



Rhagoriaeth i bawb – Excellence for all

Arolygiaeth Ei Mawrhydi dros Addysg
a Hyfforddiant yng Nghymru

Her Majesty's Inspectorate
for Education and Training in Wales

Annual Report and Accounts ▪ 2008-2009



BUDDSODDWR MEWN POBL
INVESTOR IN PEOPLE





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Who we are...

Estyn is the Education and Training Inspectorate for Wales. Our mission is to achieve excellence for all in learning in Wales. We do this by providing an independent, high-quality inspection and advice service to the Welsh Assembly Government and the citizens of Wales.

We are independent from, but funded by, the Welsh Assembly Government (section 104 of the Government of Wales Act 1998).

As of 31 January 2009, Estyn employed 100 members of staff, of which 52 are HMI. In addition, we supplemented our internal inspection capacity by engaging 19 secondees during 2008-2009. We also procure and train additional inspectors, peer assessors and nominees who currently work in education and training, to work as part of inspection teams.

The majority of inspections of maintained schools are carried out by organisations and individual independent inspectors who are contracted

by Estyn. Some independent inspectors and additional inspectors also carry out aspects of survey work on behalf of Estyn.

Our main office is in Cardiff and we have another office in Mold, North Wales.

The word Estyn is a Welsh word and means 'to reach', 'to stretch' or 'to extend'.

What we do...

We have a wide range of statutory inspection and reporting responsibilities which include inspection of all publicly-funded education and training providers across Wales.

The majority of our inspections are risk based, allowing us to target more resources at those providers that require closer inspection, while reducing the need to inspect consistently good performers.

Self-evaluation, using Estyn guidance, is a key part of providers' quality assurance process which identifies their strengths and areas for development. Using the information from self-evaluation reports as a starting point, inspection teams feed back on the standards achieved by learners, the quality of the education or training provided and the quality of leadership and management.

The inspection process is carried out in partnership between Estyn and the provider with an overall focus on meeting the needs of learners and raising standards.

We also contribute to the development of education and lifelong learning policy in Wales through our inspection work and remit reports, providing high-quality advice on themes agreed with the Welsh Assembly Government. Estyn also plays an active role and participates in forums and policy working groups with key stakeholders and regularly hosts various conferences on areas of improvement.



In 2008-2009, Estyn is responsible for inspecting and reporting on the following:

- nursery schools and settings that are maintained by, or receive funding from, local authorities (LAs);
- primary schools;
- secondary schools;
- special schools;
- pupil referral units;
- independent schools;
- further education;
- adult community-based learning;
- youth support services;
- youth and community work training;
- local authority education services;
- teacher education and training;
- work-based learning;
- offender learning;
- careers companies; and
- the education, guidance and training elements of the Department for Work and Pensions funded training programmes.

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What is this report about?

Estyn's Annual Report and Accounts summarises our progress over the last twelve months as we work towards our long-term strategic priority, to raise standards and quality in education and training in Wales. Specifically, we report on progress against our four core purposes as set out in our Corporate Plan 2008-2011, as well as providing a full set of our accounts for the financial year 2008-2009.

For further information about Estyn please visit our website **www.estyn.gov.uk**

Foreword

Welcome to Estyn's Annual Report and Accounts detailing what we have achieved during 2008 to 2009.

It was an exciting and challenging year for Estyn and one in which we continued to successfully deliver an ambitious programme of core business to a high standard in a wide range of areas, whilst at the same time driving forward a major programme of development work as well as the design and implementation of the new inspection framework.

I believe it is a testament to the skills and commitment of all Estyn staff that we have successfully kept the 'show on the road', continuing to make our distinctive contribution to improving the education and training being delivered in Wales, whilst having made strong and decisive progress on our extensive agenda for changing the way we work in the future.

Central to carrying out our work and delivery of the new inspection framework has been ensuring that we engage effectively with learners, political and professional stakeholders and the general public to hear first hand what matters to them in the delivery of education

and training, and to discuss how they think inspection can drive improvement. Details of some of the conferences, workshops and forums which we organised over the last twelve months to promote such engagement have been outlined in this report.

Our own consultation on the future of inspection arrangements, known widely as the 'Estyn 2010' proposals, has coincided with a year in which broader national policy on inspection, audit and regulation has risen high up the political agenda in Wales. In November 2008, the Welsh Assembly Government launched a national consultation seeking public feedback on the role that inspection, audit and regulation play in delivering high quality services to the general public. The consultation statement brought together, for the first time, the Assembly Government's policy on the future role that inspection, audit and regulation should play in the government's commitment to accountable, citizen-focused public services and their continued improvement.

Throughout the year, we worked closely with the Assembly Government, ensuring that our '2010' proposals were entirely consistent with principles set out in the draft national policy statement, reinforcing our commitment to promoting improvement in public services in line with the *One Wales* agenda.

Looking forward I see an equally exciting and challenging year ahead. My annual summary of the findings from our inspection work, published in January 2009, sets out some key challenges for Welsh education and training providers, and we will be seeking to work closely with our policy and professional partners to ensure that these challenges are effectively addressed over the coming months. We will also be taking our proposals for changing the way we inspect through the detailed design of the new framework and piloting inspections ready for full implementation in September 2010.

I think the year's work recorded in this report has set us up well for addressing those challenges vigorously and with every expectation of success.

Dr Bill Maxwell

Dr Bill Maxwell
Her Majesty's Chief Inspector of
Education and Training in Wales



Section 1: A review against our corporate plan



Objective 1

Providing public accountability on the quality of education and training provision in Wales

What we said we would do...

What we've done...

1

Continue to develop the new inspection framework in consultation with the general public, stakeholders and the Welsh Assembly Government.

We developed a new inspection methodology and framework in consultation with staff, stakeholders and the general public through a series of workshops, forums and staff conferences. In addition, we launched a national three-month consultation in January 2009 asking for feedback from the general public and key stakeholders on the new inspection proposals.

2

Ensure the effective co-ordination of joint inspection of schools with residential provision by Estyn and Care and Social Services Inspectorate Wales.

We inspected five schools with residential provision in partnership with Care and Social Services Inspectorate Wales and held regular meetings with them and the Welsh Assembly Government to share information and discuss issues affecting inspection of schools with residential provision. Currently, we are reviewing protocol arrangements for joint inspections.

3

Take lead responsibility for inspection of independent colleges in Wales and continue to contribute to inspections of colleges in England where Welsh students are funded to attend.

We undertook two joint inspections of independent Welsh colleges which educate learners from England and Wales.



We developed our role as lead inspectorate for learning in Wales and continued to work in partnership with HMI Prisons Inspectorate on the inspection of education and training provision in prisons in both Wales and England (where there are a significant number of Welsh prisoners).

What we said we would do...

What we've done...

4

Develop our protocol arrangements with Ofsted to co-ordinate the inspection of work-based learning and Department of Work and Pensions providers and judicial services which operate across England and Wales.

We designed and piloted a new inspection model for Department of Work and Pensions (DWP), Provider led Pathways programmes in partnership with DWP and Ofsted.

5

Begin inspection of youth and community work training.

Planning for the inspection of youth and community worker training is underway in preparation for inspections starting in 2010. This is a new area of work for Estyn.

What we've also done...

- We reviewed our process for auditing school inspection contractors to ensure suitable arrangements are in place.
- We reviewed Children and Adolescent Mental Health Services and are currently waiting for feedback from the Wales Audit Office (WAO).
- In 2008, we completed the inspection cycle for the initial teacher training sector.
- In January 2009, we agreed and signed a new Memorandum of Understanding with Ofsted about our working arrangements.
- We continued to inspect prime contracts and will complete the cycle in June 2009.
- We continued to develop our work with the Care and Social Services Inspectorate Wales on the inspection of non-maintained early-years settings and at present we are updating our Memorandum of Understanding with Care and Social Services Inspectorate Wales (CSSIW) in relation to inspection of early-years settings.

Case study

Estyn 2010 consultation

In January 2009, Estyn launched a three-month consultation to seek the views of the general public and our stakeholders on proposed changes to the way education and training providers in Wales are inspected.

We worked closely with CRG Consultancy, who were responsible for undertaking the research and promoting the consultation throughout Wales.

A media campaign was designed and implemented in early January 2009, aimed at providing information about the consultation and encouraging members of the public to play their part in shaping the future of inspection.



The three-month campaign involved:

- radio interviews with Dr Bill Maxwell, HMCI, along with Managing HMI;
- interviews with key Welsh newspapers;
- an online marketing campaign incorporating the design and placement of bilingual banner adverts on key Welsh online media news sites;
- the design and distribution of A5 postcards to delegates and external stakeholders at various conferences: Estyn stakeholder conference; Quality Effectiveness Framework (QEF) Education conference; National Association of Head Teachers (NAHT) conference; Welsh Public Services in Perspective conference; and CYDAG; and
- placement of articles in key Welsh newspapers.

The success of this campaign is evidenced by the very high response rate to the consultation with over 280 responses received. The findings and feedback have been used to shape the development of the new framework.

Estyn's response to the consultation is published on our website along with the full CRG research report.

Estyn Inspections 2008-2009

Non-maintained nursery settings

100 planned 120¹ actual

Schools (primary and secondary schools)

322 planned 305² actual

Pupil referral units (PRUs)

2 planned 4 actual

Local authority education services (LAES)³

8 planned 8 actual

Post-16 providers

42 planned 45 actual

Total

480 planned 479 actual

¹ Increase in the number of actual inspections against planned inspections due to a rising number of registered nursery settings.

² Decrease in number of actual inspections against planned inspections as a result of a number of school closures and amalgamations during the year.

³ Includes three joint inspections of LAES and youth support services.



We have been involved in the development the self-audit tool from the outset and will inspect 22 Local Safeguarding Children Boards in the spring of 2010. In addition, over the last 12 months, we participated in the review of serious case procedures in partnership with Care and Social Services Inspectorate Wales and Health Inspectorate Wales.

Objective 2

Promoting improvement in the delivery of education and training in Wales

What we said we would do...

What we've done...

1

Work in partnership with the Department for Children, Education, Lifelong Learning and Skills to agree a more coherent approach to the presentation of standardised performance indicators across areas of education and training in Wales.

We are aligning with the Department for Children, Education, Lifelong Learning and Skills, the School Effectiveness Framework and the Quality and Effectiveness Framework to agree our use of common standardised performance indicators across education and training.

2

Take account of government reforms and support national frameworks promoting improvement in the delivery of our day-to-day activities and the development of the new inspection framework.

We have agreed a new direction for the alignment of the new inspection framework with the Welsh Assembly Government tri-level reform in order to promote improvement.

3

Organise and participate in training events, exhibitions and regional events sharing information and promoting best practice.

We hosted a series of forums and training events throughout Wales for staff and key stakeholders to discuss the new inspection framework as well as Estyn's work. We also participated in several national events and Dr Bill Maxwell, HMCI, was a key note speaker at a number of national and international conferences.

What we said we would do...

What we've done...

4

Collaborate with Care and Social Services Inspectorate Wales and other inspectorates to develop the self-audit tool to help monitor the work of Local Safeguarding Children Boards.

We have been involved in the development of the self-audit tool from the outset and will inspect 22 Local Safeguarding Children Boards in the spring of 2010. In addition, over the last 12 months, we participated in the review of serious case procedures in partnership with Care and Social Services Inspectorate Wales and Health Services Inspectorate Wales.

5

Continue to raise awareness of Estyn's work promoting best practice both nationally and internationally.

We organised two conferences for our key stakeholders on the findings from two remit reports: Improving Practice: Raising Standards of Literacy and 14-19 Learning Pathways - The Curriculum Challenge. In addition, we have continued to work closely with local, regional and national media to raise the profile of Estyn and its work both throughout Wales and the UK resulting in extensive coverage in key publications.

What we've also done...

- We continued to work in partnership with our key stakeholders and other inspectorates sharing information and developing multi-agency approaches to inspection.
- We continued to work with Wales Audit Office and Care and Social Services Inspectorate Wales on the implementation of the Wales Programme for Improvement and on early work over the Local Government Measure (Wales).

Case study

14-19 Conference

Estyn is committed to developing new ways to share information and promote best practice with our stakeholders.

In June 2008, we organised the 14-19 Learning Pathways - The Curriculum Challenge conference aimed at highlighting key findings from four specific remit reports, sharing best practice and identifying strategies for success.

The remit reports which were discussed included:

- Choice and flexibility for 14-19 learners, published on 18 March 2008;
- The Welsh Baccalaureate in key stage 4, published on 21 May 2008;
- Welsh-medium and bilingual provision for 14-19 learners, published on 22 May 2008; and
- Science education for 14-19 learners, published on 28 May 2008.



The conference proved to be a success. We received positive feedback from delegates who were pleased at having the opportunity to discuss in detail findings from the reports, network with other colleagues and share information.

Comments, queries and complaints

As an organisation, we take all comments, queries and complaints seriously and will respond to all complaints fully, fairly and as quickly as possible. In 2008-2009, we dealt with seven complaints.

Estyn also has a statutory duty to respond to any Freedom of Information (FOI) and Data Protection Act (DPA) requests in a timely manner.

Response to complaints

Complaints satisfied with Estyn's response

Target **80%** Actual **100%**

Requests received under FOI Act

14 requests

Average time taken to complete each request

16 working days (Target 20 working days)

100% completed on time

Requests received under the DPA

116 requests ⁴

Average time taken to complete each request

7 calendar days (Target of 40 days)

100% completed on time

⁴ Requests include lesson observation forms that are issued under both the DPA and FOI Act. The target for completion of such requests is 20 working days (28 calendar days) in line with the target for responding to FOI requests.

Objective 3

Informing the development of national policy

	What we said we would do...	What we've done...
1	Ensure our work informs the Welsh Assembly Government and is aligned to and supports the aims of <i>The Learning Country</i> .	Our remit work will continue to inform Welsh Assembly Government policy-making and supports the aims of the Learning Country (a long term strategy that embodies the vision and action of the Welsh Assembly Government to transform education and lifelong learning in post-devolution Wales).
2	Implement new arrangements for inspecting and reporting on progress in implementing the Foundation Phase.	From September 2008, we formally implemented the new inspection arrangements for inspection of the Foundation Phase in non-maintained and maintained nursery settings.
3	Continue to play an active role in reference groups, strategic committees as well as Ministerial Advisory Panel to provide advice on the development of policy and regulation.	Our staff played a central role in over 35 working groups and committees throughout 2008-2009.

In response to the Minister's Remit, 2007-2008, we published on time 25 reports on the following topics:

May 2008

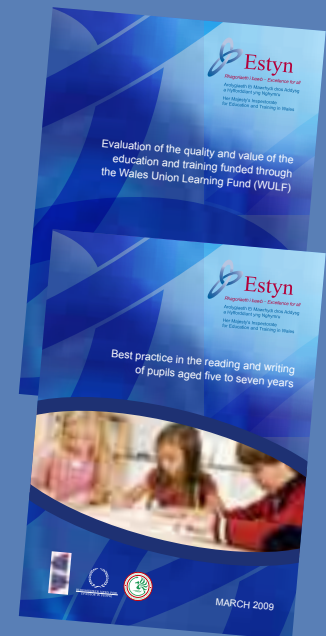
- Food and fitness in schools
- Best practice in the reading and writing of pupils aged 7 to 14 years
- Provision of community-focused services and facilities by schools
- Progress in implementing the Physical Education and School Sport Action Plan
- The Welsh Bacallaureate in key stage 4
- Welsh-medium and bilingual provision for 14-19 learners
- Science education for 14-19 learners

June 2008

- Effective strategies for learners to achieve key skills within qualification frameworks
- Impact of the Better Schools Fund on curriculum development
- Joining in (Review of the effectiveness and quality of provision to meet the needs of pupils with additional learning needs)
- The impact of transition plans
- Meeting the learning needs of children and young people who offend

July 2008

- English for Speakers of Other Languages: The impact of increased demand
- A report on the careers services in Wales - Supporting Learning Pathways
- The impact of RAISE
- Merging the boundaries in adult-community based learning





In May 2008, we reported on food and fitness in schools. Inspectors found that although schools have improved in supporting young people to be healthy and active, there are still a number of issues to address. In our report, we highlighted a number of recommendations for the Welsh Assembly Government, local authorities and schools.

What we said we would do...

What we've done...

4

Provide ongoing advice and support to the Welsh Assembly Government on the Foundation Phase, the 14-19 Learning Pathways initiative, the Welsh Baccalaureate qualification and the Skills and Employment strategy for Wales.

We have provided ongoing advice and support to the Welsh Assembly Government on the Foundation Phase, the 14-19 Learning Pathways initiative, the Welsh Baccalaureate qualification and the Skills and Employment strategy for Wales through specific publications, informal advice and membership of relevant committees.

5

Introduce new mechanisms to encourage feedback from the Welsh Assembly Government and education and training providers.

We have worked with the Department for Children, Education, Lifelong Learning and Skills to ensure that we receive effective feedback from the Welsh Assembly Government as well as education and training providers on our remit work. This response includes how the Welsh Assembly Government will act upon Estyn's recommendations.

6

Work to agree a more strategic annual remit of advice and survey work.

We agreed with the Department for Children, Education, Lifelong Learning and Skills that the annual remit and survey work will be more strategic and, in some cases, remit items may be delivered over a two or three year timescale.

What we've also done...

- We continued to work with the Department for Children, Education, Lifelong Learning and Skills and other partner organisations on developing legislation to support partnership working.

Inspections and inspection reports that met Estyn's quality standards

Contracted inspections & reports

Inspections

Target 96% Actual 100%

Reports

Target 96% Actual 98.5%

Estyn-led inspections & reports

Inspections

Target 98% Actual 100%

Inspections that were directly monitored⁵

Estyn-led

Target 25% Actual 32%

Contracted out: maintained schools and pupil referral units⁵

Target 25% Actual 25.5%

Contracted out: non-maintained nursery settings

Target 15% Actual 16.6%

⁵ The targets for inspections that were directly monitored were exceeded in the following three areas in response to requests from both contractors and local authorities about concerns in a number of education settings and it was also determined that there was a need to ensure that a number of politically sensitive inspections fully met Estyn's quality standards.

Objective 4

Developing Estyn as a 'best value' organisation and 'employer of choice'

What we said we would do...

What we've done...

1

Develop our staff and the organisation through the provision of continuous professional development and training.

We organised various training sessions, including the staff conference, for all staff to discuss the development and impact of the new inspection framework. In addition, we organised two training events, in partnership with Department for Children, Education, Lifelong Learning and Skills, for Registered Inspectors involving plenary and workshops sessions aimed at influencing national policy and providing an opportunity to discuss the School Effectiveness Framework and the National Curriculum revisions.

2

Improve our analytical capacity by recruiting specialist staff.

We recruited a statistician, on secondment from the Welsh Assembly Government, and worked closely with the Welsh Assembly Government Statistical Directorate on the delivery of two training sessions on presentation and analysis of statistical data for all Estyn staff.

3

Complete a review of our service level agreements.

We reviewed our service level agreements (SLAs) with the Welsh Assembly Government and agreed the SLA for statistical services with the Welsh Assembly Government's Statistical Directorate. The SLA for Human Resources is currently being finalised.

What we said we would do...

What we've done...

4

Strengthen relationships across directorates, with key stakeholders as well as with the Welsh Assembly Government.

We have strengthened relationships across directorates and with key stakeholders, through intensive consultation meetings with stakeholders and cross-directorate working groups on planning for inspection in the 2010-16 cycle. We held the first ever seminar with key staff from the Department for Children, Education, Lifelong Learning and Skills where the findings from HMCI's Annual Report were debated in the context of new education policy.

6

Continue to monitor and benchmark Estyn's performance against national standards.

We continued to build on the Corporate Health Standard Bronze Award which supports the health and wellbeing of Estyn staff and expanded our programme of annual health checks to include osteoporosis and prostate checks. In April 2008, we were reaccruited as an Investor in People (IIP) having being assessed against the new IIP profile. The IIP working group has also continued to work on recommendations identified in the IIP assessor report.

What we've also done...

- In January 2009, we implemented a new resource planning system which is currently being used to schedule our work programme and allocate resources to specific roles.
- We have developed a home-working and flexible working policy in consultation with unions and staff. Implementation will take place once the infrastructure to support home-working is firmly in place.
- In 2008, Estyn commissioned a report on facilities to enhance secure remote working facilities. The report proposed a number of solutions and recommendations, including implementation of home and mobile broadband for all HMI staff, which Estyn is taking forward in 2009.
- In May 2008, we introduced our third Race Equality Scheme having reviewed our progress to date and published the findings in a series of reports which were published internally and externally. In 2009, we will review our equality schemes in response to the proposed changes outlined in the new Equality Bill.



In 2008, we carried out an audit of internal communications and used the feedback and findings to develop an internal communications strategy. The strategy is currently being implemented and aims to improve communication throughout the organisation.

Case study

Staff conference

In 2008, we organised a two-day staff conference aimed at providing all staff with the opportunity to contribute to the development of the new inspection framework.

Staff discussed their ideas for the shape of the new framework, including the grading system, the level of risk, self-evaluation, inspection reports and who should inspect, as well as learner and customer satisfaction.

The conference proved a great success and, of the 73 completed evaluation forms, the majority of staff said that they found it useful and informative and felt that colleagues worked well together. Furthermore, 93% of staff felt that the conference had met its aims and objectives.



The outcomes from the staff conference were taken forward by working groups that were set up to discuss each issue in more detail. The recommendations from these groups formed the basis of the work for the initial stages of our 'Estyn 2010' project.

Estyn-led training - 2008-2009

Peer Assessors

600 attendees

Update training for Independent Inspectors

609 attendees

Initial training for Additional Inspectors

26 attendees

Update training for Foundation Phase Inspectors

76 attendees

Update training for Additional Inspectors

131 attendees

School Nominees

292 attendees

Update training for Registered Inspectors

122 attendees

Total

1,856 attendees

Notes to accompany the above table:

- Numbers for initial training for Additional Inspectors has almost halved in 2008-2009. This is partly due to a decrease in demand for Additional Inspectors coupled with fewer individuals passing the initial application stage.
- There were two training sessions held for Registered Inspectors which would account for the number of attendees.
- Numbers for update training of Independent Inspectors has increased. This maybe due to the fact that the update training is not a mandatory requirement and there has been better communication at Estyn Roadshows and increased awareness of 2010 changes.
- Initial training for Independent Inspectors (Module 1 or 2) has not been held since December 2007. The next planned training will be conversion training to meet requirements of 2010 changes.
- It is also important to note that an attendee may attend more than one training event.

Estyn Board members

During 2008-2009, the following persons were members of the Estyn board for the full year unless indicated otherwise.

Non-executive directors

Mrs Julie James

Former Director of Personnel, Monarch Airlines

Mr Jerry Shelton

Former Director of Reach Supported Living Ltd

Mr Andrew Bellamy

Former Chief Executive of Glan Y Mor NHS Trust/
Executive Director Swansea NHS Trust

Co-opted non-executive director

Mrs Penny Ryan

Former Principal of Coleg Gorseinon
(to 4 May 2008)

All current non-executive directors were appointed following a process of open competition.

Senior Officers

Dr Bill Maxwell

Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

Mr Simon Brown

Head of Directorate: Education Partnerships, Training and Inclusion
(Temporary from 16 September 2008)

Mrs Shan Howells

Head of Directorate: Organisation Policy, Planning and Development

Mrs Ann Keane

Head of Directorate: Education Providers

Ms Elaine Allison

Head of Directorate: Education Partnerships, Training and Inclusion (to 31 August 2008)

Estyn maintains a register of interest for Board members and a register of interest for all permanent employees, secondees and temporary staff. No member of the Board holds directorships or other significant interests which may conflict with their management responsibilities.



Remuneration

Details of the remuneration of Her Majesty's Chief Inspector of Education and Training in Wales and other senior officers of the Estyn Board are set out in the Remuneration report contained within Section 2 (Annual accounts 2008-2009).

Non-executive directors are not remunerated, but are entitled to claim an honorarium of £278 per Board Meeting and Audit Committee Meeting (£332 per meeting for Chair of Audit Committee) plus travel and subsistence claims. In 2008-2009, the total value of honorarium claims was £14,296 and a total amount of £1,603 was also claimed as reimbursement of travel and subsistence expenses.

Audit Committee

The Audit Committee comprising non-executive directors of Estyn's Board is chaired by one of the non-executive directors. Supporting the Accounting Officer in his responsibilities for issues of risk, control, governance and assurance, the Committee was attended fully at its four meetings during 2008-2009.

There were no significant events or issues of judgement or control that had to be considered by the Committee during the year.

Section 2: Annual Accounts 2008-09



Management commentary

Format of the accounts

These financial statements have been prepared under Schedule 6(5) of the Government of Wales Act 1998 in accordance with the Accounts direction issued by HM Treasury. A copy of that direction can be obtained from Estyn at Anchor Court, Keen Road, Cardiff CF24 5JW.

These accounts reflect the assets, liabilities and financial outturn of Estyn. It has no subsidiaries.

Background statutory information and funding

Estyn is the office of Her Majesty's Chief Inspector of Education and Training in Wales. It is a Crown body, established under the Education Act 1992. Estyn is independent of the National Assembly for Wales but receives its funding from the Welsh Assembly Government under Section 104 of the Government of Wales Act 1998.

Principal activities

Her Majesty's Chief Inspector of Education and Training in Wales has a wide range of statutory inspection responsibilities. These responsibilities are carried out through an annual inspection programme that generates reports and data on all sectors of education and training in Wales and is the dominant area of Estyn's activity in terms of the resources consumed.

In addition, Estyn undertakes a range of thematic reviews and investigations each year, agreed with the Welsh Assembly Government Ministers. These are designed to provide advice to inform the development, implementation and review of national policy. In some cases the Chief Inspector also initiates reviews and investigations at his own instigation.

Principal aim and operational objectives

In 2008-2009, Estyn's principal aim was to raise standards and quality in education and training in Wales, through:

- providing public accountability on the quality of education and training provision in Wales;
- promoting improvement in the delivery of education and training in Wales; and
- informing the development of national policy by Welsh Assembly Government Ministers and officials.

Estyn's operational objectives for 2008-2009 were met through two key activity programmes:

- Activity Programme One: the sectoral inspection programme of education providers.
- Activity Programme Two: thematic inspections and reviews.

Equal opportunities

It is Estyn's policy that all employees and job applicants should have equal opportunity for employment and advancement on the basis of their ability, qualifications and suitability for the work.

No job applicant or employee should receive less favourable treatment on grounds of race, colour, sex, sexual orientation, age, marital status, disability, religion, family/domestic responsibilities or working patterns e.g. part-time, nor any individual be disadvantaged by conditions or requirements which cannot be shown to be justifiable.

Estyn follows the Civil Service Code of Practice on the employment of disabled people, which aims to ensure that there is no discrimination on the grounds of disability, and that access to employment and career advancement within Estyn is based solely on ability, qualifications and suitability for the work.

Sickness absence data

Headline Measure	2008-2009	2007-2008
Sickness absence rate	5.12%	4.67%
Proportion of staff accruing sickness absence	48.1%	47.3%
Average working days lost per employee	11.9 days	10.0 days
Average length of absence	9.43 days	7.45 days
Sickness absence occurrences	131 occurrences	148 occurrences

Dissemination of Information

Estyn advocates sharing of information and ideas and seeks to take full advantage of modern technology to achieve these aims. Estyn has a website through which information about the organisation together with its reports and advice can be accessed. Advice publications on this site are based on inspection evidence covering a variety of topics in the field of education and training. Estyn's inspection database system 'Athene' is available for all staff to view and interrogate. An Intranet site is also available to all staff. Estyn regularly issues 'Work Matters' to all staff, which provide information and updates in relation to policies, procedures, general guidance and events affecting staff and the organisation as a whole. Structured management groups have been established to discuss and to disseminate information at strategic, corporate and operational levels. Corporate and group meetings are held regularly to share ideas and information. Outcomes from meetings are shared via minutes available to staff. Estyn operates a number of protocols, mostly through Memoranda of Understanding, with other public bodies.

Sustainability

Last year we continued to consider sustainability issues as part of our everyday processes and retained level 3 of the 'Green Dragon' sustainability award. Among the many initiatives undertaken to reduce our environmental impact we extended our recycling to divert more waste from landfill and reviewed business processes to minimise paper usage.

Payment policy

In 2008-09, the Welsh Assembly Government provided a range of financial services to Estyn including the processing of supplier payments. Under the Late Payment of Commercial Debts (Interest) Act 1998, the Assembly Government is required to pay undisputed suppliers' invoices within 30 days of receipt of goods or services or valid invoice, whichever is the later. This was achieved for 99.3% of all such payments made in 2008-2009 (2007-2008: 99.5%).

Personal data related incidents

In the Cabinet Office's Interim Progress Report on Data Handling Procedures, published on 17 December 2007, Official Report, column 98WS, Government made a commitment that government departments will cover information risk management in their annual reporting. Accordingly, Estyn is required to report information in respect of personal data related incidents in its annual resource accounts.

Minimum scope of protected personal data

In line with Cabinet guidance, Estyn is required to identify data it or its individual delivery partners hold whose release or loss could cause harm or distress to individuals. This must include as a minimum all data falling into one or both categories below.

A

Any information that links one or more identifiable living persons with information about them whose release would put them at a significant risk of harm or distress.

1 One or more of the pieces of information which can be used along with the public domain information to identify an individual

Combined with

2 Information about that individual whose release is likely to cause harm or distress

Name / address (home or business or both) / postcode / email / telephone numbers / driving licence number / date of birth

[Note that driving licence number is included in this list because it directly yields date of birth and first part of surname.]

Sensitive personal data as defined by S.2 of the Data Protection act, including records relating to the criminal justice system, and group membership

DNA or finger prints / bank, financial or credit card details / mother's maiden name / National Insurance number / Tax, benefit or pension records / health records / employment record / school attendance or records / material relating to social services including child protection and housing

The above are not exhaustive lists.

B

Any source of information about 1000 or more identifiable individuals, other than information sourced from the public domain.

This could be a database with 1000 or more entries containing facts mentioned in box 1, or an electronic folder or drive containing 1000 or more records about individuals. Again, this is a minimum standard. Information on smaller numbers of individuals may warrant protection because of the nature of the individuals, nature or source of the information, or extent of information.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2008-2009

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Further action on information risk

There were no incidents to report. However, Estyn will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of systems.

Table 2: Summary of other protected personal data related incidents in 2008-2009

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within Estyn are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

Table 3: Year-on-year total numbers of protected personal data related incidents prior to 2008-2009

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number						
	I	II	III	IV	V	Total
2007-2008	Nil	Nil	Nil	Nil	Nil	Nil
2006-2007	Nil	Nil	Nil	Nil	Nil	Nil
2005-2006	Nil	Nil	Nil	Nil	Nil	Nil

Total number of other personal data related incidents, by category number						
	I	II	III	IV	V	Total
2007-2008	Nil	Nil	Nil	Nil	Nil	Nil
2006-2007	Nil	Nil	Nil	Nil	Nil	Nil
2005-2006	Nil	Nil	Nil	Nil	Nil	Nil

Finance

Results for the year

In 2008-09, Estyn's total revenue expenditure, net of income, was £12.8m (2007-08: £12.4m). The results for the year are detailed in the attached accounts.

Estyn's 2008-2009 revenue budget from the Welsh Assembly Government was initially set as £14.168m. Throughout the year, Estyn kept the Assembly informed of its projected expenditure so that potential savings against the budget (most notably, an underspend against the budget for contracted out school inspections, arising from a price-competitive market for delivery of these contracts), could be called upon by the Assembly for use within other service areas.

Shortly prior to the year-end, the Assembly transferred £1.48million from Estyn's budget

without notice; the transferred amount exceeded the projections of budget underspend regularly provided by Estyn to the Assembly and has resulted in a reported overspend of £0.077m against the revised total revenue budget of £12.688m, which could not have been foreseen by Estyn. Estyn will work with the Assembly to ensure that, in future, there is adherence to clear agreed protocols regarding changes to Estyn's budget so that Estyn is given the opportunity to manage its resources within agreed limits.

The balance sheet as at the year-end 31 March 2009 shows net liabilities of £1.222m (2007-08: £0.567m). It is not unusual for Estyn's balance sheet to show a deficit position at the end of a financial year due to the high level of creditors. Most of these creditors are a normal consequence of Estyn's contractual arrangements for school

inspections, as payment for a contract is not made until Estyn has received the inspection report. Under statutory requirements the report can be received up to 45 days after the inspection is completed. As in previous years, under payroll service provider and payment arrangements, the creditors figure also includes an accrual in the accounts for March salaries. Estyn will receive funding from the Welsh Assembly Government to meet all of the above liabilities when they mature in the 2009-2010 financial year and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Estyn's capital expenditure in 2008-09 amounted to £0.283m. Capital projects in 2008-09 included the implementation of two important IT systems: a new resource planning system used to plan and allocate staff across Estyn's inspection and remit work programme; and, the procurement of an off-the-shelf finance system which will allow Estyn to directly manage its payments and accounts processes from the 2009-10 financial year onwards. Other fixed asset expenditure in 2008-09 included a refresh of computer servers, which had nil net book value and were also outside of warranty cover.

Looking ahead

We are currently mid way through a project 'Estyn 2010' which will develop a new inspection process for education and training providers in Wales. The new inspection framework will mark a significant step-change in the efficiency and effectiveness of the way we inspect and will be designed to play an integral role in the Welsh Assembly Government's overall strategy for improving the management of quality in the education system at large. Further information on this project and our key strategic objectives for the next few years can be found within our Corporate Plan 2009-2012 on our website: www.estyn.gov.uk.

Auditors

The Auditor General for Wales audits Estyn's accounts in accordance with Schedule 6 (6) to the Government of Wales Act 1998.

So far as the Accounting Officer is aware:

- * there is no relevant audit information of which Estyn's auditors are unaware; and
- * the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that Estyn's auditors are aware of that information.

Events since the end of the financial year

There have been no events since the balance sheet date that affect the understanding of these financial statements.

Dr Bill Maxwell

Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

13 July 2009

Remuneration report

The remuneration of Her Majesty's Chief Inspector of Education and Training in Wales is determined by the National Assembly for Wales under paragraph 3 of Schedule 2 to the Education Act 2005.

For other permanent senior staff members of the Board, remuneration was determined by Estyn's Pay Committee comprising the Chief Inspector of Education and Training in Wales and a non-executive director, in accordance with Cabinet Office guidance on Senior Civil Service remuneration.

In reaching its recommendations, the Estyn Pay Committee has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- benchmarking information available from Cabinet Office and other Government departments, including those closest to Estyn in location and work type;
- the funds available to the department and the advice available annually from Cabinet Office; and
- Government policies for improving public service delivery and the role of performance management in securing and recognising value to the organisation and rewarding contributions to business and corporate objectives.

The Estyn Pay Committee takes account of the evidence available in respect of wider economic considerations and the affordability of its recommendations.

In agreeing pay awards for individual staff, the Estyn Pay Committee took particular regard of the following criteria:

- the individual's growth in competency;
- challenge associated with the job;

- confidence in the individual's future performance.

In considering staff bonuses, the following factors were taken into account:

- whether objectives had been met and to what degree;
- how the objectives were met and in particular whether leadership behaviours and professional skills had been demonstrated or not, and to what degree;
- the degree of difficulty or ease of meeting objectives in light of actual events

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Dr Bill Maxwell was appointed as Chief Inspector for Education and Training in Wales (by Order in Council under Section 19 of the Education Act 2005) for a five year term commencing 1 February 2008. The rules of appointment are set out in the Civil Service Management Code.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of Estyn.

Remuneration*

Officials	2008-09		2007-08	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Dr Bill Maxwell Her Majesty's Chief Inspector of Education & Training in Wales	95 - 100	-	15 - 20 (95 - 100 full year equivalent)	-
Elaine Allinson Head of Inspection Directorate: Education Partnerships, Training and Inclusion (until 31 August 2008)	30 - 35 (65 - 70 full year equivalent)	-	65 - 70	-
Simon Brown Acting Head of Inspection Directorate: Education Partnerships, Training and Inclusion (from 16 September 2008)	35 - 40 (70 - 75 full year equivalent)	-	-	-
Shan Howells Head of Directorate: Organisational Policy, Planning and Development	90 - 95	-	90 - 95	-
Ann Keane Head of Inspection Directorate: Education Providers	70 - 75	-	70 - 75	-

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by Estyn and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Pension Benefits*

Officials	Accrued pension at age 65 as at 31/3/09 £'000	Real increase in pension at age 65 £'000	CETV at 31/3/09 £'000	CETV at 31/3/08 ⁶ £'000	Real increase in CETV £'000
Dr Bill Maxwell Her Majesty's Chief Inspector of Education & Training in Wales	40-45	9-10	673	479	142
Elaine Allinson Head of Inspection Directorate: Education Partnerships, Training and Inclusion (until 31 August 2008)	20-25	0-1	417	394	1
Simon Brown Acting Head of Inspection Directorate: Education Partnerships, Training and Inclusion (from 16 September 2008)	25-30	1-2	499	458 ⁷	27
Shan Howells Head of Directorate: Organisational Policy, Planning and Development	25-30	0-1	590	537	10
Ann Keane Head of Inspection Directorate: Education Providers	30-35	0-1	720	679	-1

* This information is subject to audit

⁶ The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

⁷ CETV at 15 September 2008.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member)

into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are

calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

Estyn did not make any compensation payments to senior officials in 2008-2009.

Dr Bill Maxwell

Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

13 July 2009

Statement of accounting officer's responsibilities

Under Schedule 6(5) of the Government of Wales Act 1998, HM Treasury has directed Estyn to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Estyn and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury in accordance with paragraph 5 of Schedule 6 to the Government of Wales Act 1998, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Treasury has appointed Her Majesty's Chief Inspector of Education and Training in Wales as Accounting Officer of Estyn. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding Estyn's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting (The Stationery Office).

Statement on internal control

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Estyn's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Estyn is a non-ministerial government body that is independent of but funded by the Welsh Assembly Government under section 104 of the Government of Wales Act 1998.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Estyn's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in Estyn for the year ending 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3 Capacity to handle risk

Estyn's risk management policy sets out:

- the purpose of Estyn's risk management arrangements;
- risk management principles;
- relative responsibilities within Estyn;

- risk tolerance;
- Estyn's risk management framework and how it will work; and
- how risk management contributes to providing assurance.

Under the policy, team leaders at Branch Head level and above, are responsible for ensuring that everyone in their teams understands their risk management responsibilities and for making clear the extent to which staff are empowered to take risks in line with the risk policy and other guidance. Staff are introduced to Estyn's risk system, as part of their induction to the organisation, and to managing risk in a way that accords with their post and responsibilities. Risk management profiles are required in relation to plans for all significant projects or pieces of work.

4 The risk and control framework

Statements of internal control are produced by Estyn staff at branch and managing HMI team level in support of the directorate statements of control that in turn supports this statement.

Estyn's risk register is updated quarterly and reviewed annually at both senior and corporate management team levels. This ensures that strategic and corporate risks, including information risks, are identified, objectively assessed and actively managed. As referred to earlier, Estyn's risk management policy sets out its approach to risk tolerance by defining what are acceptable risks and prohibited risk areas. Risk management procedures were reviewed and strengthened during 2008-09.

Risk management is embedded in the activity of the organisation through the requirement for all significant work to be appropriately risk assessed, and managed in accordance with those assessments, by all concerned. In line with our

Common Inspection Framework, most inspection work is now undertaken on a risk-assessed basis. The exceptions to this are areas where full cycles of inspection have not yet been completed to provide risk assessment data and, until 2010, non-maintained nurseries.

Maintenance of awareness of risk, including early identification and active management, is achieved at all levels in the organisation through the regular review of the risk register and through the requirement on managers to complete annual management assurance statements based on their management of team risks. Management assurance statements cover requirements to report cases of unauthorised disclosure or loss of personal data. During 2008-09, Estyn developed an action plan to improve information governance. The action plan, which was informed by an internal audit of Data Security, includes development of an information risk management policy, appointment of a Senior Information Risk Owner and assignment of information asset owners; the action plan will continue to be refined and will be implemented in full in 2009-10.

Where systems or procedures are newly created or come up for review, risk is placed at the heart of Estyn's considerations and we encourage those with whom we work to also take a risk-based approach and to be involved with us in assessing and managing risk. For example, schools inspection contractors are awarded contracts on a basis that includes their identification and management of risks. Similarly, Estyn has four inspection forums covering different aspects of our core business and involving key stakeholders, to provide an external perspective on our work and development, so as to mitigate the risk of our not having external challenge to what we do as an organisation.

External challenge is also provided through Estyn's Audit Committee with its independent members and independent chair. The Committee supports the Accounting Officer in his responsibility for issues of risk, control, governance and associated assurance in Estyn. As in the previous financial year, at Estyn's request, the Wales Audit Office

facilitated a workshop for current members of the Audit Committee which looked at self-assessment of the work and performance of the Committee and helped members to review an action plan for the Committee. Further external challenge is provided by the Estyn Board, as mentioned earlier in the accounts. The Board's responsibilities include ensuring that the organisation is operating appropriately and effectively.

5 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system for internal control is informed by the work of the internal auditors and the executive managers within Estyn who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Estyn's Audit Committee.

During 2008-2009, Estyn's internal auditor service provider (Bentley-Jennison) operated to Government Internal Audit Standards while undertaking audits in accordance with a three year audit strategy and an agreed annual plan. Work completed by our internal auditors results in reports which include an independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement to me. For audits undertaken in relation to the year covered by these accounts, Bentley-Jennison were able to provide assurance that risks material to the achievement of objectives in each area audited were being properly managed and controlled. Limited assurance was provided in respect of one audit – in relation to Data Security, however, as referred to earlier, the audit was used to help inform an action plan on information governance and a follow-up audit of this area will be undertaken in 2009-2010 to provide assurance on both the implementation of recommendations and against the information

governance action plan. All internal audit reports are shared with Estyn's Audit Committee. Any areas for improvement identified through internal and external audit reports are addressed to ensure continuous improvement is in place. The Audit Committee monitors completion of and compliance with audit recommendations.

The Financial Accountability Division of the Welsh Assembly Government undertakes a range of services on behalf of Estyn and is therefore part of Estyn's internal control framework. The Internal Control Statement produced by the Head of Financial Accountability Division in support of the Internal Control Statement signed by Dame Gillian Morgan as Permanent Secretary of the National Assembly for Wales provides a further assurance on the effectiveness of the systems of internal control.

Dr Bill Maxwell

Her Majesty's Chief Inspector of Education and Training in Wales and Accounting Officer

13 July 2009

The certificate and report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Estyn: Her Majesty's Inspectorate for Education and Training in Wales for the year ended 31 March 2009 under the Government of Wales Act 1998. These comprise the Statement of Resource Outturn, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and the Auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government of Wales Act 1998 and HM Treasury directions made there-under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and

whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998. I report to you whether, in my opinion, the information in the Director's Report, management commentary and the unaudited part of the Remuneration Report included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if in my opinion Estyn has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Estyn's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of Estyn's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Director's Report, the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements

or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Estyn's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government of Wales Act 1998 and directions made there under by HM Treasury, of the state of Estyn: Her Majesty's Inspectorate for Education and Training in Wales' affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998; and
- information which comprises the management commentary included within the Annual Report, is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Jeremy Colman

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

15 July 2009

Statement of Resource Outturn

for the year ended 31 March 2009

	Note	2008-09						2007-08	
		Estimate			Outturn			Net total outturn compared with Estimate saving/(excess)	Prior-year outturn
		Gross expenditure 1 £000	Income 2 £000	Net Total 3 £000	Gross expenditure 4 £000	Income 5 £000	Net Total 6 £000		
Administration Costs		8,606	-	8,606	8,917	(216)	8,701	(95)	8,219
Programme Costs		4,082	-	4,082	4,068	(4)	4,064	18	4,161
Total Resources	2	12,688	-	12,688	12,985	(220)	12,765	(77)⁸	12,380
Net Cash Requirement	3			12,755			12,537	218	12,359

⁸See 'Results for the year' on page 33

Operating Cost Statement

for the year ended 31 March 2009

	Note	2008-2009		2007-2008
		£000	£000	£000
Administration costs				
Staff costs	4		6,848	6,627
Other administration costs	5		2,069	1,820
Gross administration costs			8,917	8,447
Operating income			(216)	(228)
Net administration costs			8,701	8,219
Programme costs				
Expenditure	6		4,068	4,164
Less: income	7		(4)	(3)
Net programme costs			4,064	4,161
Net operating cost	2		12,765	12,380

All income and expenditure is derived from continuing operations.

All recognised gains or losses are recorded in the Operating Cost Statement.

Balance Sheet

as at 31 March 2009

	Note	31 March 2009		31 March 2008	
		£000	£000	£000	£000
Fixed assets					
Intangible Assets	8a		11		5
Tangible Assets	8b		553		684
			<u>564</u>		<u>689</u>
Current assets					
Debtors	10	491		409	
Cash at bank and in hand	11	52		439	
			<u>543</u>		<u>848</u>
Creditors: amounts falling due within one year	12	(2,192)		(2,053)	
Net current liabilities			<u>(1,649)</u>		<u>(1,205)</u>
Total assets less current liabilities			<u>(1,085)</u>		<u>(516)</u>
Provisions for liabilities and charges	13		<u>(137)</u>		<u>(51)</u>
NET LIABILITIES			<u>(1,222)</u>		<u>(567)</u>
Taxpayer's equity					
General fund	14		<u>(1,222)</u>		<u>(567)</u>
			<u>(1,222)</u>		<u>(567)</u>

Dr Bill Maxwell

Her Majesty's Chief Inspector of Education and
Training in Wales and Accounting Officer

Cash Flow Statement

for the year ended 31 March 2009

	Note	2008-2009 £000	2007-2008 £000
Net cash outflow from operating activities	15	(12,351)	(12,233)
Capital expenditure and financial investment	15	(186)	(126)
Financing from the Welsh Assembly Government	15	12,150	12,653
Increase / (Decrease) in cash	11	(387)	294

Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

Aim: To raise standards and quality in education and training in Wales through:

- providing public accountability on the quality of education and training provision in Wales;
- promoting improvement in the delivery of education and training in Wales; and
- informing the development of national policy by Welsh Assembly Government Ministers and officials.

	2008-2009		2007-2008	
	Gross £000	Income £000	Net £000	Net £000
Operation objectives (Estyn Corporate Plan 2008-2011)				
Activity Programme One: the sectoral inspection programme of education providers.	11,603	(220)	11,383	11,071
Activity Programme Two: thematic inspections and reviews.	1,382	-	1,382	1,309
Net operating costs	12,985	(220)	12,765	12,380

Notes to the departmental resource accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by the Welsh Assembly Government. The particular accounting policies adopted by Estyn are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to Estyn.

1.2 Tangible and intangible fixed assets

Expenditure is capitalised where the asset purchased is expected to have a useful life extending over a number of years and the cost of the item(s) exceeds £1,000. Fixed assets are shown at cost less an allowance for depreciation (see note 1.3 below). In the opinion of Estyn, there is no material difference between the historic net book value of the assets, and their current replacement cost less depreciation.

1.3 Depreciation

Depreciation is provided at rates calculated to write off the value of fixed assets by equal instalments over their estimated useful lives. A full year's depreciation is charged in the year of acquisition of an asset. Lives are as follows:

- IT Equipment 3-5 years
- Furniture & Fittings 5 years
- Office Equipment 5 years
- IT Systems 5 years
- Intangible Assets 3 years

Where an impairment of a tangible fixed asset has occurred the net impairment is charged to the Operating Cost Statement in the year in which it has occurred.

1.4 Provisions

Provisions are included in the accounts for liabilities that are likely or certain to arise but uncertain as to the amount or dates on which they will arise. Provisions are created or increased by making a charge to revenue expenditure in the year of creation. When the expenditure is actually incurred, the expenditure is charged directly to the provision. The provisions included within these accounts are regarded as short-term and are expressed in current prices, i.e. not discounted.

1.5 Operating Income

Operating income is income that relates directly to the operating activities of Estyn. It principally comprises fees and charges for services provided (on a full-cost basis to external customers) and other miscellaneous income. HM Treasury has issued a receipts direction allowing Estyn to retain such receipts.

1.6 Administration expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running Estyn as defined under the administration cost-control regime, together with associated income.

1.7 Programme expenditure

Programme costs reflect non-administration disbursements by Estyn. These are mainly payments to third parties under contract for inspection work. Any amounts remaining unpaid at the year-end for Spring Term inspections are included in creditors. Any contracts entered into in the year for inspections to be carried out in subsequent school terms are disclosed as commitments in the notes to the accounts.

1.8 Capital charge

A credit, reflecting the cost of capital utilised by Estyn, is included in operating and programme costs. The credit is calculated at the government's

standard rate of 3.5 per cent in real terms on all assets less liabilities, except for cash balances held with the Office of HM Paymaster General.

1.9 Value Added Tax

Most of Estyn's activities are outside the scope of VAT and, in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.10 Pensions

Present and past employees are covered by the provisions of the Civil Service Pension Schemes, which are described in Note 4. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents benefits. Estyn recognises the

expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, Estyn recognises the contributions payable for the year.

1.11 Early departure costs

Estyn is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Estyn provides for this cost in full when the liability arises.

1.12 Operating leases

Operating lease rentals are charged to the Operating Cost Statement in equal amounts over the lease term.

2 Reconciliation of net resource outturn to net operating cost

	2008-2009 £000	2007-2008 £000
Net resource outturn	12,765	12,380
Net operating cost	12,765	12,380

Net resource outturn represents Estyn's net resource requirement for the year against Estimate.

Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement.

3 Reconciliation of resources to cash requirement

	Estimate £000	2008-2009 Outturn £000	Outturn compared with Estimate saving/ (excess) £000	2007-08 £000
Net total resource outturn	12,688	12,765	(77)	12,366
Fixed asset acquisitions	8 445	283	162	126
Accruals adjustments:				
Non-cash items	5&6 (378)	(454)	76	(396)
Changes in working capital other than cash	9 -	(57)	57	263
Use of provision	13 -	-	-	-
Net cash requirement	12,755	12,537	218	12,359

4 Staff numbers and costs

	2008-2009	2007-2008
Staff costs consist of:	£000	£000
Wages and salaries	4,512	4,374
Social security costs	416	412
Other pension costs	1,008	963
Total Net Costs	5,936	5,749
Plus:		
Secondees In	788	674
Secondees Out	(87)	(83)
Agency Staff	211	266
Compensation payment	-	21
Total	6,848	6,627

The PCSPS is an unfunded multi-employer defined benefit scheme but Estyn is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservice-pensions.gov.uk/>).

For 2008-09 employers' contributions of £1,008,369 were payable to the PCSPS (2007-08 £963,280) at one of four rates in the range 17.1% to 25.5% per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Estyn does not have any Partnership Pension Accounts.

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	2008-2009	2007-2008
Objective 1	93	92
Objective 2	17	16
Total Number	110	108

The apportionment of total staff numbers to objectives has been made with reference to the relative amounts of time spent on core activities by staff within Estyn.

5 Other administration costs

	2008-2009 £000	2007-2008 £000
Rental under operating leases:		
- hire of photocopiers	7	8
- accommodation	359	362
Other accommodation costs	328	314
IT & telecommunications	275	181
Welsh Assembly Government central services	34	33
Travel, subsistence and hospitality	377	321
Auditor's remuneration - audit of accounts	24	23
Other expenditure	477	420
Non-cash items:		
- depreciation	129	115
- surplus/deficit on disposal of fixed assets	-	-
- cost of capital	(27)	(8)
- provision for accommodation refit costs	1	51
- provision for staff relocation costs	85	-
	2,069	1,820
Less: Operating income	(216)	(228)
	1,853	1,592

6 Net programme costs

	2008-2009 £000	2007-2008 £000
Current expenditure		
Post 16 education inspections and associated costs	343	432
School inspections and associated costs	2,770	2,765
Local Education Authority inspections and associated costs ⁹	218	175
Remit costs	44	42
Common programme costs	427	498
	3,802	3,912
Non cash items:		
- depreciation	279	278
- cost of capital credit	(13)	(26)
	4,068	4,164
Less: programme income (Note 7)	(4)	(3)
	4,064	4,161

⁹ Includes payments made to Estyn's external auditor in respect of joint inspection work, i.e. payments in respect of services other than those of audit, amounting to £146,000 (2008-2009), and, £128,000 (2007-2008).

7 Income

	2008-2009 £000	2007-2008 £000
Programme income		
- registration fees	4	3
Administration income		
- recharge for inspection work*	214	227
- miscellaneous	2	1
Total	220	231

As the amount of income received from registration fees is small and can vary year on year, it is excluded from Estimate figures in the Statement of Resource Outturn.

*Income receivable from the Department of Work and Pensions (DWP) under the terms of a Memorandum of Understanding between Estyn and DWP in respect of inspection of work-based learning programmes in Wales.

8 Fixed assets

8a Intangible Fixed Assets

	Intangibles £000	Total £000
Cost		
At 1 April 2008	8	8
Additions	11	11
Disposals	-	-
At 31 March 2009	19	19
Depreciation		
At 1 April 2008	3	3
Charged in year	5	5
Disposals	-	-
At 31 March 2009	8	8
Net book value		
At 31 March 2009	11	11
At 1 April 2008	5	5

8b. Tangible Fixed Assets

	IT Systems £000	IT Equipment £000	Furniture & Fittings £000	Office Equipment £000	Total £000
Cost or valuation					
At 1 April 2008	1,393	491	325	90	2,299
Additions	196	76	-	-	272
Disposals	-	(182)	-	-	(182)
At 31 March 2009	1,589	385	325	90	2,389
Depreciation					
At 1 April 2008	835	415	312	53	1,615
Charged in year	318	64	4	17	403
Disposals	-	(182)	-	-	(182)
At 31 March 2009	1,153	297	316	70	1,836
Net book value					
At 31 March 2009	436	88	9	20	553
At 1 April 2008	558	76	13	37	684

9 Movements in working capital other than cash

	2008-2009 £000	2007-2008 £000
Increase/(Decrease) in debtors	82	240
(Increase)/Decrease in creditors	(42)¹⁰	23
	(40)	263

¹⁰ Excludes £97,000 of creditors relating to capital expenditure

10 Debtors

10a. Analysis by Type

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year:		
Trade debtors	214	227
Other debtors	106	30
Taxation	21	27
Prepayments and accrued income	150	125
	491	409

10b. Intra-Government Balances

	At 31 March 2009 £000	Debtors: amounts falling due within one year At 31 March 2008 £000
Balances with other central government bodies	334	278
Balances with local authorities	-	-
Balances with bodies external to government	157	131
Total	491	409

11 Cash at bank and in hand

	31 March 2009 £000	31 March 2008 £000
Balance at 1 April	439	145
Net cash inflow/(outflow)	(387)	294
Balance at 31 March	52	439

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances were held at 31 March:

	31 March 2009 £000	31 March 2008 £000
Balances at OPG	37	437
Commercial banks and cash-in-hand	15	2
	52	439

12 Creditors

12a. Analysis by type

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year		
Trade creditors	401	668
Other creditors	1	3
Payroll Funding	512	479
Accruals & deferred income	1,278	903
	2,192	2,053

12b. Intra-Government Balances

	At 31 March 2009 £000	At 31 March 2008 £000
		Creditors: amounts falling due within one year
Balances with other central government bodies	587	488
Balances with local authorities	147	168
Balances with bodies external to government	1,458	1,397
Total	2,192	2,053

13 Provisions for liabilities and charges

Accommodation refit costs: Obligations arising for refitting a property to its original condition on termination of a lease.

Relocation costs: Obligation to meet relocation costs of staff appointed to Estyn.

	Accom Refit £000	Relocation costs £000	Total £000
Balance at 1 April 2008	51	-	51
Increase in provision	1	85	86
Amounts utilised in the year	-	-	-
	52	85	137

14 Reconciliation of net operating cost to changes in the general fund

	2008-2009 £000	2007-2008 £000
Net operating cost for the year	(12,765)	(12,380)
Net funding from the Welsh Assembly Government	12,150	12,653
	(615)	273
Notional cost adjustments:		
- cost of capital credit	(40)	(34)
Net increase/(decrease) in the General Fund	(655)	239
General fund at 1 April	(567)	(806)
General fund at 31 March	(1,222)	(567)

15 Notes to Consolidated Cash Flow Statement

15(a) Reconciliation of operating cost to operating cash flows

	Note	2008-2009 £000	2007-2008 £000
Net cost of operating activities for the year		12,765	12,380
Adjustments for non cash transactions			
Other administration costs	5	(188)	(158)
Programme costs	6	(266)	(252)
Adjustments for movements in working capital other than cash	9	(40)	263
Provisions utilised	13	-	-
Net cash outflow from operating activities		12,351	12,233

15(b) Analysis of capital expenditure and financial investment

	2008-2009 £000	2007-2008 £000
Payments to acquire intangible fixed assets	7	8
Payments to acquire tangible fixed assets	179	118
Receipts from disposal of fixed assets	-	-
Net cash outflow from investing activities	186	126

15(c) Analysis of financing and reconciliation to the net cash requirement

	Note	2008-2009 £000	2007-2008 £000
From the Welsh Assembly Government	14	12,150	12,653
(Increase)/Decrease in cash	11	387	(294)
Net cash requirement		12,537	12,359

16 Commitments under operating leases

	2008-2009 £000		2007-2008 £000	
	Land & Buildings	Other	Land & Buildings	Other
At 31 March 2009 Estyn was committed to making the following payments during the next year in respect of operating leases expiring:				
- within one year	-	1	-	-
- between two and five years	358	6	362	7
- after five years	-	-	-	-
	358	7	362	7

17 Capital commitments

There are no capital commitments as at 31 March 2009.

18 Other commitments

Estyn has entered into non-cancellable contracts (which are not operating leases) totalling £765,004 as at 31 March 2009 (2007-2008: £776,680).

19 Contingent liabilities

There were no contingent liabilities as at 31 March 2009.

20 Note to Statement of Operating Costs by Departmental Aim & Objectives

Estyn's cost of capital credit has been distributed between objectives on the basis of related gross costs. Programme expenditure has been allocated as follows:

	2008-2009 £000	2007-2008 £000
Activity Programme One: the sectoral inspection programme of education providers.	4,024	4,122
Activity Programme Two: thematic inspections and reviews.	44	42
Programme Costs	4,068	4,164

Administration costs have been attributed to objectives in accordance with the planned use of resources in the year. Income has been allocated to objectives in the same proportions as related expenditure.

21 Related Party Transactions

Estyn has had a small number of material transactions during the year with the Welsh Assembly Government and the following Government organisations that are regarded as related parties:

Office of the Paymaster General
Wales Audit Office
Department for Work and Pensions

Also, during the year, an amount of £73k (including income tax and national insurance contributions) was paid in respect of relocation expenses for HM Chief Inspector of Education and Training in Wales, and a further amount of £85k has been made as a provision for future relocation expenses.

22 Financial Instruments

Financial Reporting Standard 13 (FRS 13), Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, Estyn is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Estyn's financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

Liquidity Risk

Estyn relies primarily on funding from the Welsh Assembly Government for its resource requirements and is not therefore exposed to significant liquidity risks.

Interest Rate and Foreign Currency Risk

Estyn holds no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or foreign currency risk.

23 Post balance sheet events

The Accounting Officer authorised these financial statements for issue on 13 July 2009.



Puro value.