



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

Annual Report of Estyn's Audit and Risk Assurance Committee

2023-2024

This document 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 2023 to 31st March 2024. 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 2023-2024 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 2023-2024.

2 The Committee during 2023-2024

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

Emyr Roberts	Non-Executive Director
David Jones	Non-Executive Director
Maria Rimmer	Non-Executive Director
Brett Pugh	Non-Executive Director
Charlotte Williams	Non-Executive Director

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 2023-2024, Audit Wales (AW) continued to provide external audit service. TIAA provided the internal audit across the year.
- 2.3 As planned, the Committee met on 9 May 2023, 10 July 2023, 4 September 2023, 14 November 2023 and 27 February 2024, one more than in previous years due to the additional time requested by Audit Wales for the auditing of Estyn's accounts, necessitating an additional meeting in September. Three of the five meetings were fully attended by Estyn members, and the other two were each attended by four of the five non-executive directors. It is 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, with Michaela Benjamin (Estyn) taking the note at the September meeting. 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 Throughout the year, TIAA has been providing internal audit services, having had its contract extended for one year as from 31 May 2023. The committee has noted some delays in the finalisation of audit reports following completion of the site work – this was discussed at the February 2023 meeting and actions were put in place to ensure more timely and coordinated processes for moving audit reports through the finalisation process. This has meant that the majority of finalised reports for 2023-2024 were reviewed by ARAC at the May 2024 meeting. Reports have helped in improving risk identification and management processes. The contract with TIAA has been extended for a further year, as from 31 May 2024. TIAA's audit plan for 2024-2025 was not finalised until 21 May 2024 – the committee has requested that in future years this be signed off prior to 31 March 2024, with the scheduling of the Spring meeting to be closer to the end of March in order to facilitate this.
- 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 (TIAA).

Reports	Assurance rating	Number of recommendations (priority rating)
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)
Sustainability and Environmental Reporting	Substantial	No recommendations
Absence Management	Substantial	4 (3 routine, 1 operational)
Inspecting for the Future	Substantial	2 (Routine)
Programme management – thematic reviews	Reasonable	6 (2 important, 3 routine, 1 operational)
Key financial controls	Reasonable	3 (1 important, 2 routine)
Staff wellbeing	Rescheduled for 2024-2025	

* Audit work undertaken in 2022-2023 and reported in 2023-2024

- 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. The Internal Auditors 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. During this year the committee recommended the tightening of Estyn's activities in this area, with more clarity in the presentation of tracking information and more accuracy in the co-ordination of completion dates for actions. As progress in implementing the actions relating to the business continuity and workforce planning audits was slower than originally anticipated, assurance was provided to ARAC members through update reports explaining the interconnections between those recommendations regarding the implementation of a new planning system, with further updates provided at each ARAC meeting.
- 3.1.5 Helen Cargill remained as the Head of Internal Audit for the whole of the 2023-2024 financial year. 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 2024 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 2023 meeting for the auditing of the 2022-2023 Estyn Annual Report and Accounts. This document clarified the relative responsibilities of Estyn and AW.
- 3.2.2 The Audit work for 2022-2023 accounts was reviewed in the September 2023 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 2022-2023 accounts. AW indicated that there were no conflicts of interest on their part.
- 3.2.3 AW did identify numerous errors in the casting of the draft accounts, and in the disclosure of comparative figures from 2021-2022, recommending that Estyn carry out a high quality review before submitting the draft accounts in future years. This, it was noted, should reduce the number of similar errors arising in future sets of draft accounts submitted for audit, which in turn should reduce the level of audit work required. Estyn agreed to implement this recommendation with immediate effect.

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. 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 the Terms of Reference
 - annual meeting with the Internal and External Auditors
- 5.2 In the spring of 2024 a self-evaluation exercise took place regarding the effectiveness of the committee and its arrangements – with the results considered in a separate meeting held by the non-executive directors with Michaela Benjamin present to take note of recommendations. There was overall satisfaction with the arrangements, although the importance of greater timeliness for the submission of audit plans and reports was emphasised. It was also suggested that Estyn make arrangements for briefing sessions for the members on the subjects of whistleblowing procedures, and on the technicalities in relation to the auditing of accounts. Estyn has taken steps to address these recommendations, by running a workshop on whistleblowing and by seeking the relevant expertise from Audit Wales to assist in finance training.

- 5.3 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.
- 5.4 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 2023-2024.
- 5.5 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. The register was reviewed during the meeting held on 10 July 2023.
- 5.6 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 Estyn has refined its approach to risk management this year. The Committee is 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 notes the work that was undertaken this year by Estyn to review and refine the strategic risk register, migrating away from the previous corporate risk register and reassigning and re-classifying risks.
- 6.3 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
 - Legal and consultancy fees
 - AW return – Audit enquiries to those charged with Governance and Management
 - Various papers and updates provided by TIAA and AW

8 Conclusion

- 8.1 The Committee has operated to an acceptable 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 2023-2024 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 and Helen Cargill from TIAA for their support and advice during the year.

Emyr Roberts
Chair of the Estyn Audit and Risk Assurance Committee
September 2024