

Appendix D

Audit & Risk Committee Annual Report 2005/2006 to the VMD Chief Executive and Accounting Officer

Introduction

The purpose of the VMD's Audit & Risk Committee is to reassure the VMD's Chief Executive Officer and Accounting Officer that effective measures are in place to justify confidence:

- in the accuracy of financial information;
- in the control of risk; and
- in the efficacy of corporate governance, managerial controls and audit procedures.

Membership

The membership of the VMD Audit & Risk Committee is:

- Brian Morris (Chairman) – External member of the VMD Management Board
David Skilton – External member of the VMD Management Board
John Preston – External member of the VMD Management Board
Chris Bean (Secretary) – VMD Director of Corporate Business

The following persons are normally invited to attend meetings to provide advice to the Committee:

- Steve Dean – VMD CEO
Michael Addison – VMD Head of Finance
Rob Evans – Defra Internal Audit

In addition, representatives from the National Audit Office and contracted external auditors, all attend meetings of the Committee and contribute to its work.

Meetings

The Committee met formally on four occasions in 2005/2006. The frequency and timing of meetings were scheduled to fit in with the stages of the financial year.

Work of the Committee

The Committee adopted a programme of work for the year at its meeting on 9 June 2005 (see page 52).

Overall, the Committee's work through the year included:

1. Tracking and monitoring the annual cycle of processes through which are prepared the Annual Accounts and the Statement of Internal Control.
2. Similarly monitoring the strategy and processes through which internal and external audit, and risk management, are planned, executed, implemented, and appraised.
3. Examining selected aspects of the VMD's infrastructure for its operations, governance and audit; in particular:
 - European regulatory procedures
 - licensing authorisation
 - surveillance for residues
 - the suspected adverse reactions surveillance scheme and pharmacovigilance
 - business continuity planning.

The planned programme was fulfilled apart from follow-up work on the licensing fee structure revision, and an examination of business planning, including forecasting and budgeting income. These will be provided for in the forthcoming year.

Conclusion

The VMD Audit & Risk Committee concludes that it is reasonable for the VMD Accounting Officer to feel confident in relying on the particular processes that the Committee has reviewed in the course of the year. From these examinations, more general confidence in the VMD's operations, governance and audit seems reasonable, after allowing for the Committee's limited role and resources.

Within that context, particular issues arose on which the Audit & Risk Committee requested specific action to be taken. These included proper provision in the timetable set by HM Treasury for the Audit Committee to view the annual accounts, which has now been addressed by the VMD; and a positive emphasis on the importance of business continuity planning, which remains under review by the Committee.

In March 2006 the Audit & Risk Committee considered and agreed a programme of work for 2006/2007. This was designed to provide for a deeper discussion of particular processes identified by the Committee for attention.

Brian Morris
Chairman

Audit and Risk Committee: Planned Programme of Work 2005/2006 VMD ARC 05/15

MTG	TOPIC		RESPONSIBILITY	COVERAGE
Mar 05	infrastructure			
	operations			
	licensing operations		VMD	substantive
	Defra investigation powers in Scotland		VMD	follow-up
	governance			
	key control testing strategy		int audit	follow-up
	Statement of Internal Control (SIC) preparation/risks		ARC	progress update
	risk management assessment framework			follow-up
	fee structure revision		int audit	progress update
	audit			
	internal audit strategy/architecture (incl liaison with ext audit/other agencies)		int audit	progress update
	external auditors: appointment		ext audit	progress update
	external audit strategy		ext audit	progress update
	audit/risk committee: self assessment		ARC	progress update
planned programme		ARC	progress update	
handling items out of committee		ARC	progress update	
annual procedures				
governance				
VMD annual accounts	04-05	VMD	progress update	
SIC	04-05	VMD	progress update	
annual assurance testing	04-05	int audit	progress update	
audit				
ARC annual report	04-05	VMD	substantive	
int audit plan	05-06	int audit	progress update	
int audit emerging findings	04-05	int audit	progress update	
int audit annual report	04-05	int audit	progress update	
Jun 05	infrastructure			
	operations			
	European Regulatory procedures: changes		VMD	follow-up
	governance			
	corporate governance		int audit	substantive
	annual procedures			
	governance			
	VMD annual accounts	04-05	VMD	substantive
	SIC		VMD	substantive
	annual assurance testing		int audit	substantive
audit				
ext audit emerging opinion	04-05	ext audit	substantive	
int audit annual report	04-05	int audit	substantive	
Sep 05	infrastructure			
	operations			
	surveillance for residues processes		VMD	substantive
	governance			
	business planning/project management, incl forecasting/budgeting income		VMD	plan for substantive
	audit			
	internal audit strategy/architecture (incl liaison with ext audit/other agencies)		int audit	substantive
annual procedures				
audit				
ext audit mgmt letter	04-05	ext audit	substantive	
Dec 05	infrastructure			
	operations			
	adverse reactions processes/pharmacovigilance		VMD	substantive
	annual procedures			
	governance			
VMD annual accounts	05-06	VMD	plan for preparation	
SIC	05-06	VMD	plan for preparation	
audit				
annual assurance testing	05-06	int audit	plan	