

Audit and Risk Committee – for assurance

Meeting agenda title: Annual report and accounts approach

Meeting date: 23 January 2025

Time required: 10 minutes

Presenter: Louise Byers

1. Objective and recommendation

- 1.1. This report provides Audit and Risk and Committee with information of the approach to be taken for the annual report for 2024/25.
- 1.2. The Executive Team considered the approach and agreed that we should repeat last year's process: retaining the alignment to ICO 25, and using the 'In Design' format which is more dynamic than previous ARAs while still retaining accessibility.

2. History and dependencies

- 2.1. This report builds on the approach taken to the 2023/24 ARA but takes into account public sector reporting best practice and the lessons learned from the 2023/24 audit.
- 2.2. PwC UK hosts the annual "Building Trust in Public Sector Reporting" awards in collaboration with our external auditors (National Audit Office, NAO) and runs a workshop each February to highlight instances of good practice in annual reporting across the public sector. Corporate Governance attended this event in February 2024, and also requested direct feedback from the judging panel on our 2022/23 ARA. This feedback was shared with the wider ICO ARA team, and mostly implemented in the 2023/24 ARA - although some suggestions needed more time to prepare, and will instead be implemented in the 2024/25 ARA.
- 2.3. Following the laying of the 2023/24 ARA in July 2024, a report was submitted to the Audit and Risk Committee setting out lessons learned from the production of that document. This report was considered by Audit and Risk Committee in October 2024. The lessons learned have been factored into this report.

3. Developing a common understanding

- 3.1. Under the DPA 2018, the ICO is required to produce an ARA, which must be presented to Parliament before 31 August each year. The format of the ARA is set out in HMT's Financial Reporting Manual (FReM) and is split into three parts:
 - Part A: Performance Report
 - Part B: Accountability Report
 - Part C: Financial Statements
- 3.2. HMT has also issued Sustainability Reporting Guidance for 2024/25 ARAs, which identifies and signposts to the new disclosure requirements from the Task Force on Climate-related Financial Disclosure (TCFD). As an Arms Length Body (ALB) with more than 500 employees, the ICO will be within scope of these disclosure requirements.
- 3.3. The 2024/25 ARA will need to be laid before Parliament's summer recess in July 2025, likely to be on 22 July. To take account of this, the Audit and Risk Committee meeting has been scheduled for 16 June 2025, at which the Committee will expect to be presented with the final 'In Design' version of the ARA, which has been signed off by the external auditor. The Audit and Risk Committee will then advise the Commissioner to sign the ARA.

4. Matters to consider to achieve objective

Part A – Performance report

- 4.1. For the last two years, the performance report has been structured around ICO 25 and included sections on: safeguarding and empowering people; empowering responsible innovation and sustainable economic growth; promoting openness and transparency; and continuously developing the ICO's culture, capacity and capability. This will be continued for the final full year of ICO 25, so as to provide direct comparisons to previous reports for readers. It will also include a section on the causes which have guided the prioritisation of our work during 2024/25.
- 4.2. Previously this section has been drafted by individual directorates and edited by Comms to provide "one voice". This year, Comms will produce a first draft based on the quarterly impact reporting up to Q3, the economic impact work published during the year, and existing published comms products which have highlighted the

impact of our work during the year to date. Individual directorates will be given an opportunity to review, correct and add to the first draft during February and March. After the year end Comms will add information from the Q4 impact reporting and further website news articles, before pulling out the highlights for a summary section at the front of the ARA.

- 4.3. Part A also includes sustainability reporting, with new requirements under TCFD. Sustainability figures should be available fairly quickly after the year end. The Estates team is already considering the required disclosures in the ARA, and has reviewed other published ARAs to identify possible approaches to make the section more streamlined and accessible.
- 4.4. The Data team is looking at ways to improve and simplify the performance analysis section within Part A while retaining accessibility. The information in this section can be drafted based on Q3 results, and updated once year end figures are available.
- 4.5. ET is keen to also include the following in Part A:
 - A graphic in the finance review section, to illustrate how the data protection fee is spent. The graphic designer is developing ideas with the Finance team.
 - An explanation of the new fee model in the finance review section, and details of how this has affected income towards the end of the year.
 - A brief summary of the risks and mitigations in relation to each of the enduring objectives. The Risk team will develop this section, based on their existing regulatory risk work.

Part B – Accountability report

- 4.6. This section of the report includes the directors' report, governance statement, remuneration policy, staffing and parliamentary accountability. There is a standard requirement for each of these areas, set out in the FReM, with little scope to amend or adjust what we report. Some of the information in this section will not be available until after the year end but we have well established processes to ensure the relevant teams are able to deliver the required content on time.
- 4.7. The EDI section of Part B has been expanded in each of the last three years to give more information of the work we had done to achieve the EDI objectives. This section will be written before the

year end by People Services. The team is considering whether all of this information is required in the ARA, or whether it could be disclosed elsewhere – for example on the ICO’s website - with embedded links signposting from the ARA.

- 4.8. The staff section will also include details of the outcome of the People Survey, and details about the development of a Shadow Board.

Part C – Financial Statements

- 4.9. The financial statements are a key part of the annual report and we must comply with International Standards on Auditing (UK) (ISAs UK), applicable law, Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom and the FReM. There is no option for significant deviation from the norm.

Other matters

- 4.10. Depending on the likely focus, of the NAO / PwC “Building Trust in Public Sector Reporting” workshop in February 2025, Corporate Governance, Finance, Comms and Estates staff may attend. Corporate Governance will again request direct feedback on our 2023/24 ARA which will be incorporated in the 2024/25 ARA where possible.
- 4.11. Last year the financial statements were signed off by the auditors before the June Audit and Risk Committee meeting. A significant delay caused by the calling of the General Election allowed the transfer of information to the new ‘In Design’ format before the summer parliamentary recess. Plans for 2024/25 have incorporated the work required to transfer to ‘In Design’ earlier in the process, and the work should be quicker as we now have an existing template. We expect that the Audit and Risk Committee June meeting will receive the ‘In Design’ final version, rather than the Word version.
- 4.12. There is still a requirement to produce a large print (20 point font Word) edition of the ARA which should be laid in Parliament around the same time as the ‘In Design’ ARA. In previous years we have outsourced this through the national annual report print provider. However, this process has not always run smoothly, has not felt cost effective and has occasionally introduced new errors into the ARA. We have therefore taken the decision to bring the production of this version in house. Corporate Governance has confirmed the

exact requirements with the House of Commons and will produce a 20 point Word document in parallel with the 'In Design' version. The additional work for the Corporate Governance team will be monitored, but the expected cost saving is in the region of £1.5k.

- 4.13. There were much better working relationships between ICO staff and auditors from Deloitte and the National Audit Office (NAO) during 2023/24, and the introduction of the ERP system (WorkDay) from April 2023 was straightforward, although required additional systems testing during the interim and final audit.
- 4.14. The lessons learned from the production of the 2023/24 ARA focused on improved audit efficiencies, and identified 10 actions for the ICO, Deloitte and the NAO to mitigate against the risks of delay this year. Progress with each of these actions will again be monitored by the Audit and Risk Committee at each of its meetings. In addition, the ARA workload will be brought forward and spread across several teams within the ICO, although Corporate Governance will retain responsibility for project management.
- 4.15. A key challenge with delivery of the ARA for 2024/25 will again be the loss of corporate memory due to the changes in personnel involved. A new Audit Manager has been appointed by Deloitte, and there has been a significant turnover of ICO Finance staff during the last 18 months, with temporary staff brought in to focus on the ARA and audit in 2023/24. A detailed handover of responsibilities within the Finance team should mitigate any risks.
- 4.16. Future governance transition arising from the DUA Bill will not affect the reporting period ending on 31 March 2025, but there may be additional complexities in assessing going concern and in reporting future positions. However, this has been something which we have needed to consider for each of the last two annual reports, and is not currently anticipated to be a significant issue. Additional explanations will be added for:
- Changes arising from the Data (Use and Access) (DUA) Bill.
 - Impact of governance transition.
 - New duties.
 - New reporting requirements on enforcement activity.
 - Going concern of the ICO, and the transfer to the Information Commission.

5. Next steps

5.1. The next steps for this work are:

- Corporate Governance worked with ICO teams to establish the timetable and FReM requirements for 2024/25. These new requirements have been incorporated into a “skeleton” ARA template, to be submitted to the auditors for review during their interim fieldwork starting on 20 January.
- Contributions to the ARA are being commissioned by Corporate Governance from teams across the ICO during January 2025.
- Executive Team to review draft by email during early May, and first draft will be provided to the auditors for review during the audit fieldwork.
- Commissioner to review draft (Parts A and B) in mid-May.
- Management Board to review draft by email in mid-May (after the Commissioner).
- Auditor to sign off financial statements by 1 June, although Deloitte has signalled that changes might be made up to the report deadline for ARC.
- Commissioner review of full ARA in early June.
- Audit & Risk Committee to consider ARA for sign off at its meeting on 16 June.
- Target Commissioner signing date of 4 July.
- Target laying date of 14 July.

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Consultees: Executive Team, Chris Braithwaite, Louise Byers, Angela Donaldson

List of Annexes: None

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

Outcome reached: