



Gangmasters  
Licensing Authority

# **GLA40/15 Audit and Risk Committee**

15 January 2014

**BOARD PAPER REFERENCE – GLA40/15 – AUDIT AND RISK COMMITTEE (ARC)****1. Purpose of the Report**

- 1.1 To provide assurance to the Board concerning the probity and fitness for purpose of management systems and controls as well as to oversee risk management in the organisation.

**2. Recommendation**

- 2.1 The board is asked to note the work being undertaken by management to sharpen up risks and performance measurement. The board is also asked to note the update on the annual reporting cycle to account for the GLA's use of public monies.

**3. Reasons for Recommendation**

- 3.1 In common with other publicly funded bodies, GLA is facing a tough budget round. It needs to be crystal clear on operating metrics to make its case and maintain viability.

**4. Summary of Key Points**

- 4.1 The ARC was keen to ensure that management had the tools necessary to argue the case robustly and clinically for future resources. The Chief Executive reported on a programme of work to tighten up on risk management and performance measurement. All risks were being reviewed against their probability and likely impact and taking into account the GLA's risk appetite. Work on this will come back to the Board's next meeting via the Finance & General Purposes Committee.
- 4.2 The ARC reviewed and tested the current Risk Registers – Business, Fraud and Pensions. As well as the major risk of GLA operations becoming unviable due to lack of funds, other key risks include the quality and impact of intelligence, as well as maintaining the success rate of GLA responses to legal challenges. A new risk under the Pensions register was the increase in employer contributions due in 2015. The committee tested and discussed the proposed mitigations to these risks and was satisfied that they were being given the correct focus and grip by management.
- 4.3 The committee reviewed the Annual Report and Accounts (ARA) timetable to ensure that the GLA meets its obligations to lay the report before Parliament on 9 July 2014. It also received a plan from the external auditors, the National Audit Office (NAO), explaining their work programme to test and give their view on these accounts. There was a robust discussion of their proposed fee. Whilst it was recognised that public sector scrutiny is more wide-ranging than in the private sector, it was important that tightened budgets should be reflected by both NAO and GLA. NAO and the GLA management would discuss and itemise the work programme which was on an hourly rate. The proposed charge is the same as last year, £27,000. Under the ARC's Terms of Reference, approval to sign off the ARA is delegated to the ARC and the board is asked to note that this is the case. Every public sector body has to write a governance statement giving a commentary on its approach to its fiduciary role and a first draft of this was also considered.

4.4 ARC Terms of Reference – these were reviewed, on the usual annual basis, and no change is proposed. A copy is attached for the board's information.

## **5. Financial Implications and Budget Provision**

5.1 The cost of external audit remains a challenge since the GLA is a relatively small organisation but still has to meet statutory requirements. The work is being streamlined as much as possible by intelligent liaison between management and our auditors but ARC will remain focussed on this issue.

## **6. Organisational Risks**

6.1 The whole discussion at ARC was underpinned by the fact that the GLA operations are under threat if a 'salami' slicing approach is taken to further funding reductions. Both the Chair and the Chief Executive are in contact with Defra to work with them to achieve a viable budget to safeguard the future of the Authority.

## **7. Policy Implications and Links to Strategic Priorities**

7.1 This work closely links with the overall strategic priorities of the GLA.

## **8. Details of Consultation/EQIA**

8.1 N/A

## **9. Background Papers and Relevant Published Documents**

9.1 ARC Terms of Reference (attached)

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**Senior Responsible Officer: Paul Broadbent**

## **Terms of Reference for Audit Committee**

The GLA Board has established an Audit and Risk Committee to support them in their responsibilities for issues of risk, control and governance and associated assurance.

### **Membership**

- The members of the Audit and Risk Committee are 4 Non-Executive Board members.
- The Audit and Risk Committee will nominate a Chair for approval by the GLA Board.
- The Audit and Risk Committee will be provided with secretarial function by the Head of Business and Finance of the Authority. Under normal circumstances members of the ARC will retire after 3 years' service and if appropriate offer themselves for re-election by the Board.

### **Meetings**

- The Audit and Risk Committee will meet at least three times a year. The Chair of the Audit and Risk Committee may convene additional meetings as deemed necessary.
- A minimum of 2 members of the Audit and Risk Committee will be present for the meeting to be deemed quorate. Members would be able to attend by either video conference or teleconference if they were unable to attend in person.
- Audit and Risk Committee meetings will normally be attended by the Accounting Officer, the Head of Business and Finance, the head of Internal Audit, and a representative of External Audit.
- The Audit and Risk Committee may ask other officials of the organisation to attend to assist it with its discussion on any particular matter.
- The Audit and Risk Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- The Board may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

### **Rights**

The Audit Committee may:

- Co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience.
- Procure specialist ad-hoc advice at the expense of the Authority, subject to budgets as agreed by the Board.

## Access

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit Committee, and would be expected to attend meetings.

## Reporting

The chair of the ARC will make at least three written reports (depending on the number of meetings scheduled for the year) to the Board and the Accounting Officer. One of these reports will be an annual written report which will be timed to coincide with the finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year along with reporting on the effectiveness review of the committee.

## Responsibilities

The Audit and Risk Committee will advise the Board on:

- The strategic process for risk , control and governance and the Governance Statement.
- The accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.
- The planned activity and results of both internal and external audit.
- Adequacy of management response to issues identified by audit activity, including external audit's management letter.
- Assurances relating to the corporate governance requirements for the organisation.
- Proposals for tendering for either Internal or External Audit services from contractors who provide audit services.
- Anti-Fraud Policies, Whistle-Blowing processes and arrangements for special investigations.
- Annually review and report on the committee's own effectiveness to the Board.

## Information requirements

- The audit and Risk Committee will be provided with:
  - For each meeting:
    - A report summarising any significant changes to the Authority's business and fraud risk registers.
    - A progress report from the Head of Internal Audit summarising:
      - Work performed (and a comparison with work planned)
      - Key issues emerging from Internal Audit work
      - Management response to audit recommendations
      - Any resource issues affecting the delivery of Internal Audit objectives
    - A progress report from the External Audit representative summarising work done and emerging findings
  - As appropriate
    - Proposals for the Terms of Reference of Internal Audit
    - The Internal Audit Strategy
    - The Head of Internal Audit's Annual Opinion and Report

- Quality Assurance reports on the internal audit function
- The draft annual report and accounts of the organisation
- The draft Governance Statement
- A report on any changes to accounting policies
- External Audit's management letter
- A report on any proposals to tender for audit functions
- A report on co-operation between Internal and External Audit

The Terms of References will be reviewed by the Audit and Risk Committee on an annual basis to ensure continuing applicability.