

# GLA12/8.8 Update from Chair of the Audit Committee

October 2006

**BOARD PAPER REFERENCE – GLA12 8/8.8 – Report from the Audit and Risk Committee (ARC) January 2006 – October 2006****The Audit Framework**

The committee held its first meeting in January 2006 and its early activities focussed on the establishment of a proper audit framework based on statutory requirements and best practice. In this we were guided ably by the National Audit Office (NAO) representatives on the Committee. The NAO also provided a training session and briefing on audit requirements.

*Results:*

The ARC agreed its terms of reference and a meetings schedule to be quarterly in line with Board meetings. It was agreed that an annual written report should be made to the Board.

Accounting policies agreed and in place in conjunction with NAO.

**Risks**

The ARC was keen to identify early on the actual and potential risks arising from the GLA's work in its first year.

*Result:* A risk register was established, highlighting the top 10 risks. It is reviewed at each meeting on an exception basis.

One significant risk that was identified was the accounting treatment of start up costs which was subsequently agreed, in conjunction with the NAO.

**Internal and External Audits**

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

A service level agreement is in place with Defra to provide internal audit services and although the ARA queried the level of support actually being provided, it is hoped that a restructuring within Defra will improve the situation.

*Result:* An internal audit of controls has been completed and is awaiting the finalised report.

The external audit was carried out by the NAO.

*Results:* the NAO Report to those Charged with Governance confirmed an unqualified audit opinion on 7 July 2006. All points raised for the attention of management were accepted and are being dealt with. The ARA will continue to monitor the outcome of the report and in particular will consider the completeness of licensing income. The management letter has been agreed and provisional dates for this year's audit are in place.

## **Annual Report and Accounts**

The ARA also considered the corporate plan and the format and content of the first annual report. This was agreed, including the Statement on Internal Control. One issue, document retention policy, is still being worked on by management.

## **Performance Related Pay**

The Committee reviewed the policy on staff in-year and annual bonus payments. In the first year, this had not happened as the management considered that there was little track record of performance on which to base judgements. External audit had commented on this and the GLA moved to implement a system for this year's round of performance reviews. The ARA was consulted on the proposed scheme and approved the approach which is based on comparable best practice.

## **Fraud Prevention**

The responsibility of the ARA on behalf of the GLA for monitoring fraud prevention systems was emphasised by the NAO and this is monitored on an annual basis and as required.

The NAO complimented the GLA on its progress in establishing proper and effective control and reporting systems.

We are grateful to the representatives of the NAO for their wise advice and counsel during the early months of the committee's work, and especially to Helen Booth and Simon Irwin. Helen has since moved on to tackle the Home Office and has been replaced by Helen Dixon. The work of the management team and in particular the efficient support of Ray Dawson and Carolyn Stoppard is also gratefully acknowledged.