

Audit & Risk Assurance Committee's Annual Review 2022-2023

1. Background

- 1.1 This paper reviews the performance of the Audit & Risk Assurance Committee (ARAC) for 2022-2023. Key points from this Review are included within the Public Services Ombudsman for Wales Annual Report & Accounts for the 2022-2023 year.
- 1.2 The primary role of the Committee is to provide independent support to the Public Services Ombudsman for Wales on assurance matters and to assist the Ombudsman to discharge the responsibilities of Accounting Officer. During the year the Committee has reviewed and monitored the strategic processes for risk, control and governance and has received and considered the results of internal and external audits. The Committee played a key role in defining aspects of the audit work and monitoring the management response to the issues raised.

2. Terms of Reference

- 2.1 During the year, the Ombudsman undertook a review of governance arrangements including the Terms of Reference of the ARAC. Proposed changes from this review were considered and agreed by Management Team and by the Committee in July 2022. The term of office for independent members was three years with an option to extend for one further year. Following the review, the period allowed for extension was increased to three years. In addition, the role of Vice Chair was established, and it was also agreed that the Chair of the Advisory Panel would be a member of the Committee. These changes are intended to strengthen scrutiny and governance and to increase continuity. The revised Terms of Reference are attached at Appendix A.

3. Membership

- 3.1 Membership comprises a minimum of four and a maximum of eight independent external members. Recruitment was undertaken in November 2022 as some members reached the end of their terms of office in 2021 and 2022, and an additional member was appointed to the ARAC from January 2023. The membership of the Committee during 2022-2023 was:

- Mr Ian Williams (Chair).
- Mr Trevor Coxon (until April 2022)
- Mr John McSherry
- Mr Mike Usher
- Mrs Joanest Varney-Jackson
- Jane Martin (from October 2022)
- Mr Dave Tosh (from January 2023)

Ian Williams held the position of Chair throughout the year and Mike Usher was appointed Vice-Chair from October 2022.

3.2 **ARAC Member Attendance:** Attendance of members for the year was as follows:

Committee Member	Maximum number of attendances possible	Actual number of attendances	% attended
Ian Williams (Chair)	4	4	100
Trevor Coxon	1	1	100
John McSherry	4	4	100
Mike Usher	4	4	100
Joanest Varney-Jackson	4	3	75
Jane Martin	2	1	50
Dave Tosh	1	1	100

3.3 **Other Attendance:** The Ombudsman attends ARAC Meetings and the Chief Operating Officer acts as Secretary to the Committee. The meetings were also regularly attended by external auditors (Audit Wales), internal auditors (TIAA), appropriate members of the PSOW's Management Team and, as appropriate, other PSOW staff.

3.4 **Conflicts of interest:** Each member of the Committee completes an annual declaration of interests which is published on the PSOW website. In addition, the first agenda item for any ARAC meeting allows for the declaration of any interest that is specific to the agenda items for that meeting.

3.5 **Appointment period:** All appointments of Committee members are for a fixed term of three years. As indicated above, the Ombudsman has the option to extend this for three further years. Appointments are covered by letters of appointment.

4. Training

4.1 Members of the Committee are invited to assess their training needs annually, and these assessments feed into the development of training plans for the year. Members took part in a Cyber Security workshop in October 2022 which included presentations from the Welsh Language Commissioner's office and Audit Wales.

4.2 Members also attended a training session (February 2023) which included presentations from staff across the office on their areas of work.

4.3 For the 2023/24 year, members identified that training in the following areas would be beneficial:

- the finances of the office and the financial regime the office works within;
- risk management; and
- greater knowledge and understanding of the workings of the organisation.

These will be included in the training plan for the year.

5. Meetings and Committee Business

- 5.1 A draft agenda is shared with all members, giving them the opportunity to suggest additions or changes. The Chair reviews both the agenda and the supporting papers to be discussed, prior to their despatch to Committee members and attendees.
- 5.2 The Committee sets for itself and follows an annual work programme. This workplan, together with added comments on the achievement of the workplan, can be found at Appendix B. There were four meetings of the Committee during the year. At each meeting the Committee considered a number of standing agenda items.
- 5.3 Standing agenda items included reports relating to declarations of any fraud or losses, including any identified data losses. In relation to data losses, to ensure clarity in reporting, the PSOW provides the Committee with a table listing the incident type and date and the outcome of the PSOW's investigation, including referral to the Information Commissioner where appropriate. The PSOW followed its Data Incident and Notification Process during the year, identifying and carrying out necessary further steps to correct any failings in processes or systems. No referrals to the Information Commissioner were required during the year.
- 5.4 Each meeting of the Committee considered a report on the greatest identified risks. The Committee explored and challenged the reported risks to satisfy itself that all key risks have been identified. Risk management and risk mitigation measures were also considered. The Committee agreed that, from April 2022, it would consider one risk in more detail at alternate meetings. During the year the Committee undertook detailed consideration of the risks linked to increasing numbers of complaints made to the Ombudsman and cyber security risks.
- 5.5 At each meeting, the Committee considered the latest (quarterly) Financial Monitoring report presented to Management Team. This is intended to provide the Committee with assurance that there is a regular scrutiny of the financial position within the office, and that financial risks and issues have been taken into account in financial management. In addition, the Committee considered the nine-month accounts and the draft annual accounts and auditor's report, advising the Ombudsman prior to the signing of the accounts.
- 5.6 The Committee also received reports on a number of other appropriate matters within its terms of reference. These included: a review of the Whistleblowing Policy; updates on major IT developments; and relevant financial and corporate governance matters. The Committee considered the PSOW annual review of the Cabinet Office Counter-Fraud Framework and of the organisation's anti-fraud policy to satisfy itself that appropriate arrangements are in place.
- 5.7 The Committee provided advice to the Ombudsman to ensure that the 2022-2023 Annual Governance Statement included appropriate information and complied with best practice.
- 5.8 The proposed 2023-2024 Work Programme for the ARAC is attached for information at Appendix C, and key future considerations are shown in section 6 below.

6. Future considerations

- 6.1 In looking forward to the 2023-2024 year the Committee will undertake its work in accordance with the Work Programme at Appendix C. Cyber security will remain a

priority, and the Committee will continue to undertake in-depth considerations selected key risks.

- 6.2 Feedback from surveys and reviews with independent members of the Committee has suggested that work is done on assurance mapping and on reviewing anti-fraud and corruption arrangements. These areas will be addressed in the Committee's work during the 2023/24 year.

7. Internal and External Audit

- 7.1 TIAA provided internal audit services to the PSOW during the 2022-2023 year. The internal audit work undertaken during the year followed the Audit Strategy and Annual Plan presented and agreed by the Committee in April 2022.

- 7.2 The following audits were carried out and overall assessments were as follows:

Risk Management – Mitigating Controls	SUBSTANTIAL assurance
Information Security - GDPR	SUBSTANTIAL assurance
Equality, Diversity and Inclusion	SUBSTANTIAL assurance
New/Proactive Powers	SUBSTANTIAL assurance
Staff Performance Management	SUBSTANTIAL assurance
Key Financial Controls	SUBSTANTIAL assurance
Follow Up on previous recommendations	(Assurance level not applicable)

TIAA's audit work found that the organisation has effective risk management, control and governance processes in place. Recommendations for improvement were made where necessary.

- 7.3 The Committee was pleased to note that in all cases the level of assurance given was '**Substantial**', the highest assurance level, and that the Follow Up review of previous recommendations found that they had all been implemented.

- 7.4 The internal auditors' Annual Report for 2022-2023 stated: 'TIAA is satisfied that, for the areas reviewed during the year, the Public Services Ombudsman for Wales has reasonable and effective risk management, control and governance processes in place.' This conclusion provides assurance that the arrangements in place are reducing and managing the office's exposure to risk.

- 7.5 The role of external audit, as required by the Public Services Ombudsman (Wales) Act 2019, must be undertaken on behalf of the Auditor General for Wales. That work was carried out during the year by Audit Wales. The Committee considered the accounts element of the PSOW Annual Report & Accounts for 2021-2022, together with the Audit of Financial Statements Report and Management Letter. An unqualified opinion was given on the Accounts for 2021-2022 on 20 July 2022.

- 7.6 The Committee considered and agreed the draft Governance Statement of the office for 2022-2023.

- 7.7 Both Internal and External Auditors have the right, if considered appropriate, to raise any matter through an open access policy to the Chair and, through that right, to bring any matter to the attention of the Committee. The Committee, by reviewing the programmes of both the External and the Internal Auditors, ensured that they were co-operating effectively with each other. The quality of the audit work and that of the

Committee has been evaluated during the year through consideration of the audit reports and recommendations and through dialogue at meetings between Committee Members and the Auditors.

- 7.8 To ensure that appropriate matters can be raised in confidence, a short meeting between the External and Internal Auditors and all Independent Members of the ARAC is held prior to each ARAC meeting. In addition, the Chair of the Committee holds an annual meeting with representatives of the External and Internal Auditors. This meeting was held on 27 March 2023.

8. Monitoring Processes

- 8.1 At each meeting during 2022-2023 the Committee received a report on progress made on implementation of External and Internal Audit recommendations. The Committee was satisfied that all recommendations made had been implemented or would be completed within agreed timescales.

9. Annual Review

- 9.1 This report provides an opportunity to review the operation of the Committee to ensure that it continues to comply with the Good Practice Principles set out in the HM Treasury's Audit and Risk Assurance Committee Handbook. There are four key assessment exercises that feed into this review. These are:

- a self-assessment exercise undertaken by all Committee members;
- the completion of a tailored version of the National Audit Office's 'Audit and Risk Assurance Committee Effectiveness Checklist' by each Committee member;
- an assessment, by internal and external audit representatives, members of the Committee and members of PSOW staff who regularly attend the Committee, of the performance and contribution of the Committee; and
- one-to-one reviews and discussion involving Committee members and the Committee Chair.

Comments from these exercises have been taken into account in undertaking this Annual Review.

- 9.2 In the self-assessment exercise, all Committee Members commented positively on the following areas:
- Performance against Objectives
 - Achievements & Personal Effectiveness
 - Working Relationships
 - Assessment of Committee Performance
- 9.3 Responses indicated that members of the Committee generally considered that the Committee benefited from a good range of experience and knowledge across its membership. Some noted that turnover of members resulted in both the addition of new skills and experience and the loss of input from members reaching the end of their terms of office. Members commented that the Ombudsman and staff engaged with and responded positively to the Committee.
- 9.4 All members of the Committee completed the tailored National Audit Office's checklist questionnaire. Members generally responded affirmatively to the questions asked. Some commented on continuity of internal audit input, as there had been a number

of different attendees during the year, but members welcomed the internal auditors' commitment to secure greater continuity of internal audit representation.

- 9.5 In the third of the assessment exercises mentioned above, internal and external audit representatives and members of PSOW staff who regularly attend ARAC meetings were asked to complete a survey and respond to questions on the performance and contribution of the Committee. Questions covered communication between the ARAC and the organisation, the effectiveness of meetings, how the meetings have been chaired, the knowledge and experience within the Committee, openness & trust, and whether the Committee provides constructive challenge. All responses were positive or very positive about the operation and contribution of the Committee across all these areas.
- 9.6 Finally, the Ombudsman meets with the Chair to discuss and review the work of the ARAC through the year and completes an annual discussion and review. There are one-to-one annual discussions involving the Chair and individual Committee members to provide feedback on the activities of the Committee and the conduct of meetings. The feedback and comments were generally very positive, but also identified areas for further training and areas for future committee consideration, as mentioned in paragraph 6.2 above.

10. Overall Assessment

- 10.1 In developing this Review, the Committee has been satisfied that it has received the comprehensive assurances it requires to meet its needs and that the information it has received during the year has been reliable and sufficient to carry out its responsibilities. It has also been satisfied that those assurances have demonstrated satisfactory overall internal control environment, financial reporting, management of risk and of the quality of both the Internal and External Audit work undertaken. In undertaking its role, the Committee has been assured by the engagement it has had with the Ombudsman and her staff, who have been open to scrutiny and challenge in the discharge of their duties.
- 10.2 The Committee also considers that it has been able to undertake its role in an effective manner because of the availability of information from those working within the office of the Ombudsman and from the work undertaken by both the internal and external auditors. The nature and presentation of that information has allowed for a supportive and challenging exchange of views and advice which has allowed the Committee to support the Ombudsman.
- 10.3 Therefore, the Committee has been able to provide assurances to effectively support the Public Services Ombudsman for Wales to comply with her Accounting Officer responsibilities. In doing so the Committee is confident that its role has been undertaken robustly and professionally in providing that assurance, drawing on the expertise and wide experience of Committee members.
- 10.4 In undertaking its annual review of its own performance, the Chair of the Audit & Risk Assurance Committee has challenged individual members to evaluate their own performance and contribution. He considers that the Committee has operated effectively and in line with good practice.

11. Acknowledgements

11.1 The Chair is grateful to the Independent Members of the Committee, Trevor Coxon, Mike Usher, John McSherry, Joanest Varney-Jackson, Jane Martin and Dave Tosh for their work, contributions, assistance and support. The Chair is grateful to Clare James and Jeremy Saunders from Audit Wales and Helen Cargill and her team at TIAA for their support and advice during the year. Likewise, he would like to thank the Ombudsman, the Committee secretariat, and members of the PSOW's Management Team and staff for their contributions throughout the year.

Appendix A - Terms of Reference of the Audit & Risk Assurance Committee Appendix B - Work Programme 2022-2023 Appendix C - Work Programme 2023-2024

Audit & Risk Assurance Committee - Terms of Reference

Status of the Committee

The Ombudsman has established an Audit & Risk Assurance Committee whose role is to support the Ombudsman in relation to responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

Membership

The members of the Audit & Risk Assurance Committee are:

- a minimum of four and a maximum of eight independent external members (who offer specific skills and experience sought by the Ombudsman and may include someone from another ombudsman office)
- up to two co-opted members.

The Chief Operating Officer & Director of Improvement will act as Secretary to the Committee. The Ombudsman, and other Management Team members as determined by the Ombudsman, will attend the Committee's meetings.

The term of office for Independent members will be three years. The Ombudsman has the option to extend this term for three further years.

The meetings will be Chaired by one of the independent external members. A Vice Chair will also be appointed. The Ombudsman will appoint independent members of the Committee to the position of Chair and Vice Chair on the recommendation of the Audit & Risk Assurance Committee. Should the Ombudsman decide not to follow the recommendation of the Audit & Risk Assurance Committee the Ombudsman's decision will be recorded in the minutes of the Audit & Risk Assurance Committee's meeting.

Role and responsibilities of the Committee

The Audit & Risk Assurance Committee will scrutinise and advise the Accounting Officer on:

- the strategic processes for risk, control and governance and the Annual Governance Statement;
- the draft Strategic and Business plans from a compliance, economy, efficiency and effectiveness basis in recognition of the requirement with the annual audit to account for the use of funds;
- the accounting policies, the accounts, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;

- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- Business continuity arrangements;
- Health & Safety arrangements;
- the Audit & Risk Assurance Committee will also periodically review its own effectiveness.

Rights

The Ombudsman and Audit & Risk Assurance Committee may:

- co-opt members for a period of time (not exceeding a year) to provide specialist skills, knowledge and experience which the Committee needs at a particular time;;
- seek specialist ad-hoc advice subject to being within budget.

Access

- The representative of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit & Risk Assurance Committee.

Meetings

- The Audit & Risk Assurance Committee will meet at least four times a year. The Chair of the Audit & Risk Assurance Committee or the Ombudsman may convene additional meetings, as they deem necessary.
- A minimum of three independent members of the Audit & Risk Assurance Committee will be present for the meeting to be deemed quorate.
- In the event of the Chair of the Audit & Risk Assurance Committee being unable to attend a meeting, the Vice Chair will take the chair or if they are also unable to attend another independent member will take the chair.
- Audit & Risk Assurance Committee meetings will normally be attended by the Ombudsman; Chief Operating Officer & Director of Improvement; Chief Legal Adviser & Director of Investigations; IT Manager; the Financial Accountant; representatives from Internal Audit; and representatives of External Audit.
- The Audit & Risk Assurance Committee may ask any other officials of the office to attend to assist it with its discussions on any particular matter.
- The Audit & Risk Assurance Committee may invite other persons or bodies to attend meetings to provide professional advice or information on any matters that the Committee deems relevant to the proper discharge of its functions.
- The Audit & Risk Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

Declaration of Members Interests

Members are required to declare any personal interests in accordance with the PSOW's Policy on [Declaration of Interests](#) by Advisory Panel and Audit & Risk Assurance Committee members.

Information Requirements

For each meeting the Audit & Risk Assurance Committee will be provided with:

- a report summarising any significant changes to the organisation's Risk Register, together with a list of High and Medium risk items;
- a progress report from Internal Audit representative summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management response to audit recommendations;
 - changes to the Periodic Plan;
 - any resourcing issues affecting the delivery of Internal Audit objectives;
- a report or reports on any significant breaches of the organisation's control framework, frauds, losses, disposal of assets, write-offs, procurement outside of the normal arrangements and any other matters that the Committee ask to be reported to it at each of its meetings.

The External Audit representative will report as appropriate on any work done and emerging findings.

As and when appropriate the Committee will also be provided with:

- the Internal Audit Strategy;
- proposals for the Terms of Reference of Internal Audit;
- a copy of all internal audit reports issued;
- Internal Audit's Annual Opinion and Report;
- any quality assurance reports on the Internal and External Audit functions;
- the draft accounts of the organisation;
- the draft Annual Governance Statement;
- a report on any changes to accounting policies;
- External Audit's ISA 260 report and associated management letter;
- an oral report on co-operation between Internal and External Audit;
- proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services;
- any changes to the risk management policy and strategy;
- any changes to anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- proposals for any significant changes to any elements of the control framework.

Reporting

- Each Audit & Risk Assurance Committee meeting shall be recorded in minutes that will be approved at the next meeting.
- The Audit & Risk Assurance Committee will provide the Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has done during the year.

- Note: For the avoidance of any doubt and in accordance with these Terms of Reference neither the Audit & Risk Assurance Committee nor any individual members have any role or remit in relation to casework decisions made by the PSOW and have an advisory-only role in operational matters.

Approved by Management Team on 12 July 2022
Ratified by the Audit & Risk Assurance Committee on 20 July 2022
Next Review: July 2023

**Public Services Ombudsman for Wales
Audit & Risk Assurance Committee (ARAC) Work Programme 2022-2023**

April 2022

Nine Month Accounts
Draft Governance Statement
External Audit – Summary of Audit Strategy 2022-2023
ARAC Annual Report
Financial Monitoring Report
Risk Register
Internal Audit – Annual Report 2021-2022
Internal Audit Annual Plan 2022-2023
Internal Audit Reports (if any)
Internal/External Audit Recommendations – Progress Report
Matters that require reporting to ARAC
ITC Projects

May 2022

Draft Annual Accounts 2021-2022 to be circulated to ARAC members

July 2022

Annual Accounts 2021-2022 (including Governance Statement)
Audit of Financial Statements Report and Management Letter
Financial Monitoring Report
Full Risk Register (including low risks)
Internal Audit Reports (if any)
Internal/External Audit Recommendations – Progress Report
Other matters that require reporting to ARAC
ITC Projects
Annual Whistleblowing Report

October 2022

Financial Monitoring Report
Annual review of Risk Management Policy
Risk Register
In-depth consideration of one key risk
Internal Audit Reports (if any)
Internal Audit – Report on progress against Audit Plan
Internal/External Audit Recommendations – Progress Report
Review Counter Fraud framework, anti-corruption arrangements and anti-fraud policy
Other matters that require reporting to ARAC
ITC Projects

January 2023

Financial Monitoring Report
Nine-month accounts
Risk Register
Internal Audit Reports (if any)
Internal Audit – Report on progress against Audit Plan
Internal/External Audit Recommendations – Progress Report
Review Terms of Reference and Work Programme
Other matters that require reporting to ARAC
ITC Projects

April 2023

Nine Month Accounts

Draft Governance Statement

External Audit – Summary of Audit Strategy 2023-2024

ARAC Annual Report

Financial Monitoring Report

Risk Register

In-depth consideration of one key risk

Internal Audit – Annual Report 2022-2023

Internal Audit Annual Plan 2023-2024

Internal Audit Reports (if any)

Internal/External Audit Recommendations – Progress Report

Other matters that require reporting to ARAC

ITC Projects

**Public Services Ombudsman for Wales
Audit & Risk Assurance Committee (ARAC) Work Programme 2023-2024**

April 2023

Draft Governance Statement
 External Audit – Summary of Audit Strategy 2023-2024
 Audit Enquiries to those charged with governance and management
 Financial Monitoring Report 2022-23
 Indicative outturn 2022-23
 Risk Register
 In-depth consideration of key risk
 Internal Audit Reports (if any)
 Internal Audit – Annual Report 2022-2023
 Internal/External Audit Recommendations – Progress Reports
 Internal Audit Annual Plan 2023-2024
 Information Governance Report
 Other Matters that require reporting to ARAC
 ARAC Effectiveness Review
 ARAC Annual Review

May / June 2023

Draft Annual Accounts 2022-2023 to be circulated to ARAC members

July 2023

Annual Accounts 2022-2023 (including Governance Statement)
 Audit of Financial Statements Report and Management Letter
 Financial Monitoring Report
 Risk Register
 Internal Audit Reports (if any)
 Internal/External Audit Recommendations – Progress Reports
 Information Governance Report
 Other matters that require reporting to ARAC
 Review of Whistleblowing Policy and Annual Whistleblowing Report
 Review ARAC Terms of Reference

October 2023

Financial Monitoring Report
 Annual review of Risk Management Policy
 Risk Register
 In-depth consideration of key risk
 Internal Audit Reports (if any)
 Internal Audit – Report on progress against Audit Plan
 Internal/External Audit Recommendations – Progress Reports
 Review Counter Fraud framework, anti-corruption arrangements and anti-fraud policy
 Information Governance Report
 Other matters that require reporting to ARAC
 Business Continuity annual review and update
 Audit Wales Update

January 2024

Financial Monitoring Report
Nine-month accounts
Risk Register
Internal Audit Reports (if any)
Internal Audit – Report on progress against Audit Plan
Internal/External Audit Recommendations – Progress Reports
Review of ARAC Work Programme
Information Governance Report
Other matters that require reporting to ARAC
Health & Safety annual update
Audit Wales Update

Work Programme 2024-2025

April 2024

Draft Governance Statement
External Audit – Summary of Audit Strategy 2024-2025
Audit Enquiries to those charged with governance and management
Indicative outturn 2023-24
ARAC Annual Report
Financial Monitoring Report 2023-24
Risk Register
In-depth consideration of key risk
Internal Audit Reports (if any)
Internal Audit – Annual Report 2023-2024
Internal Audit Annual Plan 2024-2025
Internal/External Audit Recommendations – Progress Reports
Information Governance Report
Other matters that require reporting to ARAC
ARAC Effectiveness Review
ARAC Annual Review

Note: October 2024 – Review of Financial & Procurement Policies