

Internal Audit Division

Gangmasters Licensing Authority
Value for Money Study



Internal Audit Study

Contents

Management Summary	1
Context	1
Study Opinion	2
Alignment to strategy	2
Next steps	3
Annex 1- GLA Study Presentation Slides	4

Project Reference: 131/001

Management Summary

1.1. Defra Internal Audit working for GLA undertook a value for money study, which was requested by the Chief Executive. Defra Internal Audit were supported by Deloitte who provided a specialist in the area of organisational structure and staffing. The requirement, as specified in the draft GLA study proposal was to review and confirm the role of the GLA and the adequacy and efficiency of the GLA business processes, enabling IT, organisational structure and staffing levels, leading to conclusions and recommendations for improvement.

1.2. The GLA takes as its reference point - The Gangmasters (Licensing Authority) Regulation 2005 which came into force on 1 April 2005. It has designed and is implementing business processes, partly on the basis of three research papers commissioned by Defra and carried out by Precision Prospecting, and partly on expert advice from stakeholders - mainly through their membership of the GLA Board. Since the review has been carried out a draft Strategic Review has been circulated and this will be presented to the Board on 17 April 2007. This Strategic Assessment will provide a solid platform to take the GLA forward.

1.3. We have further considered the Hampton recommendation that the GLA merge with HSE. This merger is programmed to be completed by 31 Mar 2009 and will be carried out with the expectation of achieving savings through the rationalisation of common functions. The purpose of this report is to set out the initial conclusions and where possible areas for improvement. This review did not include an assessment of the impact of the legislation.

1.4. A copy of our slides from the presentation of the study findings is attached at [Annex 1](#) for your reference.

Context

1.5. The Gangmasters Licensing Authority (GLA) was set up following the events at Morecambe Bay and the introduction of the Gang masters (Licensing) Act in 2004. In a relatively short period of time, the GLA has been established as a functioning organisation

1.6. In addition, it is recognised that:

- There are a relatively large number of stakeholders;
- These stakeholders have often conflicting expectations for the GLA;

- A relatively short period of time has elapsed since Gangmasters have been able to apply for licenses;
- A very short period of time has elapsed since it became an offence to be an unlicensed Gangmasters (for agriculture, food processing and packaging; shellfish offences commence in April 2007); and
- The offence of using labour from an unlicensed Gangmaster did not come into force until December 2006

Study Opinion

1.7. There are challenges associated with starting any new business or organisation. The achievement of setting up the Authority and putting in place arrangements for a licensing system by April 2006, which has already issued nearly 1,000 licenses, this is clearly an achievement.

1.8. From the review, we are content that the GLA business processes, enabling IT, organisational structure and staffing levels support the delivery of the Authority's objectives. The teams that are in place represent most of the key capabilities that are required by the GLA and Given the volume of current and planned future activity, the overall level of staffing (approximately 45 people) appears reasonable. It should be recognised that there are limited structural options for an organisation of such a relatively small scale, which is empowered with implementing the aims of an Act of the depth and breadth of the Gangmasters (Licensing) Act 2004 (and supplementary Acts).

1.9. There was evidence that some 'tweaks' to the current structure could be made, if small-scale efficiencies are required; however, these are considered to be marginal and are summarised in the body of the report.

1.10. There are parts of the GLA which are still developing, such as Intelligence, Compliance and Enforcement functions, and as stated above the Strategic Assessment will provide the basis to further prioritise their limited resources. However, until these important parts of the GLA have become fully operational it will not be possible to reach a full conclusion on whether it provides value for money.

Alignment to strategy

1.11. It is an accepted fundamental principle that effective organisational structures align with organisational strategy. Outcomes for the GLA are stated as:

- Reducing exploitation of labourers and illegal Gangmaster activity;

- Increasing revenue available to the Exchequer; and
- Creating a “level playing field” for labour providers

1.12. During the course of our fieldwork, it was clear that whilst broad outcomes are understood, the strategy for achieving those outcomes had not been fully defined and there was, to an extent, some differing views, from senior management and front line staff, on the strategic direction of the GLA. Although, it must be said that this is not uncommon in organisations under development. The Strategic Assessment will provide the GLA with an opportunity to take stock and communicate the direction of travel to staff and stakeholders.

Next steps

1.13. We would **recommend** the following action be undertaken:

- The value for money study should be revisited once the compliance, enforcement and intelligence functions have had time to fully bed in one to two years. This will enable a review of GLA to be completed from a truly operational perspective.

**Internal Audit Division
April 2007**

Annex 1- GLA Study Presentation Slides

Study Objective

Study Objective

Defra Internal Audit Division was commissioned by the GLA Chief Executive “to conduct a value for money study to review and confirm the adequacy and effectiveness of the efficiency of:

- the GLA business processes;
- enabling IT;
- organisational structure; and
- staffing levels...

...leading to conclusions.”

Study carried out by:

- reviews of key documentation;
- interviews with GLA staff from across the organisation;
- interviews with GLA Board members; and
- Interviews with Defra GLA sponsor unit.



Findings

Findings

- There are challenges associated with starting any new business or organisation. The achievement of setting up the Authority and putting in place arrangements for a licensing system by April 2006 (that has already issued nearly 1,000 licenses) should be recognised in a positive light
- Need to wait to see what impact the GLA has on those who choose not to voluntarily come under the regulatory umbrella before full conclusion can be reached on whether GLA provides value for money.
- Large parts of the Authority are still in their infancy and are developing: intelligence, compliance & enforcement functions still to be really tested.
- From what we have seen, and at this point in time, we are content the GLA business processes, enabling IT, organisational structure and staffing levels support the delivery of the Authority's objectives.



Issues

Issues

- We have issues concerning the Authority's set up costs, focussed on the IT costs of the licensing system and whether they represent value for money. It should be noted that the set up costs of the licensing system were borne by Defra.
- Funds need to be released for the GLA to undertake its 'Measuring Outcomes' study. Without a robust baseline from which to benchmark the Authority's progress it will be difficult to make an objective assessment of the Authority's impact on the regulated sector.
- The Authority needs to agree and implement its 'strategic assessment' and communicate to both staff and Board members where the resources of the Authority will be targeted to maximise the benefit to the industry and ensure a level playing field for all.



Issues - continued

- Given the volume of current and planned future activity, the overall level of staffing (approximately 45 people) appears reasonable
- The teams that are in place represent most of the key capabilities that are required by the GLA
- There was evidence that some ‘tweaks’ to the current structure could be made, if small-scale efficiencies are required - these are summarised in the table below

Ref	Description
1	Size of inspection standards team could be reduced
2	Size of compliance team could be reduced in short-term
3	Some evidence of confused responsibilities between policy and compliance teams
4	Some evidence size of licensing team could be reduced
5	Role of communications team not clear
6	Accountability for IT strategy and execution not clear
7	Some evidence that there should be separate teams for the helpdesk, appeals and links to OGDs

