Audit & Risk Assurance Committee

6 May 2015

Aviation House, Room 802

Minutes

# Present

John Roberts CBE – Chairman Ofsted Board Member

Linda Farrant Ofsted Board Member

James Kempton Ofsted Board Member

Nick Jackson Director, Corporate Services

Louise Grainger Divisional Manager, Finance

Liz Fox External Audit (National Audit Office, NAO)

Morag Childs Internal Audit (Deloitte)

Martin Lewis Internal Audit (Deloitte)

Saba Pooni Audit & Governance Manager (Secretariat)

# Summary of Action Points

Issued Internal Audit Reports

1. A paper on complaints metrics and a review of the complaints status report to be presented to a future Committee meeting.

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

* 1. John Roberts opened the meeting and welcomed members and James Kempton the newly appointed Ofsted non-executive to his first meeting as a member. Apologies were noted from Sir Michael Wilshaw, HMCI, Matthew Coffey, Chief Operating Officer and Jacqui Smillie, Audit Director, NAO.
	2. There were no declarations of interest.
	3. Members noted the action log and that the proposed quality audit is subsumed within the FOM readiness internal audit in June 2015 and then included as part of the post-implementation of FOM as a whole. Members agreed that Deloitte will audit a baseline on quality to enable benefits realisation.
	4. Members accepted the minutes as an accurate record of the Audit Committee meeting held on 12 March 2015.

# Report from Chair and Members

* 1. Members noted that John Hughes will chair the newly established Risk Committee and noted the importance of the link between the Audit & Risk Committee and Risk Committee in terms of delivering its purpose. Linda Farrant will sit on both Committees.

# Annual Internal Audit Report and Opinion

* 1. Members noted the 2014-15 internal audit plan covered ten processes or systems operating within Ofsted of which eight received substantial’ assurances, one received ‘partial’ assurance and one report remains in draft, the Human Resources operations (HMI Recruitment) report has been issued in draft and is awaiting management comments before Deloitte issue as a final report. In addition, four follow up audits were undertaken, which did not result in an assurance opinion.
	2. Members noted that management agreed to the start dates set out in the audit plan at the beginning of the year and where possible action should be taken to ensure that these dates are met. They also noted the feedback received from the satisfaction survey results.
	3. Based on internal audits completed as part of the Ofsted Internal Audit Plan (1 April 2014 to 31 March 2015), Deloitte's opinion is that Ofsted has adequate and effective systems over governance, risk and control which provide reasonable assurance regarding the effective and efficient achievement of Ofsted’s objectives, aside from one exception relating to expenses audit.

# Draft Pre-Audit 2014-15 Annual Report & Accounts including Governance Statement

* 1. Members noted that Ofsted is required to lay its audited Annual Report and Accounts for 2014-15 in the House of Commons. The pre-audit draft accounts had been prepared and the Committee noted that Ofsted had not breached any of the Parliamentary control totals.
	2. The Committee noted that Executive Board had reviewed the draft Annual Report and Accounts and feedback has been incorporated into this version. In reviewing, the following points were raised:

**Introduction (P4-7)**

* Add more context around 2014-15 and the upcoming work later in the year.

**Strategic Report (P8-12)**

* Add more information on the high profile work carried out in 2014-15
	+ P10, 1st paragraph –“Ofsted’s approach to financial management in 2014-15 was adapted in year to ensure effective use of resources”, change adapted to “responsive”.

**Directors Report (pages 13-49)**

* + P40 table “number of activities with aspects of a complaint upheld or partially upheld” check the figures, if they are higher than previous years then add some comment to reflect the changes.

**Financial Performance (pages 50-57)**

* + P51, Para 190 pension arrangements impact – once assessment is completed then bring to ARAC for information.

**Governance Statement (pages 58-68)**

* + Para 266 add a paragraph which says in light of all this work around Expenses, what we are now doing. The follow up audit planned in 2015-16, management response and timescales (work done since 2013-14).
* Para 271 – certificates of assurance – add a sentence which explains what the review found, was there anything significant.
	+ Para 275 – typo, end of second sentence ‘we are already aware that further budget reductions maybe.’
	1. The Committee were content with the draft Annual Report and Accounts and agreed to release the accounts to the NAO, subject to the amendments agreed by the members. They approved the Governance Statement and noted the draft Internal Audit Report and Opinion.
	2. The next steps are the NAO to issue their audit completion report by 28 May; the Committee will meet to approve the audited accounts on 3 June followed by the Ofsted Board to approve in correspondence and HMCI to certify the Annual Report and Accounts on 4 June, the accounts will be laid before Parliament by 8 June.

# Issued Internal Audit reports

* 1. Martin Lewis reported that since the last Audit and Risk Assurance Committee meeting on 12 March 2015, Deloitte have issued three final reports:
* Social Care System Implementation - the audit opinion was given as 'substantial' assurance and as a result of this audit one medium and two low priority recommendations were made to improve processes and to strengthen the control environment.
* Compliance, Investigation and Enforcement (CIE) Early Years Complaints Process - the audit opinion was given as 'substantial' assurance and as a result of this audit one medium and two low priority recommendations were made to improve processes and to strengthen the control environment.
* Members noted the Early Years Complaints process starts with the receipt of the complaint and ends when the complaint is closed either by the ARC or the regions. There is a handover of the process from the Applications, Regulatory Decisions and Contact (ARC) team to the regions for high risk complaints, which is then closed out by the region. The audit scope considered the Early Years Complaints process as operated by the ARC team. The closure and tracking of complaints by the Regional Directors was out of scope. Members asked to review the complaints status report to recognise any regional issues. Additionally, a review of complaints metrics will be useful at a future meeting. **Action 1: To ensure a paper on complaints metrics and a review of the complaints status report to presented to a future Committee meeting.**
* Follow-up - The purpose of this internal audit was to provide an independent and objective assessment to the Accounting Officer on the current implementation status of the high and medium priority management actions agreed as part of the 2012-15 programmes of internal audit work not previously followed up that were due for implementation by 31 March 2015. As at the time of the follow up internal audit, there were no high priority items remaining open. To summarise;
* 16 out of 23 medium priority actions that were due to be implemented by 31 March 2015 were fully implemented;
* Five actions had been partially implemented; and
* Two actions had not been implemented.

# Progress against Audit Recommendations Report

* 1. Members noted the progress made up to March 2015 in addressing audit findings and noted seven recommendations that had passed their original completion dates.

# Strategic Risk Report

* 1. Members noted the quarterly strategic risk summary report for April 2015.
	2. Members noted that Nick Jackson will meet with John Hughes, Non-Executive Director to review the strategic risks register in May 2015. The proposal is to more clearly separate ‘strategic issues’ from ‘strategic risks’.

# Quarterly HR Data report

* 1. Members noted the operational performance report for quarter three, October - December 2014 and noted the dashboards for in year performance awards and redeployment. Members asked for more up to date versions of this report at future meetings.

# Any other business

* 1. The next Audit Committee meeting will take place at 11.30 on Wednesday 3 June 2015, in Aviation House room 705.