Audit & Risk Assurance Committee

23 November 2016

Aviation House, Room 802

Minutes

# Present

Linda Farrant – Chair Ofsted Board Member

John Hughes Ofsted Board Member

Matthew Coffey Chief Operating Officer

Louise Grainger Director, Finance, Planning & Commercial

Lewis Knights External Audit (National Audit Office)

Jane Forbes Internal Audit (PricewaterhouseCoopers)

Saba Pooni Audit and Governance Manager (Secretariat)

# Summary of Action Points

Annual Report & Accounts timetable

1. Linda Farrant to review the Annual Report & Accounts when circulated to the Executive Board in April 2017.

Risk update

1. Linda Farrant to provide a verbal update to the Ofsted Board on strategic risks and minutes from the September Audit & Risk Assurance Committee.
2. Louise to prepare a cover note to Ofsted Board on Strategic Risk Register.

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

* 1. Linda Farrant opened the meeting and welcomed members. Introductions were made and apologies were noted from Sir Michael Wilshaw, Her Majesty’s Chief Inspector, Venessa Willms, Ofsted Board member and Simon Helps, National Audit Office (NAO) Director.
  2. There was one declaration of interest made by Lewis Knights who has recently been appointed Chair of an Ofsted inspected Academy Trust. He will be stepping down from his role of supporting Ofsted and will be replaced with an auditor with education sector experience; any handover will be completed smoothly. Lewis Knights thanked members and staff for their support over the last few years.
  3. Members accepted the minutes as an accurate record of the Audit & Risk Assurance Committee meeting held on 13 September 2016.
  4. Members noted all previous actions were complete. In terms of the Culture and Behaviours audit members noted that PwC had met with the Director, People and Operations to consider the progress being made over the next few years. Members noted that PwC will consider revisiting the actions and assess a number of other areas in 12 months’ time. Additionally, work is underway to develop the Internal Audit Plan for 2017-18, the Head of Internal Audit will engage with members through the planning process.

# Report from Chair and Members

* 1. Members discussed the current level of connectivity between Non-Executive Directors (NEDs) and the organisation and noted that a formal approach to engagement will be put in place for NEDs with the regions with clear rationale and objectives. Further discussion will take place at an informal Ofsted Board meeting on 29 November 2016.

# External Audit update

* 1. Lewis Knights presented the audit planning report on the 2016-17 financial statement audit. Members noted the NAO plan their audit of the financial statements to respond to the risks of:
* Material misstatement to transactions and balances; and
* Irregular transactions.
  1. The risks they have identified are:
* Management override of control (The NAO are required to consider this risk for all bodies they audit, and perform work in response.);
* Risk of fraud in revenue recognition (The NAO have rebutted this risk for Ofsted due to the nature of income, which is largely statutory fees);
* Appointment of the new HM Chief Inspector as Accounting Officer and the associated transfer of responsibilities and accountability; and
* Finalising the process for bringing inspector contracts in-house. The NAO noted that will take effect from 2017-18 but they will continue to monitor developments in this area. Members noted a deep dive review will be undertaken after this meeting into the Early Years programme, reviewing the overall readiness, governance, workforce and financials.
  1. Members confirmed there were no such instances of any knowledge of actual, suspected or alleged fraud.
  2. Members noted that the NAO co-sponsors the award for excellence in public sector reporting at the Building Public Trust awards. The NAO have published examples of good practice in Annual Reports which they will share with Ofsted. Members agreed that Ofsted should consider to put themselves forward for this award.

# Annual Report and Accounts timetable

* 1. Members noted the proposed timetable for production of the Annual Report and Accounts 2016-17. The Chair asked to review the Annual Report & Accounts when circulated to the Executive Board in April 2017. The focus will remain on strong governance and accuracy. **Action 1: Linda Farrant to review the Annual Report & Accounts when circulated to the Executive Board in April 2017.**
  2. Members were pleased to note early engagement with both Executive Board and Ofsted Board to review and agree the content and key messages of the Performance Report.
  3. The Ofsted Board will approve the Annual Report and Accounts in June based on a recommendation of the Chair of the Audit and Risk Assurance Committee.

# Internal Audit update

* 1. Jane Forbes presented a high level timetable and summary of the audit activity to date for the delivery of the 2016-17 Internal Audit Plan. Seven audit reports have been finalised to date, two of which were reported to this committee meeting.
  2. Jane Forbes also presented a summary of their performance against their agreed delivery Key Performance Indicators. Members noted the draft reports are issued no later than two weeks, management responses are no later than two weeks from receipt of draft report and final reports are issued no later than one week following management responses.

# Issued Internal Audits reports

* 1. Jane Forbes reported that since the last Audit and Risk Assurance Committee meeting on 13 September 2016, PwC have issued two final reports.
  2. Recruitment (Part one– employed staff) – This audit has reviewed the design and operation of the recruitment model, and will be undertaken in two parts. Part one has focused on the processes associated with employed staff only, whereas Part two will consider only contracted Ofsted Inspectors. This audit was given an overall low risk rating. The recommendations for improvement arising from this audit include incorporating an internet search check and verbal referencing for non-inspector candidates (currently undertaken for all inspector candidates), as well as reviewing the approval of references for high profile inspector roles.

Conflicts of Interest - This audit assessed the design of controls in place to identify and manage any conflicts of interest relating to contracted Ofsted Inspectors. This audit was given an overall low risk rating. Two findings were noted, relating to central reporting of conflicts of interest and the reporting of non-provider conflicts of interest.

# Risk update

* 1. Members noted the strategic risk register, and the actions to reduce the probability or impact that they may have if they do materialise. Members noted the register had been discussed in detail at the Executive Board in October and reflected the discussions from the Ofsted Board on the culture audit.
  2. Members noted for risk SR3 ‘We do not effectively focus our work on the specifically agreed areas of focus’ that the high level planning approach to align the 2017-18 budget, inspection, volumes and spending review commitments has been established and work is underway to establish the planning framework.
  3. Members thanked management for the commitment and engagement in managing risks across the organisation. The internal and external auditors were pleased and encouraged by the robust conversations that are carried out on risks.
  4. Members agreed to discuss the Strategic Risk Register at the next Ofsted Board meeting in December. **Action 2: Linda Farrant to present a verbal update to the Ofsted Board on strategic risks and minutes from the September Audit & Risk Assurance Committee**. **Action 3: Louise to prepare a cover note to Ofsted Board on Strategic Risk Register.**
  5. Louise Grainger explained that the revised risk management policy had been agreed by the Executive Board and will be launched to the organisation shortly.

# Progress against audit recommendations

* 1. Members noted the progress against audit recommendations and reviewed those where the target date has been missed. Members noted that PwC will be auditing the follow-up of high and medium recommendations made during 2015-16 and 2016-17 and will report the outcome at the March 2017 committee meeting.

# Finance report

* 1. Members noted the period 6 forecast as at end of September 2016. The key factors that could contribute to further savings or additional costs, against the reported underspend have been identified. These will be closely monitored over the remainder of the financial year.

# Any other business

* 1. The next Audit Committee meeting will take place at 10.30 on Wednesday 18 January 2017, in Aviation House room 801.