Audit and Risk Assurance Committee

13 September 2017

Aviation House, Room 801

Minutes

# Present

Linda Farrant – Chair Ofsted Board Member

John Hughes Ofsted Board Member

Venessa Willms 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)

Stephen Morffew External Audit (National Audit Office)

Jane Forbes Internal Audit (PricewaterhouseCoopers)

Tori Damsell Internal Audit (PricewaterhouseCoopers)

Saba Pooni Audit and Governance Manager (Secretariat)

# Summary of Action Points

External Audit update

1. The National Audit Office (NAO) will engage with the Audit and Risk Assurance Committee (ARAC), Chair of the Ofsted Board and if necessary with Internal Auditors PwC, during the value for money study.

Culture audit update

1. Karen Shepperson will present the Culture and Engagement plan to Ofsted Board with the staff survey results for 2017.

Any other business

1. Matthew Coffey to advise the Chair of any key areas that require a deep dive by the Committee in November 2017 or January 2018.

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

* 1. Linda Farrant opened the meeting and welcomed members. Introductions were made and there were no declarations of interest.
	2. Members accepted the minutes as an accurate record of the ARAC meeting held on 14 June 2017.
	3. Members noted all previous actions as complete.

# Report from Chair and Members

* 1. Members noted that John Hughes has attended the third meeting of 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. John recently attended a children’s home inspection which he found very informative. He also attended a regional inspector meeting in Bristol.

# External Audit update

* 1. Simon Helps explained that he had a constructive meeting with senior members of Ofsted to discuss the issues arising from the 2016-17 audit process. Stephen Morffew and Ofsted’s financial accounting team will meet on 21 September to undertake a lessons learned exercise.
	2. Since the last ARAC meeting the NAO have completed their scoping work to determine the focus of their value for money study on the work of Ofsted. The scoping work included discussions with Amanda Spielman, Matthew Coffey and other Ofsted colleagues, data analysis and consultation with stakeholders. The NAO team also shadowed three inspections.
	3. On the basis of the scoping exercise, the Comptroller and Auditor General (C&AG) decided that the study should focus on Ofsted’s approach to inspecting schools. Focusing on one of the sectors that Ofsted inspects will allow the NAO to cover issues in sufficient depth and keep the study manageable. The study will examine the extent to which Ofsted’s inspection of schools is providing value for money. Specifically, they will assess whether:
* Ofsted is well-placed to inspect schools efficiently and effectively
* Ofsted inspects schools in an efficient and effective way
* Ofsted knows if its school inspections are having a positive impact
	1. In early August the C&AG had a very helpful meeting with Amanda Spielman and Matthew Coffey to discuss the study scope, how the NAO will go about their work, and broader issues about Ofsted’s work and inspection and regulation more generally.
	2. The study is currently in the early fieldwork stage. The NAO has shared details of its proposed study methods and timetable, and will continue to liaise closely with Matthew Coffey and others throughout the study. They expect to have draft provisional audit findings in early 2018, with a view to publishing the report next spring (first quarter of 2018-19).
	3. **Action 1: The NAO to engage with ARAC, Chair of the Ofsted Board and if necessary with Internal Auditors PwC, during the value for money study.**
	4. Members noted the wider work being delivered by the NAO. This includes:
* retaining and developing the teaching workforce – publication is scheduled for September 2017
* Care Quality Commission - this report is in clearance and publication is scheduled for autumn 2017
* converting schools to academies - publication is scheduled for early 2018

# Internal Audit update

* 1. Jane Forbes presented an update on the activity completed since the last committee meeting on 14 June 2017. Members noted that PwC had:
* finalised reports relating to the regional review, costs and savings planning review and strategic and corporate planning review
* completed fieldwork for the continuous auditing period 1 review
* finalised the terms of reference and commenced fieldwork for the early years project assurance review
* agreed the terms of reference for the complaints about schools and GDPR reviews
* issued draft terms of reference for the staff performance and talent management review
* undertaken a scoping meeting in relation to our review of business continuity
	1. Members noted the final report for utilisation of inspectors audit has been delayed due to extended leave taken by PwC’s senior associate.

# Issued Internal Audits reports

* 1. Jane Forbes reported that since the last ARAC meeting on 14 June 2017, PwC have issued three final reports which are summarised below.
	2. **Regional review** – This audit was classified as low risk. Overall, PwC has reported two low risks and one advisory finding to improve on existing processes. The audit assessed the following areas:
* the effectiveness of Ofsted’s controls to ensure appropriate risk management in the regions
* the effectiveness of the feedback provided to social care regulatory inspectors
* the clarity of processes and relationships in place between central and regional teams managing the early years regionalisation programme
	1. **Costs and savings planning** – This audit was classified as low risk. The purpose of this audit was to review the overall monitoring and management of savings targets, as well as to undertake a detailed review of three key savings targets, chosen to include significant savings targets with progress already made. These three targets are categorised in Ofsted’s management accounts as:
* the replacement of the single inspection framework programme after 2017 with targeted and proportionate approach to inspections
* efficiencies
* fees – Further Education and Skills (Ministry of Justice)
	1. Based on the documentation reviewed there are clear plans to deliver the cost and savings plan that are scrutinised and updated regularly. On an ongoing basis risks are identified and mitigating actions are monitored. There were no recommendations for improvement.
	2. **Strategic and corporate planning** - This audit was classified as low risk. Overall, PwC has reported one medium finding to improve on existing processes. PwC reported that Ofsted had a robust framework for delivering corporate and regional plans which align with the Ofsted strategy: 2017 to 2022. There are clear procedures for monitoring and reporting on the progress against the corporate plan. Processes in place ensure that all regions understand their responsibilities under the corporate plan and each region has measures against which they are able to track their progress.
	3. The Chair commended all staff involved for three low risk reports.

# Progress against audit recommendations

* 1. Members noted the progress against audit recommendations report for end of August 2017. They noted one low risk recommendation relating to the contracting with Ofsted inspectors audit had passed its original completion date. This is on track to be completed by end of November 2017.
	2. Members noted a tabled document which listed five completed recommendations for June and July 2017.

# Finance Report

* 1. Louise Grainger presented the financial position at the end of period 4 and discussed the risks and opportunities to the reported position.
	2. The financial position has moved from an over allocation of £0.2m when the budget was agreed, to a forecast underspend of £1.2m at the end of period 4. In light of the emerging underspend the Executive Board have agreed to consider spending proposals that would provide value for money, support delivery of our new strategic objectives and where possible increase the volume of inspection. Proposals will be considered at the September Executive Board.

# Risk report

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

# Culture audit update

* 1. Members noted that PwC carried out the culture audit in August 2016. The audit focussed on the two indicators of ‘Leadership Action’ and ‘Performance Management and Reward’.
	2. Members noted the work undertaken to address the findings of the audit and considered the steps identified to develop a Culture and Engagement plan to support the introduction of the new Ofsted Strategy. This plan is due to go to the Executive Board in November. The Committee sought clarification of the McLeod Model enablers and their relevance to the enablers set out in paragraph 7 and the broader Ofsted Strategy. **Action 2: Karen Shepperson to present the Culture and Engagement plan to Ofsted Board with the staff survey results for 2017.**

# Any other business

* 1. Members scrutinised the rationale for the six single tender action requests awarded in the period April – August 2017.
	2. Members reviewed the Committee’s forward look. **Action 3: Matthew Coffey to advise the Chair of any key areas that require a deep dive by the Committee in November 2017 or January 2018.**
	3. The next Audit Committee meeting will take place at 10.30 on Wednesday 22 November 2017, in Aviation House room 802.