



Arolygiaeth Ei Mawrhydi dros Addysg a Hyfforddiant yng Nghymru
Her Majesty's Inspectorate for Education and Training in Wales

Annual Report of Estyn's Audit and Risk Assurance Committee

2022-2023

This report is also available in Welsh.

1 Purpose

- 1.1 This report summarises the main work of the Estyn Audit and Risk Assurance Committee during the period 1st April 2022 to 31st March 2023. The prime role of the Committee is to provide independent advice to HM Chief Inspector and Accounting Officer of Estyn. During the year, therefore, the Committee has dealt with the strategic processes for risk, control and governance through the results of the internal and external audits as well as self-evaluation and other processes. The Committee plays a key role in defining aspects of the audit work and monitoring the management responses to the issues raised.
- 1.2 The report describes how the Committee met these responsibilities during 2022-2023 and the outcome of the work in relation to further improvements in the governance and management of the organisation. The report is intended to inform the Accounting Officer's Governance Statement that will be included in Estyn's Annual Report and Accounts for 2022-2023.

2 The Committee during 2022-2023

- 2.1 Membership of the Committee during the year was as follows:

Judith Fabian	Non-Executive Director (to 31 August 2022)
Arwel Thomas	Non-Executive Director (Chair – to 31 August 2022)
Ronnie Alexander	Non-Executive Director (to 31 August 2022)
Emyr Roberts	Non-Executive Director (Chair from 1 September 2022 ¹)
David Jones	Non-Executive Director (from 1 September 2022)
Maria Rimmer	Non-Executive Director (from 1 September 2022)
Brett Pugh	Non-Executive Director (from 1 September 2022)
Charlotte Williams	Non-Executive Director (from 1 September 2022)

Estyn management attendees included:

Owen Evans	HMCI, Estyn
Jassa Scott	Strategic Director, Estyn
Claire Morgan	Strategic Director, Estyn
Mererid Wyn Williams	Assistant Director Inspection and Central Services , Estyn

The terms of reference for the Committee can be found within Estyn's Corporate Governance Framework and the remuneration of members is shown within Estyn's Annual Resource Accounts (both documents are available on Estyn's website). For the full year, Mererid Wyn Williams was the key contact and facilitator for the Committee's programme of work, supported by Mark Harris (Head of Finance and Business Services) and Cheryl Davies (Head of Governance).

- 2.2 During 2022-2023, Audit Wales (AW) continued to provide external audit service. RSM provided internal audit service up to 31 May 2022, succeeded by TIAA from 1 June 2022.
- 2.3 As planned, the Committee met on 10 May 2022, 5 July 2022, 7 November 2022 and 30 January 2023 and these meetings were fully attended by those listed above. It is

¹ From 1 June 2021, Emyr Roberts was on the Estyn ARAC committees as NED in a co-opted capacity.

normal practice for meetings to consider reports relating to audit work completed both within the current year and previous financial year where the audit field work was completed close to the year-end; this was the case in 2022-2023.

- 2.4 There were no other additional meetings during the year in response to events or issues. Representatives of the external and internal auditors were present at all meetings and Robert Gairey (Estyn) provided secretarial support for the Committee. Other Estyn staff members attended the Committee when matters related to their responsibilities were discussed.
- 2.5 The standard of the reports, management response, tracking of recommendations and the contribution of all Committee members were noted at each meeting. The Committee members, functioning well as a group, continued to pose pertinent and timely questions. Members of the Committee have the requisite expertise and experiences.
- 2.6 The Committee has throughout the year continued to operate electronically with all the papers presented to members via the Estyn extranet or by e-mail attachments. All meetings were held remotely using Microsoft Teams. Those present evaluated all meetings and generally the response was positive. Such end of meetings feedback, a feature of all Estyn governance meetings, enables all present to continuously reflect on their work which results in swift quality improvements where necessary.

3 Control environment

3.1 Internal Audit

- 3.1.1 In spring 2022, a formal procurement exercise the contract for the provision of internal audit services took place, and the contract was awarded to TIAA for an initial period of one-year with provision for extension for up to three more years subject to performance reviews. The previous contractor RSM concluded its audit work and presented a final annual summary report in July 2022, before handing over to TIAA. Because of unforeseen resource issues within TIAA, some time was taken to agree the audit programme for 2022-2023, with the majority of the first year audits taking place in spring 2023. Reports have helped in improving risk identification and management processes, and the contract has now been extended for a further year, as from 1 June 2023.
- 3.1.2 Based on an agreed programme of work (established following an Audit Needs Assessment process) the Audit and Risk Assurance Committee reviewed the following reports provided by the Internal Auditors (RSM and TIAA).

Reports	Assurance rating	Number of recommendations (priority rating)
HR Performance Management	Reasonable	6 (4 medium, 2 low)
Risk management framework	Reasonable	15 (4 important, 7 routine, 4 operational)
Workforce planning and allocation	Advisory	21 (2 urgent, 6 important, 2 routine, 11 operational)

Key financial controls	Substantial	6 (3 routine, 3 operational)
Travel and subsistence	Substantial	2 (1 routine, 1 operational)
Business continuity and disaster recovery	Limited	13 (1 urgent, 10 important, 1 routine, 1 operational)
Recruitment and training	Substantial	2 (1 routine, 1 operational)
Cyber-security	Reasonable	4 (4 important)
Performance monitoring and reporting	Substantial	1 (Operational)

3.1.3 Internal Audit coverage is planned in order to provide a reasonable level of assurance that Estyn's key governance and risk management systems are operating effectively and that there are sound internal controls in place. Internal audit have commented that they are satisfied with management's responses to their recommendations.

3.1.4 A further feature of the Internal Audit coverage is to undertake follow-up reviews of previously agreed recommendations together with compliance or spot check reviews. The tracking system for the recommendations in each audit report has continued to be used during the year and includes information such as date for completion for specific actions, ownership, progress reports by management and whether the actions had been completed by Estyn and verified by Internal Audit. Internal Audit reported in ARAC meetings and in their follow-up report a high level of compliance with previous recommendations, praising Estyn for the levels of implementation.

3.1.5 David Broughton remained as the Head of Internal Audit up to the end of May 2022, when the role was passed to Helen Cargill as the new contract commenced with TIAA. TIAA has provided an assurance that there are no conflicts of interest that they wish to report and that they have complied with Public Sector Internal Audit Standards in undertaking their audit work.

3.1.6 TIAA's annual opinion for the 12 months ended 31 March 2023 states that **"TIAA is satisfied that, for the areas reviewed during the year, Estyn has reasonable and effective risk management, control and governance processes in place."**

3.2 External Audit

3.2.1 Audit Wales (AW) presented the Audit Deliverables document in the May 2022 meeting for the auditing of the 2021-2022 Estyn Annual Report and Accounts. This document clarified the relative responsibilities of Estyn and AW.

3.2.2 The Audit work for 2021-2022 accounts was reviewed in the July 2022 meeting of the Audit and Risk Assurance Committee. Within the ISA 260 report to those charged with governance, AW **issued an unqualified audit opinion**, stating that they were satisfied for HMCI as Accounting Officer to sign off the 2021-2022 accounts. AW indicated that there were no conflicts of interest on their part.

3.2.3 AW drew attention to one area where an improvement could be made. Two expenditure transactions had been accrued in the 2021-2022 financial year, despite already having been recorded as trade payables. Further audit procedures were therefore performed to provide assurance that this issue did not lead to a material error in the 2021-2022 accounts; AW were satisfied that this was the case.

3.2.4 AW also noted that its management had accrued for the audit fee inclusive of VAT. This should not be charged on audit work carried out under statute, but review of invoices issued by us in prior years confirms it had been charged to Estyn. It was noted therefore that AW would need to reimburse Estyn for all VAT historically charged against the statutory audit fee.

4 Co-operation between Internal and External Audit

- 4.1 The Committee has discussed how the Internal and External Auditors are communicating and working together to minimise the level of any duplicated work. RSM, TIAA and AW have advised the Committee that continued dialogue and co-ordination has taken place this year.
- 4.2 The Committee is satisfied with the quality of service provided by the Internal and External Auditors.

5 Corporate Governance

- 5.1 The quality of the audit work and that of the Committee has been evaluated during the year using several different methods:
- end of meeting evaluation and an annual self-evaluation by members
 - tracking of the actions agreed in each Committee meeting
 - annual appraisal of Non-Executive Directors by HMCI/Accounting Officer
 - annual review of Terms of Reference
 - annual meeting with the Internal and External Auditors
- 5.2 The terms of reference of the Committee have been circulated to all members with the papers in order to ensure that the Committee is focused on its prime responsibilities. Estyn's Corporate Governance Framework is also reviewed at the Strategy Board and the Committee's Terms of Reference updated as appropriate.
- 5.3 The Assistant Director Inspection and Central Services' quarterly assurance statement continued to be a central part of the Committee's deliberations and provides detail of Estyn's governance, risk management and internal controls. This statement informs the Governance Statement, which has been on the Committee's agenda throughout 2022-2023.
- 5.4 Each year the Committee reviews the Finance Team risks. This is a specific risk register, which focuses on the risks associated with Estyn's financial processes and procedures. The risks include an assessment of the controls to detect fraud and an evaluation of the effectiveness of the segregation of duties.
- 5.5 The standing item on legal and regulatory updates from the Internal and External Auditors ensures that the members are fully apprised on any changes affecting Estyn's legal, reporting or compliance position, in so far as it affects the work of the

Committee. The Assistant Director Inspection and Central Services also provides regular updates from WGSB Heads of Resources Group, and its Finance Officers Sub-Group, including any relevant DAO correspondence. HMCI provides an oral update in each meeting on the developments within Estyn and any external changes that might have a bearing on the Committee's work and responsibilities.

6 Risk and Fraud

- 6.1 The Committee remains satisfied that Estyn has an appropriate Risk Management Policy, which is overseen by the Board, and that its risk register adequately reflects the risks that Estyn faces and their likely impact. The risk register also notes the management actions that have been taken to mitigate and eliminate the risks. As Committee members also serve as non-executive directors on the Strategy Board they have high visibility of risks and direct involvement in discussions of risk management strategies and actions.
- 6.2 The Committee is also satisfied that there is an adequate process in place to inform of cases of fraud or potential fraud as and when they arise and that Estyn has provided staff with sufficient visibility and training as to how to deal with such instances. We are also advised by our External and Internal Auditors where detected fraud has been identified and an appropriate liaison arrangement has been established with the fraud expert support office in the Welsh Government. The Assistant Director Inspection and Central Services' assurance reports provided confirmation to ARAC that no instances of fraud or suspected fraud had arisen during the year.

7 Additional matters

- 7.1 During the year the Committee has received information and reviewed the following matters:
- Details of all waivers and departures
 - Consultancy costs annual report
 - AW return – Audit enquiries to those charged with Governance and Management
 - Various papers and updates provided by RSM, TIAA and AW

8 Conclusion

- 8.1 The Committee has operated to a high standard during the year and has received appropriate, regular and timely information about the production of Estyn's resource accounts and in particular about Estyn's control environment. **The Committee remains satisfied that when completing the Governance Statement the Accounting Officer can be substantially assured that Estyn's control, risk and governance position in 2022-2023 was sound.**

9 Acknowledgements

- 9.1 I am grateful to all those attending the Committee for their work and contribution during the year. The work of Estyn staff has been central to the committee's work and their contributions are valued. I am also grateful to Gareth Lucey from Audit

Wales, David Broughton from RSM and Helen Cargill from TIAA for their support and advice during the year.

Emyr Roberts
Chair of the Estyn Audit and Risk Assurance Committee
July 2023