



Gangmasters  
Licensing Authority

# GLA51/23 Audit and Risk Committee

**3 November 2016**

# Board Paper Reference – GLA51/23 - Audit & Risk Committee

## 1. Purpose of the Report

- 1.1 To provide the Audit and Risk Committee's (ARC) 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 following its meeting on 21 September 2016.

## 2. Recommendation

- 2.1 The Board is asked to note this report and in particular the Committee's views on the resubmitted Annual Report and Accounts and continuing concerns in respect of the IT and LAWS systems risks.
- 2.2 Following an annual review, the Board to approve the terms of reference. These are unchanged from the previous year (see appendix 1).

## 3. Reasons for Recommendation

- 3.1 The recommendation is made in accordance with the Committee's terms of reference.

## 4. Summary of Key Points

- 4.1 The Committee noted that, for reasons outside the GLAA's control, the Annual Report and Accounts had not yet been laid. The Committee supported proposed minor changes to the text in relation to work in Europe and recommended that the Board should confirm its acceptance of the accounts.
- 4.2 The Committee reviewed its terms of reference and, subject to clarification of the wording on risk to bring it into line with the position agreed by the Board, agreed that they should be taken to the Board for approval.
- 4.3 The Committee considered the risk update and noted:
  - The Committee remained very concerned by the position on IT risks and the potential impact on the GLAA's ability to discharge existing and planned responsibilities. There had been some progress in addressing the IT risks and the Committee welcomed this, in particular the work of the Transition Project Board and the appointment of a Home Office project manager and a systems architect. However, the detailed scoping work now being carried out was identifying further work that would be required and the Committee's view was that a number of matters were now crystallising as issues.
  - The Committee noted the risk register for the Transition Project. Arrangements were in place for the Project Board to review and manage these risks.

- 4.4 The Committee noted the internal audit report on transition management and lessons to be learned from the Defra/Home Office transfer.
- 4.5 The Committee received a 'deep dive' presentation on the succession planning risk. The Committee suggested that the risk mitigation might be reshaped to include the identification of the top ten risk posts that are single points of failure and putting in place specific contingency plans for each of these.
- 4.6 The Committee considered and commented on the draft risk management policy that will be brought to the Board.

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

- 5.1 The Committee noted the continuing potential financial impacts of the legal challenge cases and the ICT/LAWS replacement issues.

## **6. Organisational Risks**

- 6.1 The organisational risks were discussed as set out above.

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

- 7.1 None

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

- 8.1 None

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

- 9.1 Business Continuity presentation (see appendix 2)

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**Senior Responsible Officer: Margaret Beels**

## **Audit & Risk Committee Terms of Reference**

The GLA Board has established an Audit and Risk Committee (ARC) as a committee of the Board. The Committee will support them in their responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

### **Membership**

- The members of the Audit and Risk Committee are 3 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.

### **Reporting**

- The ARC will formally report in writing to the Board and Accounting Officer after each meeting. These reports will be submitted to the Board Secretariat for circulation to members and inclusion on the agenda of future Board meetings.
- The Committee will provide 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.
- The Terms of Reference of the Audit & Risk Committee will be reviewed annually and will be presented to the Board

### **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 (annual review), 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.
- The 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.

- Oversight of due process in any internal investigations and reports arising from whistle blowing
- Any value for money issues arising
- Ensuring effective systems are in place for risk management and scrutinising the mechanism the Authority adopts for managing risk
- Annually review and report on the committee's own effectiveness to the Board.

## **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 will be invited to attend meetings.

The Committee will hold a private session with internal audit and the National Audit Office at least once a year.

## **Meetings**

The Audit and Risk Committee will meet at least four 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 invite external organisations or individuals to attend its meetings, at its own initiative or on request from such organisations or individuals.
- The Audit and Risk Committee may ask any or all of those who normally attend but who are not members to withdraw as necessary for any part of the meeting.
- The Board or the Accounting Officer may ask the Audit and Risk Committee to convene further meetings to discuss, consider or investigate particular issues on which they want the Committee's advice.

## **Information requirements**

**For each meeting the Audit and Risk Committee will be provided with:**

- A report summarising any significant changes to the Authority's Risk Register
- 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 and when appropriate the Committee will also be provided with;**

- The Internal Audit Strategy
- The Head of Internal Audit's Annual Opinion and Report
- The draft accounts of the Authority
- The draft Governance Statement
- A report on any changes to accounting policies
- External Audit management letter
- External Audit Strategy
- A report on any proposals for change or tender for internal audit functions