Ofsted Audit Committee

8 June 2012

Aviation House, Room 802

Minutes

# Present

John Roberts CBE – Chairman Ofsted Board Member

Vijay Sodiwala Ofsted Board Member

Linda Farrant Ofsted Board Member

Andy Palmer Ofsted Board Member

Richard Harbord Independent Committee Member

Darryl Nunn Director, Finance & Resources

Lorraine Langham Director, Performance and Operations

Derek Holt Head of Information Governance (Item 6 only)

Louise Grainger-Hulme Head of Financial Accounting

Mark Watson Senior Financial Accountant

Adam Stock Internal Audit (Deloitte)

Sid Sidhu External Audit (National Audit Office)

David Hughes External Audit (National Audit Office)

Ian Dickerson Head of Audit and Risk

Saba Pooni Assistant Planning Manager (Secretariat)

# Apologies for absence

Sir Michael Wilshaw HMCI and Accounting Officer

Barny Todd Divisional Manager, Finance

Morag Childs Internal Audit (Deloitte)

# Summary of Action Points

## Audited Annual Report and Accounts 2011-12

Progress against recommendations arising from the NAO’s audit to be reported to the Committee at the next meeting.

## Spending Review

The Committee agreed that it intended to invite individual Directors to come to the Committee, as the Spending Review progressed, to discuss progress and risks in their own areas.

## Annual Information Assurance Report

The Committee to review the Information Risk Policy at a future meeting once it has been updated and reviewed by OEB.

## Strategic Risks

OEB risk management to continue to include a review of hot operational risks alongside strategic risks. Members asked OEB to consider the process of reporting risks to Ofsted Board and the Audit Committee and note the importance of Executive ownership of strategic risks. The Committee suggested risk owners may attend future Committee meetings to discuss their risks.

## Contract Monitoring and Activity Report

Darryl Nunn to provide a short presentation at a future meeting to review the value and performance from our ISP contracts and any lessons learned from the outsourcing project.

## Evaluations of Serious Case Reviews

Lorraine Langham to provide a note to confirm who will be monitoring and evaluating Serious Case Reviews in the future.

## Future timings of Audit Committees

Saba Pooni to ensure the next set of Audit Committee meetings (beyond March 2013) to be scheduled to start at 10.30am.

# Chairman’s introduction, declarations of interest and minutes and matters arising

* 1. John Roberts opened the meeting and apologies were noted from Sir Michael Wilshaw (who was on his annual leave), Barny Todd and Morag Childs. Members welcomed Mark Watson who accompanied Louise Grainger-Hulme.
	2. The Committee noted that this was Richard Harbord’s final meeting and thanked him for his work on the Committee and his work with the Executive on budgets over the years.
	3. Members accepted the minutes as an accurate record of the Audit Committee meeting on 3 May 2012.
	4. As a matter arising from the previous meeting, Lorraine Langham explained complaints that are escalated to the Independent Complaints Adjudicator are regularly reported to the Executive and in future will also be circulated to members of the Ofsted Board.Members reviewed the Action Log; Lorraine Langham updated the Committee on the action to review the format of the monthly performance report, explaining that Linda Farrant had met with the Head of Corporate Affairs and Communications and proposals were being taken forward to review the format for Audit Committee and the Board. The new format will be discussed at the next meeting in September.

# Audited Annual Report and Accounts 2011-12

* 1. The Committee considered the draft Resource Accounts for 2009-10 presented in April 2011, and supported their presentation to the National Audit Office for the final audit. The Committee was pleased to note the continuing improvements to the Accounts production process. Members would like to congratulate the Finance team for their ability to prepare the Accounts in a short timescale, whilst not compromising on quality, which enables Ofsted to continue to be one of the earliest departments to lay its Accounts before Parliament.
	2. Members considered the National Audit Office’s Final Management Report, that outlined their findings of the 2011-12 external audit. Members were again pleased to see that the audit identified very few issues regarding the preparation and production of the 2011-12 Annual Report and Accounts.
	3. The Committee was invited to review and comment on the findings outlined in the Audit Completion Report, including the draft Letter of Representation and Audit Certificate, prior to certification by the Accounting Officer on 11 June 2012. It was noted the accounts had gone through a rigorous audit that was nearing completion and there were no unadjusted misstatements identified for the Committee to consider.
	4. Members noted HMCI’s minute detailing his meeting with Darryl Nunn to discuss the final Annual Report and Accounts 2011-12 and matters arising from the audit by the National Audit Office (NAO).
	5. The Committee noted the progress against recommendations arising from the audit and asked for an update at their next meeting.

Action: Progress against recommendations arising from the NAO’s audit to be reported to the Committee at the next meeting.

* 1. The Committee endorsed the Audit Completion report and recommended that the draft Letter of Representation, in light of HMCI’s minute, be passed to HMCI, Ofsted’s Accounting Officer for signing.
	2. The Committee congratulated Darryl Nunn and his team for a clean audit report.

# 2011-12 Annual Report and Accounts

* 1. Members were invited to comment on the Annual Report and Accounts 2011-12, which included a revised introduction by HMCI, remuneration report and governance statement. The Committee noted that some minor presentational and wording changes had been made since the draft report was considered at their previous meeting.
	2. The Committee noted on page 58, paragraph 256 the new Logica ICT Contract was implemented on 1 April 2012 and out of the ten strands of the transformation programme, seven were implemented by 31 March; however, three have been delayed as a result of the failure of the broadband solution to pass initial testing, thus not being rolled out and instead the existing broadband solution would remain in place until all issues are resolved.
	3. The Committee endorsed the revised Annual Report and Accounts for 2011-12.

# Internal Audit Update

* 1. Adam Stock provided an update on the progress against the internal audit plan for 2012-13. He explained the Working Time Regulations audit a follow on from the audit carried out in 2011-12 and is due to start in early June.
	2. The Committee noted the IT Supplier Service Management audit had been split into two phases. The first phase reviewed the transition to the new contract and the second phase will look at how is the contract is operating. Phase one of the audit had been completed and the draft report was due to be circulated shortly.
	3. Members noted the revised Annual Internal Audit Report and Opinion which had been amended to provide greater context for the opinion that “Ofsted has adequate and effective systems”. Members noted that the choice was “adequate” or “inadequate” and that the word did not carry the implications associated with its use in inspection.

# Spending Review update

* 1. Darryl Nunn provided a verbal update explaining the latest position of the Spending Review. He explained that there will be scrutiny of the plan by the Chair of the Audit Committee and Ofsted Board, with a further detailed discussion at a Development Session for the Board. He explained the close alignment between the Strategic Plan and Finance Plan to ensure the delivery of savings.
	2. The Committee noted the update and monitoring arrangements in place for the Spending Review plan. It agreed that it intended to invite individual Directors to come to the Committee, as the Spending Review progressed, to discuss progress and risks in their own areas.

Action: The Committee agreed that it intended to invite individual Directors to come to the Committee, as the Spending Review progressed, to discuss progress and risks in their own areas.

# Annual Information Assurance Report

* 1. Derek Holt reported that the internal audit of Information Risk gave substantial assurance. He explained that Ofsted is required to produce an Annual Information Risk Assessment to support the Governance Statement and also part of the preparation for the end of year report to the Cabinet Office.
	2. The Committee noted that more focus was given to correspondence and transactions due to the high volumes of letters being sent to wrong addresses. The Committee asked for more context to be given to the dashboard report.
	3. Members noted that the Information Risk Policy was due to be reviewed in the first quarter of the reporting year. The Committee asked to review the policy at a future meeting.

Action: The Committee to review the Information Risk Policy at a future meeting once it has been updated and reviewed by OEB.

# Strategic Risks

* 1. Darryl Nunn reported that the Operations Executive Board (OEB) had further developed its review of Strategic Risks within Ofsted. Using the PESTLE model (Political, Economic, Social, Technological, Legal and Environmental), OEB identified a range of strategic risks under each of the PESTLE headings that were developed to form the key elements of a draft updated Strategic Risk Register. OEB agreed that, once finalised, these would replace the current Risk Themes.
	2. The draft risk register currently shows the strategic risks to Ofsted delivering its strategic priorities, notes the context and describes the circumstances that give rise to the risk. The register also lists management actions currently in place or planned to be undertaken to reduce the likelihood, or effect, of the risk.
	3. Members noted the next steps were to add key monitoring columns to the document, for example, Executive risk owner, probability, impact, risk movement (direction) and RAG status, and a more detailed review of the effectiveness of the management actions by OEB. The Committee noted it will be Executive’s responsibility for scanning across the business to ensure risks are identified.
	4. The Committee were pleased with the format and asked that as part of the OEB’s risk discussions hot operational risks are considered alongside the strategic risks. Members asked management to consider the process of reporting risks to Ofsted Board and the Committee and consider the importance of ownership of risks. The Committee suggested risk owners attend future Committee meetings to discuss their risks.

Action: OEB risk management to continue to include a review of hot operational risks alongside strategic risks. Members asked OEB to consider the process of reporting risks to Ofsted Board and the Audit Committee and note the importance of Executive ownership of strategic risks. The Committee suggested risk owners may attend future Committee meetings to discuss their risks.

# Contract Monitoring and Activity Report

* 1. The Committee noted an update on Ofsted’s contracting activity for the period of 1 January 2012 to 31 March 2012, focussing on contracts of major concern to the organisation.
	2. Members noted in terms of contract performance for ISPs there were a number of issues and asked for a short presentation at a future meeting to identify the value we are currently receiving from our ISP contracts and any lessons learned from the outsourcing project. They also asked about the two non-competitive contracts agreed during the period to ensure that non-competition was appropriate. While there was some slight concern over one of them, Members accepted the reasons why the procedure had been followed.

Action: Darryl Nunn to provide a short presentation at a future meeting to review the value and performance from our ISP contracts and any lessons learned from the outsourcing project.

# Evaluation of Serious Case Reviews

* 1. The Committee received an update provided by the Serious Case Review Team on the progress of evaluating of serious case reviews.
	2. Members noted that it has been agreed with the Department of Education that Ofsted will cease evaluating serious case reviews on 31 July 2012. Ofsted will continue to receive notifications of serious case incidents after this date. The Committee asked for a note of who will be monitoring and evaluating Serious Case Reviews in the future.

Action: Lorraine Langham to provide a note to confirm who will be monitoring and evaluating Serious Case Reviews in the future.

# Any other business – Future timings of Audit Committees

* 1. Members asked for future Audit Committee meetings (that is, beyond March 2013) to be scheduled to start at 10.30am.

Action: Saba Pooni to ensure the next set of Audit Committee meetings (beyond March 2013) to be scheduled to start at 10.30am.

# Review of the meeting

* 1. Audit Committee members were content with the meeting and were pleased with the how the strategic risks were developing. Members were also happy to receive updates from risk owners who will attend future meetings.

# CLOSED SESSION – Re-tendering of Internal Audit Contract

* 1. The Committee discussed the process for procuring internal audit services for Ofsted following the end of the current contract.
	2. Members nominated Linda Farrant to sit on the selection panel to represent the Committee. They endorsed the exclusion of Tribal from the request to tender, due to potential conflicts of interest.
	3. The Committee confirmed that they were satisfied with the proposed procurement approach and timetable.