



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

2019-2020



1 Purpose

- 1.1 This report summarises the main work of the Estyn Audit and Risk Assurance Committee during the period 1st April 2019 to 31st March 2020. 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 2019-2020 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 2019-2020.

2 The Committee during 2019-2020

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

Judith Fabian	Non-Executive Director
Arwel Thomas	Non-Executive Director (Chair)
Ronnie Alexander	Non-Executive Director

Estyn management attendees included:

Meilyr Rowlands	HMCI, Estyn
Jassa Scott	Strategic Director, Estyn
Phil Sweeney	Corporate Services Director, Estyn
Claire Morgan	Strategic Director. 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).

- 2.2 During 2019-2020, Audit Wales (AW) continued to provide External Audit service and RSM provided Internal Audit service.
- 2.3 As planned, the Committee met on 13 May 2019, 3 July 2019, 6 November 2019 and 28 January 2020 and with the exception of one apology from a management attendee, these meetings were fully attended by those listed above. 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 2019-2020.
- 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 and other Estyn staff attended some meetings as observers.

- 2.5 The standard of the reports, management response, tracking of recommendations and the contribution of all Committee members were constantly noted. 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. Laptops have been available for all members in the meetings. Those present evaluated all meetings and generally the response was positive. Such end of meetings feedback, a feature of all Estyn Governance meetings, enable all present to express their views and result in quality improvements.

3 Control environment

3.1 Internal Audit

- 3.1.1 Following a formal procurement exercise the contract for the provision of internal audit services was re-awarded to RSM in May 2019 for an initial period of one-year with provision for extension for up to two more years subject to performance reviews. In awarding the contract a new approach to audit work, based on jointly-working to produce assurance maps for specific Estyn activities, was agreed between Estyn and RSM. These assurance reports have helped to further embed good practices for risk identification and management processes.
- 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 Auditor (RSM).

Reports	Assurance rating	Number of recommendations (priority rating)
1 Travel and subsistence	Substantial	1 (Low)
2 Assurance mapping – Inspection co-ordinators	Advisory	
3 Spot checks and recommendation tracking	N/A	
4 Assurance mapping – planning and deployment *	Advisory	
5 Assets and inventory *	Substantial	2 (low)
6 Key financial controls *	Substantial	5 (low)

* Audits completed in 2019-20 – reports reviewed at May 2020 ARAC meeting.

- 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. With this in mind it is pleasing to report that RSM have not found it necessary to make any high level recommendations. RSM have commented that they are satisfied with management's responses to these recommendations and accept that in some cases there is a balance to be achieved between reducing risk and implementing costly control procedures.

- 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. It is pleasing to note that RSM reported a high level of compliance praising Estyn for the levels of implementation of previous recommendations. As a Committee we are also grateful to RSM for providing updated recommendations in some areas that reflect either changes in procedures or practices. This approach complements the other core systems reviews and provides a fresh perspective to the audit process.
- 3.1.5 During the year, there was a change in the Head of Internal Audit with Alistair Campbell leaving RSM and his role being taken over by Louise Tweedie. The Head of Internal Audit's assurance statement for 2019-2020 concludes that **'The organisation has an adequate and effective framework for risk management, governance and internal control'**. RSM 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.

3.2 External Audit

- 3.2.1 Audit Wales (AW) presented the Audit Deliverables document in the May 2019 meeting for the auditing of the 2018-2019 Estyn Annual Report and Accounts. This document clarified the relative responsibilities of Estyn and AW.
- 3.2.2 The Audit work for 2018-2019 accounts was reviewed in the July 2019 meeting of the Audit and Risk Assurance Committee. AW indicated, within the ISA 260 report to those charged with governance, that they intended to **issue an unqualified audit opinion** and were satisfied for HMCI as Accounting Officer to sign off the 2018-2019 accounts. AW indicated that there were no conflicts of interest on their part. They also noted that the **accounts had been delivered to deadline and to quality standards, and the audit did not identify any material weaknesses in internal controls**.
- 3.2.3 AW deemed that matters arising from the audit of the accounts were relatively minor and therefore drew attention to these in post-audit discussions with the Finance team rather than issuing a formal Management Letter. The **financial statements** were given an **unqualified opinion** and following signing by the Auditor General were **laid before the National Assembly for Wales in July 2019**.

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 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
 - 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
 - discussion following Chairs of Audit and Risk Committee of Welsh Government Sponsored Bodies (WGSB) meetings
- 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 frequently under review at the Strategy Board and the Committee's Terms of Reference updated as appropriate.
- 5.3 The Corporate Services Director's '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 2019-2020.
- 5.4 In May 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 As in previous years the Committee has applied high governance standards, which have been commented on by members and attendees through a questionnaire. The questionnaire was used to complete the NAO toolkit to assess the Committee's effectiveness. Completion of the NAO's toolkit enabled the members to conclude that the Committee operated effectively and could demonstrate sound practice. Completion of the toolkit resulted in a number of actions designed to build upon the Committee's existing practices. These include:-
- Establishing a programme of regular (annual) meetings with the Welsh Government Accounting Officer's representative
 - Inviting external experts on topics such as cyber-security and counter fraud to address the Committee
 - Further extending the content of the Corporate Services Directors quarterly assurance statements
- 5.6 Members felt that the 'improvement' culture in the organisation continued to be reflected in all that came before the Committee. The Committee strives to continuously improve and thus it is grateful to all that contribute to its work in such a positive manner.
- 5.7 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 Corporate Services Director 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 Estyn 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 Corporate Services Director's 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
 - AW review of Central Government Bodies' Financial Statements 2016-2017
 - Various papers and updates provided by RSM 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 2019-2020 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 Phil Sweeney and Robert Gairey, supported by other

staff, has been central to the committee's work and their contributions valued. I am also grateful to Terry Lewis and Amanda Hughes from Audit Wales and Alastair Cambell and Louise Tweedie from RSM for their support and advice during the year.

Arwel Thomas
Chair of the Estyn Audit and Risk Assurance Committee
May 2020