

Audit & Risk Committee meeting

Meeting to be held on Thursday, 16 October 2014 at 10:00 am, in the Dining Room at the RCVS, Belgravia House, 62/64 Horseferry Road, London SW1P 2AF

Agenda

1. Apologies for absence
2. Declarations of interest
3. Minutes of the meeting on 25 April 2014
4. Risk Register (attached paper)
5. Specific risk area (taken from risk register – complaints and regulations) consider need for internal audit
6. Terms of Reference – annual review (attached paper)
7. Audit Planning (attached papers)
8. Any other business
9. Date of next meetings: Thursday, 29 January 2015, 10:00 am – 1:00 pm
Tuesday, 28 April 2015, 10:00am – 1:00pm

Members:

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

Chair

In Attendance:

Mrs A Boag
Mrs P Dean
Mr G A Hockey
Ms C McCann
Mr N Stace

Treasurer
Secretary
Registrar
Operations Director
CEO

Peris Dean
Secretary, ARC
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Annual Agenda

January:	Audit planning; internal audit update;
April:	Annual audit and accounts; annual report to Council;
July:	'Spare' meeting to capture outstanding work; progress report on internal audit; tender exercises as relevant;
October:	Policy matters: Terms of Reference; Risk Register.

At the meeting in April 2014, it was decided that a specific risk per meeting from the Risk Register should be considered.

Audit and Risk Committee Terms of Reference

1. The Audit and Risk Committee shall 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 below.
2. The Committee has delegated authority to:
 - monitor the Council's risk management arrangements;
 - approve the internal audit programme; and
 - 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.
3. The Committee may request the attendance of any employee or member, as set out in paragraph 23 below, and may incur expenditure for the purpose of obtaining advice in terms of paragraph 27 below.
4. The Committee is accountable to the Council. The minutes of each committee meeting shall be circulated to the Council. The Committee shall report to the Council annually on its work. It 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 chairman of the Committee shall raise the matter at a formal Council meeting.
5. The Committee shall have five members, but may operate with fewer while a vacancy exists, provided the quorum is maintained. The members shall include two Council members, of whom one shall be a lay member and one a registrant member. The President, a Vice-President and the Treasurer shall not be members of the Committee. The members of the Committee who are not Council members (the "external members") shall have appropriate audit and risk management experience.

6. The Council will appoint one of the external members serving on the Committee as chairman, based on relevant background and skills. In the absence of the chairman, the Committee shall elect another of its members to chair the meeting.
7. The Committee shall support 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 shall review the adequacy of:-
 - 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;
 - 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;
 - the policies for ensuring compliance with relevant regulatory, legal, governance and code of conduct requirements; and
 - the policies and procedures for all work related to fraud and corruption.
8. 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.
9. In reviewing risk management arrangements, the Committee shall draw attention to areas where:
 - risk is being appropriately managed and controls are adequate (no action needed);
 - risk is inadequately controlled (action needed to improve control);
 - risk is over-controlled (resource being wasted which could be diverted to another use); and
 - there is a lack of evidence to support a conclusion (if this concerns areas which are material to the organisation's functions, more audit and/or assurance work will be required).
10. In relation to internal audit the Committee shall:
 - ensure that there is effective internal audit activity that complies with any applicable standards and provides appropriate independent assurance to the Council, Audit and Risk Committee, Secretary and Registrar;

- consider the appointment of advisers, the cost of the service and any questions of resignation or dismissal and make appropriate recommendations to the Council;
- ensure that the College makes adequate resource available to internal audit activity;
- review the internal audit strategy, operational plan and work programme;
- consider the major findings of internal audit work, and management's response; and
- annually review the effectiveness of internal audit.

11. In relation to external audit the Committee shall:

- 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;
- 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;
- review the work and findings of the external auditor, consider the implications and management's responses to their work; and
- 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.

12. The Committee shall review the annual financial statements, focusing particularly on:

- the statement on internal control and other disclosures relevant to the terms of reference of the Committee;
- changes in, and compliance with, accounting policies and practices;
- unadjusted mis-statements in the financial statements;
- major judgmental areas; and
- significant adjustments resulting from the audit.

13. The Committee shall 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.

14. 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.

15. Only Committee members shall be entitled to attend meetings of the Committee. The Treasurer, Secretary and/or Registrar, and Head of Finance 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 chairman of the Committee.
16. 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 shall co-operate with any reasonable request made by the Committee.
17. 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 Chairman shall ensure that a proper record is made of the meeting.
18. The senior representatives of internal audit and external audit shall have free and confidential access to the chairman of the Committee. At least once a year, the Committee shall provide an opportunity to meet privately with the external and internal auditors.
19. The Committee may investigate any activity within its terms of reference. It may seek any information it requires from any employee and all employees shall co-operate with any request made by the Committee.
20. 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. The Secretary and/or Registrar shall ensure that appropriate secretariat support is provided to the Chairman and Committee.

Minutes of the Audit and Risk Committee held on 16 October 2014 at Belgravia House, 62/64 Horseferry Road, London SW1P 2AF

Members:

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

In attendance:

Mrs P Dean	Secretary
Mr G A Hockey	Director of Legal Services & Registrar
Ms C McCann	Operations Director
Mr R Motazed	Partner, Deloitte LLP (by telephone)
Mr N Stace	CEO
Ms A Boag	Treasurer

Apologies for absence

1. There were none.

Declarations of interest

2. Mrs L Hill declared she is now CEO designate for Willows Veterinary Centre and Referral Service and a shareholder too. She has also stepped down from the Electoral Commission.
3. Mr Hughes declared that he was a non-executive at the Animal Health Veterinary Laboratories Agency. The Committee agreed that this was unlikely to cause a conflict of interest.

Update from CEO

4. The new complaints system will soon be live with the intention in due course of cutting the time taken for complaints to be sent to disciplinary council by half. The Professional Conduct Dept have telephone conversations with each complainant within 2 weeks of their initial contact.

5. The ADR trial commences on 3rd November. The College will be aiming to deal with all complaints and not just those concerning 'fitness to practise'. If this is successful the process will be publicised. It may well attract more fitness to practice complaints (similar to Dental). The profession has been very supportive.
6. Staff engagement is very positive with 91% of staff agreeing that 'this is a great place to work'. This result means that the College has achieved the status of a 'Great Place to Work' in only its second year completing the survey. All category scores were up by an average of 25%.
7. The draft budget is going to Council – for the 5th year running there will be no increase in charges. The Strategic Development Budget will be lowered to £300K because there are not so many major initiatives. In previous years a deficit budget has been attempted but not achieved. This year a deficit budget was being aimed for – however the College is currently £370K +ve. This is partially due to the low number of disciplinary cases. However there is now 1 case listed for DC and PIC has referred 3 other cases to DC.
8. The Committee queried why practice inspection wasn't mandatory – The Registrar explained that powers of entry to premises is the issue; the RCVS has no such powers. The RCVS Practice Standards Scheme is voluntary and half of practices are allow RCVS entry to the practice premises and pay for the privilege. The others have chosen not to. For all veterinary surgeons, if they refuse an inspection when this is necessary for the RCVS to investigate a concern, this may in itself amount to disgraceful conduct in a professional respect, but in other cases, for example, to check that everything is in order, they may refuse entry without there being any conduct issue. The VMD also inspect practices and we help train VMD inspectors and share information with many other agencies such as VMD, Police, DEFRA.
9. The College is ahead of schedule on the strategic plan. The RCVS and BVA are now doing a joint initiative looking at the future of the profession. The College wants to be proactive to help define how RCVS can lead rather than being reactive.
10. One of the items for the next Council meeting is governance. The President and Nick met the Minister recently who was very encouraging. He has offered to make funds available for a Legislative Reform Order.
11. The Committee questioned whether the College were looking to other organisations' governance actions. The CEO explained that the First Rate Regulator initiative considered this and added that any changes must be for the good of the organisation. The President is driving the reform and the BVA is on board and pro-reform of the Council.
12. The Chair agreed that each Council must be right for the individual organisation – smaller Councils are not always best.

13. It was agreed that in order to keep ARC up to date the Committee should have:

- Access to Operational Board minutes
- Copies of the Management Accounts
- CEO update to Council

14. The Chair thanked the CEO for a very useful update and asked if this could be a permanent addition to the meeting.

Action: PD to ensure updates are sent to members of ARC and that the CEO update is included on each agenda

Minutes of the meeting held on 25th April 2014

15. There were no corrections to the minutes of the previous meeting. The minutes were accepted as a true record of the meeting.

Risk Register

16. Council has accepted the Risk Register however it is too early to judge whether this has been properly embedded in the organisation. Council will consider and review the register again formally in a year's time, in June 2015.

17. It was queried whether forward planning was covered in the register. The Registrar confirmed that this was covered in para 2 'failing to remain relevant if too risk averse we may miss opportunities'

18. The Chair queried how this register was being used and suggested it ought to be used regularly to inform decision-making. The Registrar confirmed it was due to be discussed and updated by the Senior Team.

19. The Committee agreed that the risk register ought to be a 'living document' with obvious movement – if items are removed new risks should be being added. The Committee agreed to see the risk register each time they meet until it is embedded.

20. The Chair asked for reassurance that management is also attending to the smaller items on the list to ensure that they are also managed. It was agreed that at the next meeting the committee would be provided with information on how departments manage their own risks.

Action: Registrar and Director of Operations

Specific risk area – consider need for internal audit

21. The Registrar outlined the paper on RCVS conduct regulation and tabled a document showing complaints by area, monthly and then year to date, how long cases are taking and how quickly they are being dealt with.
22. The Committee commended the Registrar on the work done in response to the Pennington's Report and the First Rate Regulator report. The Committee queried how learning from concerns or complaints influenced advice to the profession and the RCVS concern or complaints procedures, for example, how the PIC Chair's comments were used to ensure the information went 'full circle' and also how the profession was informed on Disciplinary issues?
23. The Registrar explained that reports go to Council from DC and PIC 3 times per year. That advice is prepared regularly for the profession; a leaflet showing the 10 most likely reasons for a complaint was distributed to members, and there were articles in RCVS News to advise the profession, as well as appropriate revisions to the supporting guidance to the Code. The Standards Committee reviews all DC decisions and revises advice accordingly. The recent revision of the supporting guidance on 24/7 was discussed, although it was noted that these revisions were prompted as much by the profession.

Action: The College will look at how it could do more to let the profession know about complaints CEO

24. The Committee expressed concerns that the College has lots of checks and balances in place but the Committee does not have access to this information. Expert advisors are assisting the College but ARC does not have an opportunity to query whether new initiatives are embedded.
25. It was agreed that access to documents such as the Operational Board minutes etc would help but still not give information on the performance of the DC and PIC for example.
26. The Registrar suggested that work would begin shortly in preparation for the 2018 First Rate Regulator Review and this could be a 'dummy run' as an 'internal audit'. The College is working with Penningtons but would want independent solicitors for any independent review. The College could put together a reporting system for ARC.
27. The Committee was happy that the College are working with Penningtons as they are independent and that the College could take assurances from them. ARC has a duty to provide assurance on internal controls and although the College has good systems the Committee haven't seen them. The Committee agreed it was important that any external report should go through ARC.

28. The Committee recommended that the CEO should meet with Penningtons once per year.

Action The Registrar and PD to organise a time for NS and Penningtons to meet

29. The Committee requested that there should be a report from the IT project board in January highlighting what was happening and where the team are up to.

Action Head of Operations and PD to organise

Terms of reference – annual review

30. The Committee highlighted para 15 and commented that it seemed to imply that an audit exists.

It was agreed that in due course the document should make clear how risk is being dealt with. An external internal auditor has not been appointed but the College is taking a prudent approach. The College should state 'an assurance over operation of internal controls'. The annual report should state what ARC do.

31. The Treasurer queried whether there was any guidance on whether to complete an internal or external audit depending on the scale of the organisation?

32. Reza Motadezi (RM) of Deloitte who had joined the meeting by telephone explained that no such guidance exists. Guidance depends on the complexity of an organisation. The advice would be guided by whether an external audit would benefit an organisation.

33. The Chair explained that any external reviews are not badged as internal audits and there is a need to gather together these reviews and identify any gaps.

34. RM agreed this was a good idea to link coverage back into risk register to identify what is not covered, any areas of work you are looking at and can be commented on.

Action GAH to action terms of reference

Deloitte – audit planning

35. RM presented the Audit Planning letter clarifying the scope and approach to be adopted. Deloitte would welcome 'soundings' from the Committee for areas they would like them to concentrate on.

36. The College has good levels of reserves and materiality. The threshold remains the same. Adjustments of more than £8K are brought to the attention of the Committee. Page 4 shows

a 'bigger picture' of the organisation showing all sources of income and reserves particularly important to membership organisations.

37. The Chair requested that Deloitte added a specific report on the Strategic Development Budget identifying what it had been used for.
38. The Committee commented that only a small amount had been spent on repairs to the 2nd and 3rd floor of Belgravia House and asked that this item need not be highlighted.
39. The Committee suggested that a far larger spend and potential impact would be in the area of IT. RM agreed that it would be useful to look at the financial impact of the IT changes – what has been spent and what is reasonable for an organisation of this size.

Action Deloitte to report on the SDB spend and Director of Operations to discuss the IT project with Deloitte

40. RM explained that currently the threshold of capitalization is £25K and if capitalized it could be written off over 3 years. He suggested that it should be £15K over 3 years and be written off.

Action Deloitte to look at the threshold and report back to the Committee

41. The remaining documents identified risks faced by the organisation and how Deloitte would approach them for the College. RM asked if there were any other significant audit risks?
42. The Chair explained that IT was more relevant than fixed assets and requested that Council member's expenses be added.

Action Deloitte to add Council expenses to their report

43. The Committee then discussed the use of the Colleges reserves. It was agreed that it was not for Deloitte to determine the level of reserves but each organisation to determine their own reserves. The Chair asked if Deloitte could prepare draft phraseology for the Committee to consider.
44. RM finished his report highlighting the final documents and appendices.
45. The Chair thanked RM for his report. RM then left the meeting.

[Any other business](#)

46. The role of the Treasurer

It was agreed that the Committee should discuss the role of the Treasurer.

The Treasurer agreed she would welcome a full definition – currently she is receiving email checks to give the level of detail required. Regular spot checks are being done and the Treasurer sees the management accounts monthly. The role is financially focused and is not an auditing position. The Treasurer has been given the terms of reference for the position.

It was agreed that the terms of reference should be distributed to the members of the Committee.

Action Treasurer to give thought to reviewing the role and bring to the January meeting. PD to distribute terms of reference for the Treasurers role.

47. Terms of appointment

The Committee agreed to discuss the terms of appointment to the Committee at a future meeting – the discussion should also include continuity and reappointments.

48. Council meeting

The Chair can only attend part of the next Council meeting – RD to present an ARC update on behalf of the Committee.

Dates

49. The Committee had asked for an annual agenda to ensure it covered its Terms of Reference and this was agreed as follows:

January:	Audit planning; internal audit update;
April:	Annual audit and accounts; annual report to Council;
July:	'Spare' meeting to capture outstanding work; progress report on internal audit; tender exercises as relevant;
October:	Policy matters: Terms of Reference; Risk Register.

50. The dates of the next meetings are:

Thursday 29 January 2015 – 10:00am – 1:00pm

Tuesday 28 April 2015 – 10:00am – 1:00pm