

## Audit & Risk Committee– minutes

### 26 April 2021

#### Members:

Ailsa Beaton (chair)	Non-Executive Director
Roger Barlow	Independent Audit Committee member
Jane McCall	Non-Executive Director

#### Attendees:

##### ICO

Elizabeth Denham	Information Commissioner
Paul Arnold	Deputy Chief Executive Officer
Louise Byers	Director of Corporate Risk and Governance
Andrew Hubert	Director of Resources
Joanne Butler	Head of Risk & Governance

##### Internal Auditors

Darren Jones	Mazars
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##### External Auditors

Robert Buysman	National Audit Office
David Eagles	BDO
Sebastian Evans	BDO

##### Secretariat

Chris Braithwaite	Senior Corporate Governance Manager
Caroline Robinson	Corporate Governance Officer

### 1. Introductions and apologies

- 1.1. Apologies were received from Sid Sidhu and Peter Cudlip.
- 1.2. Ailsa Beaton welcomed Sebastian Evans to his first ICO Audit and Risk Committee meeting.

### 2. Declaration of interests

- 2.1 There were no declarations made.

### 3. Matters arising from the previous meeting

- 3.1 The minutes of the previous meeting were agreed and there were no outstanding actions.

#### 4. Deputy Chief Executive Officer's update

- 4.1 Paul Arnold provided an update on matters relating to the ICO's work including the recent DCMS Select Committee meetings, work being carried out in relation to COVID status certification, the continued support being provided to staff with regard to their wellbeing, the current consultation on future of work, business plans and KPIs, and the recruitment of the next Information Commissioner.
- 4.2 A Nominations Committee has recently been introduced and this is currently overseeing the recruitment process for the replacement of the Independent Audit Committee Member.
- 4.3 The Committee discussed the timing of the publication of the annual report and were keen to ensure that this did not coincide with the announcement of the appointment of the next Information Commissioner, which may happen in early July.
- 4.4 The Committee members asked for assurance on resilience within the Finance Team, especially in relation to the external audit. Andrew Hubert and David Eagles confirmed that they did not anticipate any delays to the timetable for the audit.

#### 5. Compliance Arrangements – deep dive

- 5.1 Louise Byers presented the report to provide assurance to the Audit and Risk Committee regarding the ICO's compliance with legislative requirements and identifying key findings and recommendations to inform further assurance work, including the internal audit plan for 2020/21.
- 5.2 The Risk & Governance Board has reviewed the report and agreed that this exercise would be carried out on an annual basis.
- 5.3 Elizabeth Denham highlighted Environment, Social and Governance measures are currently an important issue within the private sector and would be interested to receive some feedback on the work being carried out by public sector bodies in this area so that the ICO could align to best practice.

- 5.4 The Committee agreed that the report was very informative and thanked Louise Byers, Joanne Butler and Chris Braithwaite for their hard work in developing the report.

**Action:** Mazars and BDO to provide guidance and best practice from other organisations on ESG.

## 6. Risk & Opportunity Management

- 6.1 Louise Byers presented the report providing an update to the corporate risk review which has been completed since the last meeting.
- 6.2 It was confirmed that some of the higher scoring risks have mitigating actions that are influenced by external factors.
- 6.3 The committee discussed possible risks in relation to accommodation and the current political environment.
- 6.4 It was confirmed that work is currently being undertaken to look at the future ways of work and once that has been completed, an Estate Strategy will be developed and considered by the Management Board.

## 7. Annual Report

- 7.1 Louise Byers presented the update relating to the annual report and confirmed that we are making good progress. The performance and accountability sections are well developed and currently with the Executive Team for review.
- 7.2 The Committee discussed the use of the word “adequate” in relation to internal audit reports as this has been misinterpreted in the past. It was suggested that the definition of the ratings is added to the report to provide context.

**Action:** Mazars to provide the draft internal audit annual report to the Committee during May 2021 (target date of 15 May 2021).

## 8. Finance

### Year-end financial position

- 8.1 Andrew Hubert presented the year-end financial position report. Income has exceeded the revised Q3 budget due to the unexpected overperformance of the Data Protection fee income in the last two months of the year and the project expenditure had been less than forecast.

- 8.2 It was confirmed that the budget for 2021/22 will be regularly monitored and updated on a quarterly basis.
- 8.3 The Committee commented that income overperformance may be seen as a negative in the current economic climate and therefore there needed to be a clear external narrative on the reasons for this surplus. In addition there will need to be a narrative on the project expenditure being deferred into 2021/22. This was particularly important as it would need to be referred to within the annual report.
- 8.4 The Committee also discussed the position in relation to income recognition for income on fee renewals where the fee was paid during 2020/21 but the renewal would take effect in 2021/22. BDO confirmed that such income should usually be recognised in 2020/21.

**Action:** External Narrative on the income to be agreed prior to the next meeting

#### Trust Statement

- 8.5 Andrew Huber presented a report setting out options in relation to creating a trust statement for inclusion in the ICO's Annual Report. He explained that the decision for an ALB to introduce a trust statement in their accounts required approval from Treasury, and Treasury would only give this approval no later than December in any given financial year. Therefore, it would not be possible to include a trust statement in the ICO's 2020/21 Annual Report.
- 8.6 Andrew Hubert explained that rather than producing a trust statement, the financial performance summary in the Annual Report would provide narrative information regarding the amount of fine income the ICO has collected during the year, how this had been dealt with, and the implications for this in relation to funding the ICO's litigation work to support its regulatory activities. The target was then to produce a trust statement as part of the 2021/22 Annual Report. NAO commented that the information provided within the annual report and financial statements already included all of the information that a trust statement would provide.
- 8.7 Roger Barlow noted that a reader of the Annual Report might find the consolidated fund difficult to understand.

- 8.8 Ailsa Beaton proposed that we should develop a trust statement for 2021/22, as set out at Option 3 in the report. She commented that there did not appear to be a viable alternative to Option 3, as it was not possible to get Treasury approval to produce a trust statement for the 2020/21 Annual Report and Financial Statements at this stage. The Committee agreed with this approach.
- 8.9 Roger Barlow explained that he was dissatisfied with this position, as he believed that it should have been possible for the ICO to produce a trust statement for 2020/21, given that the ICO had begun discussion on this with DCMS in October 2020. He also noted that the level of fine income received was clearly material to the ICO, and therefore should have met the test of materiality that required a trust statement to be produced. He also commented that he would have expected more support from the external auditors for the ICO's position, due to this materiality for the ICO.

**Action:** Andrew Hubert to provide the draft wording for the financial performance summary section of the Annual Report to the Audit Committee for review.

**Action:** Andrew Hubert and Paul Arnold to discuss with DCMS and Treasury to ensure that the ICO receives approval to produce a trust statement as part of its Annual Report and Financial Statements in 2021/22. This is to be resolved by October 2021.

#### Single Tender Awards

- 8.10 The Committee noted the tender report and agreed that it would be useful to include the competitive nature of the procurement where possible in the report.

### 9. Internal Audit

- 9.1 Darren Jones presented the progress report and audit reports on recent internal audits carried out since the last meeting.
- 9.2 The Committee were comfortable with the reports and were especially pleased to see a substantial assurance result from the Information Governance audit.

### 10. Outstanding audit recommendations

- 10.1 The Committee noted the number of recommendations which were currently late. It was confirmed that these actions

should be completed prior to the follow up audit, which would be carried out during May 2021.

## 11. Annual Internal Audit Plan

- 11.1 Darren Jones presented the draft internal audit plan and asked the committee to approve the proposed internal audit plan and provide recommendations for the final two areas for audit.
- 11.2 The Committee agreed that the Compliance Arrangements report, considered earlier in the meeting, had not identified any additional areas of weakness that required further external assurance. Therefore the Committee agreed to the proposed additional areas of Workforce Planning and Performance reporting and management information as suggested by Mazars in the report.

## 12. External Audit

- 12.1 David Eagles provided an update and confirmed that the interim audit has been undertaken as planned and they are making good progress on the income and expenditure testing.
- 12.2 BDO have been included in discussions relating to the trust statements, how best to include figures within the Annual Report, the position on back pay, showing as an accrual rather than a provision, and how to deal with the excess data protection fee. David Eagles commented that it has been helpful to have the opportunity to discuss these issues at an early stage.

## 13. Cyber Security Assurance Report

- 13.1 Louise Byers presented the annual report regarding progress towards completion of all cyber security standards within the HMG's Security Policy Framework.
- 13.2 Ailsa Beaton confirmed that the report is very helpful to provide assurance on cyber security to DCMS.

## 14. Security Report

- 14.1 The Committee noted the cyber security incident trends report.

## 15. Fraud and whistleblowing report

15.1 There have been no incidents reported this quarter.

## 16. Audit Committee Annual Work Programme

16.1 The Committee agreed the proposed work programme.

## 17. Any other business

17.1 It was confirmed that items relating to the annual report which required Audit Committee review should be circulated to committee members at the beginning of May for review. This would allow the Committee to confirm to the Management Board that they were content with these parts of the report.