

Annual Report of Estyn's Audit and Risk Assurance Committee

2024-2025

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 2024 to 31st March 2025. 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 2024-2025 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 2024-2025.

2 The Committee during 2024-2025

- 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 – up to 30 September 2024
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 2024-2025, 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 21 May 2024, 17 September 2024, 2 December 2024 and 11 February 2025, with the usual July meeting moved to September at the request of Audit Wales, to allow sufficient time for the auditing of Estyn's accounts. Three of the four meetings were fully attended by Estyn members, and the other one was attended by four of the then 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 2024-2025.
- 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 operated 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 a period up to 31 May 2026. After observations made in 2023-2024, the committee has noted an improvement in the timeliness of delivery of audit reports following completion of the site work, enabling the majority of reports to be presented to ARAC before the end of 31 March 2025, with the internal audit annual report subsequently presented at the May 2025 meeting. Reports have helped in improving risk identification and management processes. Again following late delivery in 2023-2024, this year there was an improvement in finalising the annual plan for 2025-2026, successfully signed off in March 2025.

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)
Strategic planning	Substantial	4 (2 routine, 2 operational)
Risk management	Substantial	1 (routine)
Payroll	Substantial	1 (routine)
Staff wellbeing	Substantial	6 (5 routine, 1 operational)
Information governance	Substantial	1 (routine)
Complaints management	Substantial	None
Post-implementation of Inspection 2024	Substantial	None
Quality assurance of inspection	Substantial	4 (3 routine, 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. 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 noted an improvement 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 – though noting room for further improvement and recommending the incorporation of information on the implications of missing target dates. As progress in implementing the actions relating to the business continuity and workforce planning audits have been slower than originally anticipated, assurance continues to be provided at each meeting to ARAC members through update reports explaining progress in these areas.

3.1.5 The Head of Internal Audit changed twice in 2024-2025, with Helen Cargill handing the role to Jonathan Maddock in April 2024, and then Elan Parry taking on the role from September 2024. 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 2025 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 2024 meeting for the auditing of the 2023-2024 Estyn Annual Report and Accounts. This document clarified the relative responsibilities of Estyn and AW.

3.2.2 The Audit work for 2023-2024 accounts was reviewed in the September 2024 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 2023-2024 accounts. AW indicated that there were no conflicts of interest on their part.

3.2.3 AW noted an improvement in the quality of the draft accounts in 2024-2025, with fewer audit corrections arising. A detailed quality review of the draft accounts had been performed prior to the audit which appeared to have contributed to this improvement. The audit did however note numerous corrections to the Remuneration and Staff Report, and recommended that extending the quality review process to the Report should reduce the number of issues arising in this area, which should in turn reduce the level of audit work. In addition, AW identified numerous invoices received by Estyn over 12 months ago that remained unpaid, and on further investigation should have been written-off. Also noted was the absence of a comprehensive disaster recovery plan, which is in the process of being developed for implementation by Autumn 2025.

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 2025 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 Robert Gairey present to take note of recommendations. There was overall satisfaction with the arrangements, although the quality of finance and budget update papers was raised as an issue, as well as the importance of financial sector experience amongst the committee membership. It was also advised that the self-evaluation exercise itself be simplified for 2026, and Robert Gairey has provided a shorter form for use in future by both ARAC and Strategy Board membership.
- 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 by the Committee, with updates carried forward by Robert Gairey for update on Estyn's website, and the Committee's Terms of Reference also 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 2024-2025.
- 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 With Estyn having refined its approach to risk management in 2023-2024, 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. During the year it was recommended that a cover sheet be presented alongside the register itself to outline any changes or issues of note. This is now in use and presented at each ARAC meeting. 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
 - 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 2024-2025 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, Hannah Gilpin and Lucy Evans from Audit Wales and Jonathan Maddock and Elan Parry from TIAA for their support and advice during the year.

Emyr Roberts

Chair of the Estyn Audit and Risk Assurance Committee

July 2025