

Audit and Risk Committee – for assurance

Meeting agenda title: Annual Report and Financial Statements
2022/23 - Lessons Learned

Meeting date: 3 November 2023

Time required: 15 minutes

Presenter: Angela Donaldson & Robert Buysman

Approved by: Jen Green

1. Objective and recommendation

- 1.1. The objective of this report is to give the Audit and Risk Committee (ARC) assurance of the lessons learned from the production of the 2022/23 Annual Report and Financial Statements (ARA) and identify the improvements to the process for future years.

2. Developing a common understanding

- 2.1. Following completion of the Annual Report and Financial Statements for 2022/23, we held lessons learned meetings during August and September 2023, to capture improvements that we have identified to the process for future years. These meetings were both internal (between Corporate Governance, Finance, People Services and Communications) and external (with the National Audit Office (NAO) and Deloitte).
- 2.2. There is recognition that whilst there was considerable work and effort expended to ensure we successfully managed to complete and lay the ARA before recess, there were issues in achieving timely ARC approval due to the audit not being completed on time. The focus of the lessons learned session between the ICO and NAO / Deloitte were on how we can work differently to achieve better results next year.

3. Matters to consider to achieve objective

- 3.1. The following lessons learned were identified, along with actions to implement the lessons:

Lessons learned between the ICO and NAO/Deloitte

Lesson 1: The audit testing plan was agreed with ICO Finance and Deloitte, and this was presented to the ARC in January 2023. However there was a misunderstanding between ICO and Deloitte

regarding the timing of the detailed deliverables. This led to delays in the ICO being able to provide some of the audit evidence to meet Deloitte expectations.

Action 1: The detailed list of audit evidence and requirements will be agreed with the relevant ICO owner as part of planning stage, for both interim and final audits, to underpin the audit testing plan that goes to ARC.

Action 2: The planning stage will involve wider ICO teams that are involved in providing audit evidence (such as People Services) to ensure ICO ownership and requirements are clear, and that capacity and deadlines can be agreed and met for both audits. These teams will also all be involved in the ICO's internal progress meetings, to ensure visibility internally of any progress or challenges.

Lesson 2: During final audit there was considerable time spent looking at judgements and assumptions, in addition to clearing outstanding queries from interim audit. The order of the audit could also have focussed on the areas with more significant risk of error and misstatement earlier.

Action 3: During planning, ICO and Deloitte will consider how to cover off judgements and assumptions during interim audit to ease pressure at final audit

Action 4: The audit plan should consider areas where the highest risks of material misstatement and error exist and ensure these areas are prioritised early in the audit and that these are reviewed and assured by Deloitte and NAO during the earlier stages of the audit.

Lesson 3: It was clear that there were frustrations within both teams in ICO and Deloitte about the final audit process. It was recognised that it is extremely important for good working relationships across both teams, and the actions set out below aim to capture how the teams will aim to work more collaboratively and effectively together.

Action 5: The Head of Finance was the "project manager" on the ICO side, but it was recognised that pushing all requests through one person creates a bottle neck. Action 2 above sets out the widening of involvement from ICO teams at planning stage. Audit queries will be sent directly to the right ICO people, whilst still copying the Head of Finance for visibility of status and overall

project management from ICO perspective. A wider group of ICO colleagues will also attend the daily keep in touch meetings and the weekly formal audit progress meetings.

Action 6: Where either team is struggling to deliver something on time there needs to be more openness and transparency to ensure that sufficient replanning / prioritisation of focus can take place to mitigate against delays to completion.

Action 7: Consideration needs to be given to how the teams communicate. There was considerable discussion of the use of email, and it was recognised that more Teams meetings and discussions are needed to clear down audit queries on a timelier and more efficient basis ensuring clarity of what is needed.

Action 8: For this year's audit, the audit work was completed entirely remotely. Consideration will be given to best use of audit time, and when it may be more beneficial to have both teams on site working together.

Action 9: Ensuring that all ICO staff and Deloitte auditors have access to the document sharing platform, Huddle, to ensure encryption of sensitive data, and to prevent duplication of responses, allowing easier tracking of status.

Action 10: The ARA needs to retain tracked changes throughout including clear responses to audit comments, to help with evidence of audit comments being addressed. Tracked changes will only be removed with agreement of Deloitte and NAO that they have completed.

Lesson 4: ARC isn't involved in the detail of the audit work and so need less optimistic information about progress. Whilst a significant risk was raised at the end of the scheduled audit in May regarding the ARC deadlines, Deloitte / NAO were still aiming and hoping for timely delivery. There is recognition that there was too much optimism in what could be achieved, given audit resources were booked on another audit. There should however be recognition that all teams were working long hours and extremely hard to do the right thing and to deliver on time.

Action 10: More clarity of position and realistic risks to achieving deadlines needs to be communicated should any delays be

encountered. The actions as set out above will mitigate against the risks of delay in future years.

Lessons learned internally within the ICO

Lesson 5: The lack of content relating to work delivered in the devolved nations in Part A was realised late in the process.

Action 11: For 2023/24 ARA there will be an additional review of the topics covered in Part A to ensure that these include some focus on work in the devolved nations before commissioning work to ICO Directors, to ensure completeness.

Other one off factors affecting 2022/23 audit

The audit team was impacted by bereavement leave in the latter stages at the end of June. This meant there was a loss of continuity of knowledge which involved some rework. There was discussion during the lessons learned process about whether there was any mitigation which could reasonably be put in place in similar circumstances in the future, but it was agreed that it is difficult to mitigate against such one-off events.

Factors to take into account for 2023/24

- 3.2. We will have new personnel responsible for the detailed delivery of the audit work. A new ICO Head of Finance and a new Deloitte Audit Manager will both be in position. Both will be involved in the planning stage scheduled for December, albeit the Head of Finance will be going through their induction period in parallel. This will help to build the cross team relationships and will support the focussed onboarding of the Head of Finance to ensure smooth delivery in Q4 of the interim audit.
- 3.3. We also need to consider any additional Systems Audit requirements as a result of the ERP system change from April 2023. Any additional work will be planned well in advance of financial yearend, and to ensure that this does not affect ICO capacity at final or interim audit.
- 3.4. We also have the complexity of governance transition to consider and how this affects our ARA reporting and position. We are already taking proactive steps to get advice and plan for this.

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Consultees: Louise Byers, ICO Finance, Corporate Governance, People Services and Communications teams, Deloitte and National Audit Office.

List of Annexes: None

Publication decision: Report can be published internally and externally without redaction.