



GLA20/8.5 ARC Annual report

8 October 2008

BOARD PAPER REFERENCE – GLA20/8.5 – Annual Report from the Audit and Risk Committee (ARC) to the Gangmasters Licensing Authority Board in October 2008

The Audit Framework

The Audit and Risk Committee continues to work on behalf of the GLA Board, under the guidance of the National Audit Office (NAO) and with the advice of our internal auditors.

Results:

The ARC annual **work plan** for 2008/09 was reviewed, updated and agreed in June 2008

The annual **skills and training review** will take place in January 2009 (postponed from October 08 to ensure member availability)

The committee's **terms of reference** were updated and agreed, the main changes being: the number of meetings moved from three to four; the tenure of service is defined as three years, and the document was brought into line generally with the pro forma as per the Audit Committee Handbook. The process for election of members was also reviewed and agreed.

The following **policies** were reviewed and agreed:

- **Recognition of income from late applicants** and subsequent consequences.
- Terms of reference and financial implications for **external inspections**
- The **anti-fraud policy** was updated

Financial performance

The ARC continues to receive presentations on the financial performance of the Authority, which it considers in detail on behalf of the Board and in 2007/08, this included consideration of the following:

- The financial implications of **legal appeal costs** were investigated and reviewed.
- A new **fee structure** for licences and associated risks.
- The method of funding and payments to the **consolidated fund**.
- The method for **profiling the annual budget**.
- It was agreed that during the next financial year, 2008/09, a **quarterly forecast** would be reported to the ARC.

Risks

The ARC has continued to identify and review the business risks arising from the GLA's work and management's proposed actions to reduce these.

Result: The business risk register was reviewed regularly on an exception basis and there is a report in the Annual Report and Accounts.

Internal and External Audits

The ARC received reports on both internal and external audits of the work of the Authority during the year.

Internal audit: DEFRA ceased to provide department based internal audit services but offered one of its recommended providers, Deloitte, at a preferential rate for 1 year.

Results:

- The **recommendation log** and associated actions from previous audits were reviewed.
- The implications regarding the introduction of the DEFRA framework of internal auditors were discussed comprehensively, along with the cost and continuity implications of working with a **new internal auditor**.
- **Deloitte** took over the audit for 2007/08.
- An opinion of substantial assurance was provided for the 2007-08 audit; however **business continuity planning** received a nil assurance, as this is currently work in progress. Progress reports on the latter are to be presented to the ARC.
- The 2008-09 internal audit plan and costs were agreed. This is to be conducted by Deloitte.
- The ARC plans to review the situation for 2009-10 on an open and competitive basis.

External audit: The external audit was again carried out by the NAO. There was a change in contacts at NAO and the new staff attended meetings.

Results:

- The 2007-08 audit was reported as running significantly smoother than previously, due to the finance team being fully resourced.
- The inclusion of **charges for LAWS**, the IT based licensing system, which DEFRA pays on behalf of the GLA, were excluded from the 2007/08 accounts. This decision was subsequently overturned by the NAO. Liaison with DEFRA continues in order to ascertain the 2008-09 charge implications.
- The query over whether DEFRA will cover the legal costs in connection with a **judicial review** was successfully resolved.
- The management letter for 2007-08 including the management response was successfully agreed.
- It was agreed that a review of the format of accounts is to be conducted with best practice reviewed for the 2008/09 audit.
- The timetable for 2008/09 is to be agreed at the October meeting, due to the timing of this year's audit slipping.

Annual Report and Accounts

The ARC also considers the corporate plan and the format and content of the annual report.

Results:

- The Annual Report and Accounts were presented to the May ARC meeting and various minor amendments were agreed. They were subsequently agreed by the Board and laid in Parliament on schedule on 22 July 2008.
- Plans for the laying of the accounts were reviewed.

Fraud Prevention

The responsibility of the ARA on behalf of the GLA for monitoring fraud prevention systems is carried out via a quarterly review of the fraud risk register. The Committee receives regular updates on the movement of risks, and additions and deletions. The committee was notified of a fraudulent use of a Government Procurement card. A full cost recovery was made and following investigation no further action was deemed necessary. The full guidance was reviewed and felt sufficient.

Conclusion

The Audit and Risk Committee has continued to rigorously test the control systems of the Authority and to review financial performance. All our endeavours have demonstrated that the GLA staff are open to advice and working in the best interests of the Authority. We are grateful to the representatives of the NAO for their wise advice and counsel and especially to Simon Irwin, his successor, Stephen Ferris and their new director, Margaret Mcghee. The efficient support of Ray Dawson and Carolyn Stoppard is also again gratefully acknowledged.

Jane Mordue
Chairman
19th September 2008