

Audit and Risk Committee minutes

25 April 2024

Details of attendees are provided at the end of the minutes.

1. Introductions and apologies

- 1.1. Apologies for absence were received from David Cooke, Angela Donaldson and Darren Hall.
- 1.2. The Committee welcomed Suzy Cater who was attending for the first time as a Next-Gen NED observer. The Committee also welcomed Lyn Bryant-Nichols and Sarah Self who were providing internal audit services from GIAA.

2. Declarations of interests

- 2.1. No declarations of interests were made.

3. Matters arising from the previous meeting

Minutes

- 3.1. The minutes of the previous meeting had been approved as a correct record.

Actions

- 3.2. The Committee noted that all actions from previous meetings had been completed, with the exception of one action, which would be completed during the meeting through the cyber security assurance report at item 8.3.

4. Deputy Chief Executive Officer's update

- 4.1. Paul Arnold provided an update on recent activities across the ICO's remit. He particularly highlighted progress of the Data Protection and Digital Information (DPDI) Bill through the parliamentary process, progress with the regulatory transformation programme, progress with the review of the data protection fee model, and the current financial situation.
- 4.2. The Committee discussed the recent level of turnover within the Finance Directorate, and asked whether management had any concerns regarding this, particularly in the context of corporate memory and the current reduction in recruitment activities. Jen

Green explained that Finance had been identified as a priority area and therefore recruitment to roles in this area was continuing, in line with a revised Target Operating Model. She confirmed that management was confident that risks in this area were being mitigated appropriately.

- 4.3. The Committee asked for the views of management on staff morale and turnover risks, in the context of the financial situation and the scale of change and challenge facing the ICO at present. Paul Arnold explained that in addition to these challenges, an additional change area was the direction of travel towards more automation and efficiency savings. He highlighted that senior leadership resilience had been particularly strong in the current circumstances, and a people survey would be launched during May 2024 which would provide further information on staff morale at all levels.

5. Internal audit

5.1. Internal audit update

- 5.1.1. Hannah Plowman presented a report on the delivery of the 2023/24 internal audit programme, and an update on progress with implementing recommendations.
- 5.1.2. GIAA and the Committee thanked Fiona Wilcock for her excellent work in supporting GIAA's successful delivery of the internal audit plan and ensuring the completion of all internal audit recommendations which had been due during 2023/24.

5.2. Audit reports completed since the last meeting

- 5.2.1. Hannah Plowman presented completed audit reports related to Fixed Assets, Workforce Planning, International Activities Prioritisation, and Innovation Services.
- 5.2.2. In relation to the fixed assets audit, Louise Byers thanked GIAA for their support throughout the audit, which had provided excellent direction for further areas for improvement in this area. Louise Byers confirmed that this was a priority area for the Finance Directorate to deliver as part of year end and external audit activities.
- 5.2.3. In relation to the workforce planning audit, Jen Green explained that the workforce planning delivery strategy would be submitted to People Committee for discussion at its next meeting on 2 May.

- 5.2.4. In relation to the international activities audit, Ailsa Beaton commented that the Management Board was likely to be interested in measurement of productivity and outcomes against the resources devoted to international activities, as this was an area of high reputational risk.
- 5.2.5. In relation to the innovation services audit, Ailsa Beaton commented that it would be useful to provide the Management Board with further information about the work of the Regulatory Sandbox, for the Board's awareness.

ACTION: Louise Byers to explore how to provide the Management Board with further information about the work of the Regulatory Sandbox. Due date: 16/9/24

- 5.2.6. GIAA explained that they were currently finalising the internal audit annual opinion, but there an indicative opinion was not available at this point. GIAA explained that they would provide the indicative opinion to the Committee as soon as it was available.

ACTION: GIAA to provide the Audit and Risk Committee with the indicative internal audit opinion as soon as it is available. Due date: 31/5/24

5.3. Annual internal audit plan 2024/25

- 5.3.1. Sarah Self presented the proposed internal audit programme for 2024/25 for the Committee's approval.
- 5.3.2. The Committee discussed the current financial risks referred to in Paul Arnold's update earlier in the meeting, and discussed whether it would be beneficial to retain flexibility in the audit plan to potentially include an audit of core financial systems. The Committee was informed that GIAA would continue to retain flexibility in the audit plan to ensure that audits could be addressed towards the biggest areas of risk, which could include financial controls.

ACTION: Louise Byers to discuss the potential addition of an internal audit of core financial controls during 2024/25 with Angela Donaldson. Due date: 20/6/24

- 5.3.3. Sarah Self also provided an update on progress with delivery of the 2024/25 internal audit plan so far, with scoping meetings having taken place for two audits.

Decision

- 5.3.4. The Committee approved the internal audit plan for 2024/25, subject to amendments to accommodate an audit of core financial controls if required.

6. External audit and Annual Report

6.1. External audit update

- 6.1.1. Michelle Hopton presented a report setting out progress with the interim external audit for the financial year 2023/24. This included an overview of the delivery of the interim audit during March 2024, and progress with the final audit, which had commenced earlier in the week.
- 6.1.2. She highlighted that the review of the expected credit and loss model had not taken place during the interim audit and would now take place during the final audit. She confirmed that most of the information expected for the final audit had been provided on time. The exceptions for this were information relating to property, plant and equipment (which had now been received) and accruals (which was outstanding at the time of the meeting). She commented that there had been good engagement between Deloitte and the Finance Directorate so far in the audit.
- 6.1.3. NAO confirmed that they were regularly reviewing delivery of the lessons learned from the previous year's external audit to ensure that these were factored in to the audit and delivered.
- 6.1.4. The Committee highlighted the importance of continuing to maintain a strong dialogue between Deloitte and the Finance Directorate, particularly in light of the turnover in the Finance Directorate.
- 6.1.5. The Committee asked for clarification regarding whether, at this stage, there was any risk of the external audit not being completed in time for the Audit and Risk Committee meeting on 20 June 2024. Michelle Hopton explained that at present it was too early to comment, but confirmed she would assess this within the next week as the audit progressed. Ailsa Beaton explained that she would expect to have this information in order to be able to provide an

update to Management Board's next meeting on 20 May 2024.

ACTION: Michelle Hopton to confirm whether the external audit will be completed in time to allow the Committee to consider the final annual report at its meeting on 20 June. Due date: 3/5/24

6.2. **Environmental, Social and Governance (ESG) report**

- 6.2.1. Louise Byers and Mark Brennan presented a report setting out the ICO's approach to the management of ESG issues.
- 6.2.2. Ailsa Beaton welcomed this report, which provided strong assurance for the Committee in the ICO's ESG performance.
- 6.2.3. In relation to use of carbon offsets and potential perceptions of greenwashing, Mark Brennan explained that as this was a new and relatively risky market, the ICO was taking a risk averse approach to reduce potential for reputational damage. The Committee noted this approach and commented that it would also be useful for the ICO to consider publishing ESG information on its website, beyond that which is published in the annual report.

ACTION: Mark Brennan and Angela Donaldson to consider publishing more ESG information on the ICO's website, in addition to that published in the annual report. Due date: 20/6/24

6.3. **Draft Annual Report part B (Accountability report)**

- 6.3.1. Louise Byers presented the draft of Part B of the Annual Report and Accounts for consideration by the Committee.
- 6.3.2. NAO highlighted their report on good practice in annual reporting. The Committee was informed that the ICO had reviewed this document, attended a workshop and received specific feedback on the previous year's annual report, with best practice and this feedback being implemented into this year's annual report as far as possible.

7. **Finance**

7.1. **Income and expenditure report**

- 7.1.1. Louise Byers presented a report setting out the most recent Management Accounts. She highlighted that the deficit

which had been projected for 2023/24 had been fully mitigated. The Committee noted the report.

7.2. Specialist reports to be commissioned from third parties on areas of particular judgements, estimates or valuations

7.2.1. Louise Byers explained that a report had been commissioned regarding the dilapidations provisions, which was required annually and updated in particular for 2023/24 due to office moves in London and Belfast. No other specialist reports were expected to be commissioned for production of the financial statements.

7.3. Single tender contract awards

7.3.1. Louise Byers presented a report setting out contracts awarded on a single tender basis in the last quarter.

7.3.2. The Committee noted that threshold to report single tender contracts to the Department for Science, Innovation and Technology (DSIT) had increased significantly. However, the Committee agreed that reporting single tender contracts above £25k to Audit and Risk Committee continued to be appropriate at present.

8. Risk

8.1. Corporate risk management

8.1.1. Jo Butler presented a report setting out the current corporate risks, including a deep dive on the compliance risk, an update on Government Functional Standards, and a risk and audit horizon scan.

8.1.2. The Committee commented that report provided it with a good level of assurance of the risk maturity in the ICO and how this was continuing to develop.

8.1.3. The Committee commented that there were a range of risks with relatively high current ratings and in excess of the relevant risk appetite levels and asked whether all work which could reasonably be done to mitigate these risks was being done. Louise Byers confirmed that management was confident that this was the case, and this was regularly discussed with owners of each risk. She explained that the highest rated risks and were those where the ICO's degree of control was relatively limited.

- 8.1.4. The Committee was informed that Management Board had held high quality discussions regarding the risk maturity and risk appetite at its meeting in March. This had also been supplemented by recent workshops with ET, SLT and policy professionals about applying risk to decision-making.

8.2. Risk – Orange Book Compliance

- 8.2.1. Jo Butler presented a report setting out the ICO’s compliance with the Orange Book.
- 8.2.2. The Committee asked whether there was any insight as to how the ICO’s assessment compared to other similar organisations. GIAA and NAO explained that, at present, they did not have any comparative information.
- 8.2.3. The Committee welcomed the work which had been done in this area and complimented the level of development. The Committee commented that the assessment and attendant wording within the annual report should be reviewed, as it appeared to be overly pessimistic.
- 8.2.4. **ACTION: Louise Byers to review the wording in the annual report regarding compliance with the Orange Book. Due date: 10/5/24**

8.3. Cyber Security assurance report

- 8.3.1. Alan McGann presented a report setting out the ICO’s implementation of the NAO’s Good Practice Guide for cyber security.
- 8.3.2. The Committee agreed that the report gave them a good level of assurance that the ICO was compliant with guidance and best practice and had a high level of awareness of the current level of threat in this ever-changing area.

9. Draft Audit and Risk Committee Annual Report

- 9.1. Fiona Wilcock presented the draft Audit and Risk Committee annual report for the Committee’s comment, ahead of the final version being presented to the Committee’s June 2024 meeting. The Committee noted the report.

10. Fraud and whistleblowing report

- 10.1. The Committee noted a report providing information on fraud or whistleblowing disclosures over the last quarter.

11. Security report

11.1. The Committee noted a report providing information of security matters over the last quarter.

12. ARC effectiveness review – progress update

12.1. The Committee noted a report setting out the progress with delivering actions from the effectiveness review in autumn 2023.

13. Implementation of lessons learned from 2022/23 Annual Report

13.1. The Committee noted a report setting out progress in implementing lessons learned from the production of the previous Annual Report.

14. Annual work programme

14.1. The Committee noted a report providing the Committee’s planned work programme during 2024/25.

15. Any other business

15.1. There were no items of other business.

Attendance

Members

Ailsa Beaton OBE (Chair)	Non-Executive Director
Jayne Scott	Independent Audit Committee member

Attendees

ICO

Alan McGann	Head of Cyber Security (for item 8.3)
Jen Green	Executive Director, Strategy and Resources
Joanna Drinkwater	Finance Contractor (for item 6.1)
Joanne Butler	Head of Risk and Governance
Louise Byers	Director of Risk and Governance
Mark Brennan	Head of Facilities and Estates (for item 6.2)
Paul Arnold MBE	Deputy Chief Executive Officer and Chief Operating Officer

Internal auditors

Lyn Bryant-Nichols	Government Internal Audit Agency
Hannah Plowman	Government Internal Audit Agency
Sarah Self	Government Internal Audit Agency

External auditors

Ivy Wong	National Audit Office
Michelle Hopton	Deloitte
Naseem Ramjan	National Audit Office

Observer

Suzy Cater	UKRN Next-Gen NEDs Programme
------------	------------------------------

Secretariat

Chris Braithwaite	Corporate Governance Manager
Fiona Wilcock	Corporate Governance Officer

The quorum is at least two members of the Committee.
--