014
Title	Internal Audit
Classification	None
Summary	To outline the objectives and propose the approach to be adopted
Decisions required	By the Committee: To agree the way forward
Attachments	Annex A: Draft Internal Audit Plan
Author	Corrie L McCann Head of Operations 020 7202 0724 c.mccann@rcvs.org.uk

Background

1. Internal audit provides independent assurance that an organisations risk management, governance, and internal control processes are operating effectively. It looks beyond financial risks and statements and considers wider issues such as the organisations reputation, growth and could include the environment and how employees are treated. The work will provide assurance, when systems are working well and recommendations to help improve systems and processes where necessary.
2. Under the terms of reference for the role of the Audit and Risk Committee it 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.

Our approach

3. We will adopt a risk based internal audit programme. Focusing on three main areas:
 - High risk / impact
 - Compliance with protocols /internal controls and external regulations
 - Corporate governance
4. The reviews should also ensure compliance with best practice, consider efficiency and effectiveness and that processes represent value for money.
5. It is proposed to have a three year plan covering the areas identified in the Risk Register and further areas specifically identified for review.
6. It is proposed that the work is carried out by external consultants or in some cases by another College department.

7. A proposed schedule of work for the next three years is attached at Annex A. It does not include cost estimates for consultant's time or internal resources required.

Number	Risk Category	Risk
1	Governance	RCVS lacks appropriate direction, strategy and forward planning.
2	Governance	RCVS lacks effective governance
3	Operational	Failure to meet statutory, Charter and regulatory requirements
4	Governance / Operational	Staff lack relevant skills or commitment
5	Operational	Premises, facilities and IT inadequate, including the loss of private or confidential data

Risk Description
a) RCVS fails to follow best regulatory practice
b) activities outwith legislation and Charter
c) insufficient funds available to implement strategy
a) lack of oversight by Council
b) Council or committee members do not have the appropriate skills mix
c) poor decision-making or uncontrolled commitment to expenditure, particularly independent PIC and DC
d) inappropriate conduct by Council members
a) failure to apply appropriate accreditation criteria consistently or comply with Ofqual rules
b) register inappropriate people
c) failure to have and apply a fair and timely complaints and disciplinary procedure
d) failure to give appropriate advice
e) failure to comply with the Act, byelaws or rules/ lose a judicial review
a) inappropriate staff recruited or retained
b) loss of key staff and associated corporate knowledge
c) poor decision-making and engagement
d) misconduct by staff
loss, theft or damage
building not in good repair or facilities out of date
inadequate IT systems (do we need a control here?)
loss of key functions due to inadequate disaster recovery plan
loss or corruption of RCVS data by RCVS or third-parties

failure of IT contractors
failure of website
a) failure to collect fee or record data accurately
b) failure to process fees in a timely manner
a) budget does not match key objectives and priorities
b) decisions made on inaccurate financial data, projections or reporting
c) poor cash flow and treasury management
d) poor financial controls with overspends
e) loss though poor investment
f) fraud
Failure relating to:
a) health & safety
b) freedom of Information
c) data protection
d) equality and diversity
e) claims for injury, stress, harassment, unfair dismissal
a) loss of confidence leads to removal of regulatory powers
b) poor reaction to external events and RCVS initiatives
c) poor comms with stake- holders leading to reduced confidence
d) controversial PIC and DC decisions and Privy Council appeals
e) loss of international influence

Year 1	Year 2
	Review the changes arising from the First Rate Regulator review and teh new Charter
An initial review of governance and delegations.	
	Review Registration process
Review recruitment process	

Year 3	
Review the implementation and impact of changes to committee structure	
Review new database implementation	

From: [Corrie McCann](#)
To: [Dawn Wiggins](#)
Subject: FW: Emailing: RCVS draft audit plan 150114, Briefing_on_audit_matters_-_RCVS final
Date: 16 January 2014 16:21:23
Attachments: [RCVS draft audit plan 150114.pdf](#)
[Briefing_on_audit_matters_-_RCVS final.pdf](#)

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-----Original Message-----

From: Loan, Nikki (UK - London) [<mailto:nloan@deloitte.co.uk>]
Sent: 15 January 2014 13:22
To: Corrie McCann
Subject: Emailing: RCVS draft audit plan 150114, Briefing_on_audit_matters_-_RCVS final

Corrie

Please find attached a draft audit plan and a briefing document that sits alongside it. I will get the schedules list to you this evening I hope. I can also process any changes you have either this evening or tomorrow morning to turn it around quickly. I appreciate your time to read and digest if you have any questions I will be on my mobile this afternoon as I will be moving between meetings (07946 516657) and my office number tomorrow (02073034810).

Your message is ready to be sent with the following file or link attachments:

RCVS draft audit plan 150114
Briefing_on_audit_matters_-_RCVS final

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From: [Corrie McCann](#)
To: [Dawn Wiggins](#)
Subject: FW: Schedules listing
Date: 16 January 2014 16:20:59
Attachments: [11400.T01 Entity prepared materials request schedule \(Not for Profit\).xlsx](#)
[12100.T05 Related party summary sheet.docx](#)
[12200.T09 Overview of the IT environment.docx](#)
[12200.T20 Understand income and expenditure by location.xls](#)
[12200.T16 Control Checklist.xls](#)
[Legal letter template.docx](#)
[Bank authority template.docx](#)
[11400.T02 Directors' considerations of key financial reporting judgements.doc](#)
[12300.T01 Perform fraud inquiries – Fraud risk factors checklist \(Not for profit\).docx](#)

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From: Loan, Nikki (UK - London) [<mailto:nloan@deloitte.co.uk>]
Sent: 16 January 2014 11:07
To: Corrie McCann
Subject: Schedules listing

Corrie – I have attached a number of documents which I hope will be helpful.

11400.T01 – this is the list of schedules etc. which I expect will be similar to the requirements of previous auditors, any anomalies please let me know. Equally if there are reports that I have not included that you think are particularly helpful please do prepare them as usual as I do not know the full range of your systems yet. As stated this will be a living document so we will seek to add to it additional reports we request and take of those that can be provided differently or better otherwise. Please note there are some questions where the answer will be none – these questions are deliberately included to ensure we capture all information and any changes since previous discussions.

12100.T05 – is designed to capture related parties and any related party transactions

12200.T09, 12200.T20 and 12200.T16 are designed to capture information about your controls, sources of income and expenditure and controls, once in place this will be reviewed/updated each year to identify changes.

The legal template letter and the bank letters:

I would be grateful if you could prepare the legal letter request for your advisers and send that off. For the bank authority please could you complete and then send to your bank with a copy to us. We will then attach it when we make our request which should mean a prompt response. To make our requests please could you also send me the details of your banks, main branch/address, and the sort code and account number of the main account you have with them. We will need to circularise all entities where you have deposits, thank you.

11400.T02 – this is a series of questions to prompt thought regarding any tricky issues – it is there for guidance only.

12300.T01 – this is a list of indicators for fraud – hopefully most of the answers will be no – if you could complete this I will then discuss it with you during the audit.

Many thanks and please do ask if you have any questions.

Kind regards

Nikki

Nikki Loan

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