

MINUTES OF THE AUDIT AND RISK COMMITTEE (ARC) MEETING OF THE GANGMASTERS LICENSING AUTHORITY – 18 JANUARY 2007, AT TRENT BRIDGE, NOTTINGHAM

Present:

Jane Betts (JB)
Nigel Jenney (NJ)
Rob Evans (RE)

Chair
Fresh Produce Consortium
Defra Internal Audit

In Attendance:

Simon Irwin (SI)
Alison Henley (AI)
Paul Whitehouse (PW)
Mike Wilson (MW)
Ray Dawson (RD)

National Audit Office
National Audit Office
Chairman
Chief Executive
Deputy Chief Executive and Director of Finance
Secretariat

Carolyn Stoppard (CS)

1	Apologies	<p>Formal apologies received from: Helen Dixon (HD) Geoffrey Theobald (GB)</p> <p>Chris McCann (CM) was not present but no apologies had been received. Alison Henley and Paul Whitehouse were welcomed to the meeting.</p>
2	Minutes from the previous meeting held 17 October 2006	<p>Noted:</p> <ul style="list-style-type: none"> • Approved
3	Matters arising from the previous minutes held 17 October 2006	<p>Noted:</p> <ul style="list-style-type: none"> • All items had been completed or are covered under separate agenda items.
4	Internal Audit Report Strategy and Progress Report	<p>Noted:</p> <ul style="list-style-type: none"> • The Value for Money (VFM) study report is due to be finalised in the next few weeks and will go to the Executive for comment. It was clarified that this study was for the Executive, however it will be shared with the ARC at the next meeting. • The main focus for the 2006/7 internal audit will be to both follow up on the 2005/6 recommendations and on the key control tests which are not included on the risk register, which will mainly be the financial systems. The date for this has yet to be confirmed but must take place prior to the end of March 2007. • It was confirmed that Defra have, and are in liaison with the NAO in order to avoid the duplication of audit work. <p>Action:</p> <ul style="list-style-type: none"> • Present the VFM report at the April meeting: RE • April meeting to commence at 9am prior to the Board in

		<p>order that feedback from the VFM report can be shared with the Board</p> <ul style="list-style-type: none"> • Confirm the 2006/7 audit dates: RE
5	External Audit Strategy	<p>Noted:</p> <ul style="list-style-type: none"> • The key points from the strategy include: <ul style="list-style-type: none"> ○ A change in the way that grant in aid (GIA) is recognised due to changes in the Financial Reporting Manual (FReM). This can no longer be classed as income, but must be shown as financing. Therefore there will need to be a prior year adjustment to last years figures. Although this will effect the bottom line, it is purely a presentational issue, ○ The Information Commissioner has now ruled that consent for salary disclosure for senior managers is no longer required, as this is available under the Freedom of Information Act. A case would have to be made for non-disclosure if this was required. ○ Changes to Financial Reporting Standard 21 now require that the date of issue and authorising officer of the accounts be disclosed. This should be the laying date which is yet to be agreed. • Audit emphasis will be placed on the following: <ul style="list-style-type: none"> ○ The change of the authorisation moving from set up to operational mode. ○ Full cost recovery, and the risk of the manipulation of the accounts between licensing and enforcement activities. It was confirmed that the accounts for these are transparent, however the method of the divide was subjective. Although a degree of work needs to be done to establish the formula for this, it should aid future fee proposals as the fee income streams and expenditure will have an audited note. ○ The audit trail for payments made directly by Defra. Although this was a problem for 2005/6, the interim audit can find no issues with 2006/7 to date. ○ There is an issue as to whether VAT should be charged on enforcement income. However, it was confirmed that the Authority had since received information so that this should no longer be an issue. ○ To ensure that the appropriate accounting policy is applied to income. An issue in regard to the recognition of income relating to a late applicants who have been trading illegally was raised. It was clarified that should it be agreed that this would be back dated to the trading date and this applied to a previous financial year, it would need to be recognised at the earliest opportunity in the current financial year. ○ Bank reconciliations, however the interim audit is satisfied with these to date. • It was clarified that the audit risks are not necessarily business risks.

		<ul style="list-style-type: none"> • A response would be made to MW's letter querying the identification of gangmasters by letter rather than re-issuing the strategy document. • The final audit will take place from 7-14 May, with the aim of the C&AG signing off the accounts on the 31 May. • The year on review was queried, and it was clarified that this was required as a condition of the exclusions being removed, and was Defra's responsibility. <p>Action:</p> <ul style="list-style-type: none"> • Agree the formula to calculate the divide between licensing and enforcement income and expenditure with the NAO: RD • Confirm the situation with VAT on enforcement income to the NAO by end of January: RD • Consider the recognition of income from late applicants who have been trading illegally: MW/RD • Respond to MW's letter: SI
6	Review and Approval of the Statement on Internal Control (SIC)	<p>Noted:</p> <ul style="list-style-type: none"> • The issued paper had been tailored slightly following review by the NAO, but the content remained mainly unchanged. • The statement was tentatively agreed, however it was clarified that the internal audit opinion was important to underpin this statement, and therefore this was reserved until the audit had been completed. <p>Action:</p> <ul style="list-style-type: none"> • Internal audit to advise MW on the SIC following upon completion of audit: RE
7	Agreement of date for the May meeting in order to finalise the Annual report and Accounts for 2006/7.	<p>Noted:</p> <ul style="list-style-type: none"> • 23 May was agreed, with the aim being that the recommendation is given to the Board on the 24th for PW and MW to sign the accounts. <p>Action:</p> <ul style="list-style-type: none"> • Confirm venue for the 23 May meeting: CS
8	Audit and Risk Committee Protocol	<p>Noted:</p> <ul style="list-style-type: none"> • Thanks were given for the prompt issue of papers for this meeting. <p>Action:</p> <ul style="list-style-type: none"> • Include the relevant paper reference on future agendas: CS • Consider the recommendations from the protocol document and agree format internally: RD/CS
9	Review of the ARC Terms of Reference	<p>Noted:</p> <ul style="list-style-type: none"> • It was confirmed that the internal and external audit representatives are not members of the ARC, but are in attendance only. <p>Action:</p> <ul style="list-style-type: none"> • Name of the Chair to be amended: CS • Delete circulation of ARC minutes to the Board and add that the Chair will provide three verbal reports and one written

		report to the Board: CS
10	Agreement of the draft Accounting Policy for Licence Fees	<p>Noted:</p> <ul style="list-style-type: none"> Following advice from the NAO, it was agreed that minor changes would be made to the policy. The income scheduling method had been agreed, and it was identified that this would have implications on the budgeting and bottom line. However the deficit would be clarified in the disclosure notes. <p>Action:</p> <ul style="list-style-type: none"> Amend the policy in line with NAO comments: CS Include the detail on deferred income in the annual accounts disclosure notes: CS
11	Agreement of the GLA Document Retention Policy	<p>Noted:</p> <ul style="list-style-type: none"> The completed document had been issued and was accepted. <p>Action:</p> <ul style="list-style-type: none"> Review at the ARC on an annual basis: CS
12	Update on changes to the GLA Business risk Register	<p>Noted:</p> <ul style="list-style-type: none"> The issued register had been agreed by the Executive, however since issue there had been further discussion, and it was proposed that risks 6, 8 and 14 be combined as an operations risk. It was agreed that these should be split into 2 risks, with the second remaining as a PR issue for communications. The green status of risk 5 was queried, due to the unidentified issues with the e-enabling contract as the Authority has no formal agreement with IBM. It was confirmed that the register is a working document, and is reviewed by the Directors on a monthly basis. The action should a risk materialise was queried and it was agreed to include this. <p>Action:</p> <ul style="list-style-type: none"> Further establish the relationship between IBM and Defra with the aim of obtaining an agreement for the Authority: RD/RE A one page summary identifying movements and priorities within the register to be included for future meetings: RD Include a contingency column on future registers: RD
13	Review of the Fraud Risk Register and Anti-Fraud Policy	<p>Noted:</p> <ul style="list-style-type: none"> The Anti-Fraud policy was adopted subject to updating the definitions of fraud following The Fraud Act 2006 coming into force during January, the inclusion of notifying Defra internal audit and minor alterations as advised by the NAO. Apologies were given for the Fraud Risk Register not being complete for this meeting. Action has been taken on this, and following review with Directors, a list of 25 had been reduced to a top 10 based on ratings. <p>Actions:</p> <ul style="list-style-type: none"> Update the Anti-Fraud Policy with the agreed amendments: CS

		<ul style="list-style-type: none"> • Include the Anti-Fraud Policy as an annual agenda item: CS • Issue the finalised Fraud Risk Register to the ARC by end February: RD • Issued the original list of 25 identified risks to both RE and SI: RD
14	Efficiency Indicator Unit Cost of Output	<p>Noted:</p> <ul style="list-style-type: none"> • As per the Corporate Plan, one of the targets is to reduce the cost of licenses by 2% excluding pay inflation. This paper set out to establish a base line from which to measure this. • Following previous discussions with the NAO, it was felt that a stricter definition of total cost was required, and that this should be sustainable in order to retain consistency for future measurement. A series of measures may be more appropriate. • It was also felt that the industry should feed into this, however it was confirmed that this was a target of the Authority. <p>Actions:</p> <ul style="list-style-type: none"> • Consider taking industry advice: RD • Liaise with RE and SI in order to submit a range of possible options to the next meeting: RD
15	AOB	<p>Noted:</p> <ul style="list-style-type: none"> • None were reported.
16	Date of the next meeting	<p>17 April 2007, London, 9am. NJ gave his apologies for this meeting.</p> <p>Noted:</p> <ul style="list-style-type: none"> • It was agreed that a separate room is required. <p>Actions:</p> <ul style="list-style-type: none"> • Ensure separate room available: CS