Audit & Risk Assurance Committee

14 June 2017

Aviation House, Room 801

Minutes

# Present

Linda Farrant – Chair Ofsted Board Member

John Hughes Ofsted Board Member

Amanda Spielman Her Majesty’s Chief Inspector

Matthew Coffey Chief Operating Officer

Louise Grainger Director, Finance, Planning & Commercial

Simon Helps External Audit (National Audit Office)

Jane Forbes Internal Audit (PricewaterhouseCoopers)

Saba Pooni Audit and Governance Manager (Secretariat)

# Summary of Action Points

External Audit update

1. Saba Pooni to add the National Audit Office’s audit recommendations to the internal audit tracker.

2016-17 Annual Report and Accounts

1. Louise Grainger to produce a covering note to the Board which states the sign off process of the Annual Report and Accounts.

Annual Information Assurance Report

1. Alma Kucera to check accuracy of information assurance recorded in Annual Report and Accounts.

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

* 1. Linda Farrant opened the meeting and welcomed members. Introductions were made and apologies were noted from Venessa Willms, Ofsted Board member, and Charlotte Hill, National Audit Office (NAO).
	2. Members accepted the minutes as an accurate record of the Audit and Risk Assurance Committee meeting held on 15 March 2017.
	3. Members noted all previous actions as complete. Action 1 confirmed that assurance is in place that risks are managed well across the organisation. Furthermore, this will be audited as part of the regional review audit. In terms of action 2, Disclosure and Barring Service (DBS) checks, the Safeguarding Group has an action to review DBS checks for non-executive members of the Board to clarify the arrangements in place.

# Report from Chair and Members

* 1. Members noted that John Hughes has joined the Measurement and Evaluation Group which consists of members of the non-executive and board. The group’s purpose is to develop the strategic measures underpinning the new strategy. John reported that high quality and transparent work is taking place.

# External Audit update - Audit Completion Report

* 1. Members noted the NAO’s Audit Completion Report (including management letter) on the 2016-17 financial statement audit.
	2. Members noted the audit of the financial statements are substantially complete subject to resolving the outstanding items detailed below:
* ISP Early Years Pension Accrual and holiday pay accrual
* Apportionment of expenditure to administration and programme

	1. Members noted the NAO’s recommendations on control and other matters.
	2. **Action 1: Saba Pooni to add the NAO’s audit recommendations to the internal audit tracker.**
	3. Members noted subject to resolving any outstanding issues the NAO will recommend to the Comptroller and Auditor General that he should certify the 2016-17 financial statements with an unqualified audit opinion, without modification.
	4. The NAO agreed to write to the ARAC chair and Accounting Officer once all outstanding issues are resolved.

# Annual Internal Audit report and Opinion

* 1. Jane Forbes presented the Internal Audit Annual Report for 2016-17. She reported that she is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. Members noted the Head of Internal Audit opinion is as follows:

Based on the risk appetite and the internal audit plan agreed with the Audit and Risk Assurance Committee, we have completed our programme of work and we **believe there are adequate and effective governance, risk management and control processes to enable the related risks to be managed and objectives to be met.**

* 1. The key factors that contributed to the opinion is summarised as follows:

• None of the audits have an overall classification of High or Critical risk with the majority of audits resulting in a Low Risk conclusion.

• The high levels of control compliance reported from the bi-annual continuous auditing work in relation to key financial controls.

• The high rate of implementation of previous internal audit recommendations as evidenced by the follow up work.

• A number of medium risk findings (21 from the 11 audits) have been identified but these are not significant in aggregate to the system of internal control.

* 1. Jane Forbes agreed to reflect on giving an overall audit rating for the continuous auditing work.
	2. Members acknowledged a positive opinion for the audit work carried out in the year.

# 2016-17 Annual Report & Accounts

* 1. Members noted that non-executive members of the Committee have previously reviewed the draft Accountability Report and Financial Statement. They were able to scrutinise and provide comments ahead of this meeting.
	2. Louise Grainger advised that updated estimate has been received from the Government Actuarial Department for Early Years pension accrual which results in a reduction of the accrual of £1.1m.
	3. Matthew Coffey advised that the Executive Board had reviewed the Annual Report and Accounts at its meeting on 13 June and provided feedback. These consisted mainly of narrative changes relating to the Performance Report.
	4. The Committee suggested numerous minor amendments to the Annual Report and Accounts. Louise Grainger agreed to make amendments and circulate to Board by 15 June. In the covering note to Ofsted Board to be clear of the sign off process, in particular the Board’s role in sign off. To state that the Committee are recommending that HMCI approves the accounts and the Board will review and have the opportunity to raise any queries by 21 June.
	5. **Action 2: Louise Grainger to produce a covering note to Board which states the sign off process of the Annual Report and Accounts**.
	6. The Committee agreed that subject to the changes above, to endorse the Annual Report and Accounts 2016-17 and recommended it to the Ofsted Board for approval.

# Internal Audit update 2016-17 and 2017-18

* 1. Jane Forbes presented an update on the activity completed since the last Committee meeting on 15 March 2017. Members noted the completion of the 2016-17 Internal Audit plan and the progress made against the 2017-18 plan.
	2. Members noted since the last meeting, the internal auditors have completed two internal audits.
	3. Members noted in terms of progress against the 2017-18 plan, the auditors have:
* Finalised the terms of reference and commenced fieldwork for the utilisation of inspectors audit.
* Issued draft terms of reference for the Early Years project assurance review.
* Undertaken scoping meetings in relation to the cost and savings planning, general data protection regulation (GDPR) and regional review audits.

	1. Members noted four internal audit reports will be presented to the next committee meeting in September 2017.

# Issued Internal Audits reports

* 1. Jane Forbes reported that since the last Audit and Risk Assurance Committee meeting on 15 March 2017, PwC have issued one final report for Contracting with Ofsted Inspectors and was provided with a low risk rating.
	2. This audit reviewed the design and operation of the recruitment model, and was undertaken in two parts. Part 1 focused on the processes associated with employed staff only, whereas Part 2 has considered contracted Ofsted Inspectors. This report presents the findings from Part 2, which focus on the cohort of Early Years Ofsted Inspectors undergoing the contracting process in late 2016 and early 2017.

Overall, PwC found that Ofsted has robust and reliable controls in place relating to the contracting process, with clear procedures outlined in various policy documents to ensure compliance with the contracting process and safeguarding responsibilities. Processes in place ensure that any potential new contractor is suitably scrutinised including the applicant’s own safeguarding knowledge and credentials as well as any unclear aspects of a candidate’s application.

Recommendations for improvement arising from this audit include embedding a greater focus on safeguarding matters within the existing contracting process, as well as implementing an audit trail for the comments section on OfficeBase.

# Progress against audit recommendations

* 1. Members noted the progress against audit recommendations report for end of May 2017. They noted two recommendations relating to the culture and behaviours audit had passed their original completion date. Both of these are on track to be completed by end of September 2017. Members agreed for Director, People and Operations to provide a further update at September’s Committee meeting. They proposed to provide assurance through Ofsted Board meetings thereafter.

# Annual Information Assurance report

* 1. Members noted Ofsted’s preparations and progress in relation to the new GDPR requirements. Work is well underway. This includes a comprehensive audit of personal data held in Ofsted to ensure compliance with the regulation. Members noted that detailed findings, including actions required, will be presented to senior leaders in the autumn.
	2. **Action 3: Alma Kucera to check accuracy of information assurance recorded in Annual Report and Accounts**.

# Risk report

* 1. Members noted the strategic risk report which has been agreed by the Executive Board in May 2017.

# Finance Report

* 1. Louise Grainger presented the financial position at the end of period 1 and discussed the risks and opportunities to the reported position.

# Update on Value for Money

* 1. Members noted the recently published NAO’s reports on Vulnerable consumers in regulated industries (March 2017); Capital funding for schools (February 2017) and Round-up for Audit Committees (March 2017).
	2. Members noted the following studies are underway which relate to Ofsted, these include Retaining and developing the teaching workforce (publication due in September 2017); Converting Schools to Academies (publication due in January 2018); and the Work of Ofsted (Publication is planned for April-June 2018).

# Any other business

* 1. **The next Audit Committee meeting will take place at 10.30 on Wednesday 13 September 2017, in Aviation House room 801.**