

Audit and Risk Committee

Report title: Annual report and accounts 2025/26 - approach

Meeting date: 23 October 2025

Time required: 10 mins

Presenter: Jen Green

RAPID Role: Scrutinise

Publication decision: Can be published internally.

Problem Statement

How might we ensure that the process for the production of the Annual Report and Accounts (ARA) for the 2025/26 financial year provides our stakeholders with a clear account of how we are delivering our strategic objectives, and runs in line with an agreed process and runs as smoothly as possible.

Input requested

The input requested is for Committee to note the proposed approach set out in this report is appropriate.

Background and summary

The approach for production of the ARA has been largely unchanged for the last few years, following successful delivery of the ARA, following consistent successful delivery over this period. This report therefore builds on the approach for 2024/25, including the lessons learned from that ARA (which are covered in a separate report).

Under 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 (FRoM), which we are required to follow, and is split into three parts:

- Part A: Performance Report
- Part B: Accountability Report
- Part C: Financial Statements

The 2025/26 ARA will need to be laid before Parliament's summer recess in July 2026, likely to be on 16 July. This is slightly earlier than previous

years, but should not present a problem. We have identified a target laying date of 1 July 2026, with a backup date of 8 July 2026.

In addition to the information set out in this report, PwC UK hosts an annual “Building Trust in Public Sector Reporting” Awards in collaboration with the National Audit Office (NAO) and runs a workshop each January or February to highlight instances of good practice in annual reporting across the public sector. We will attend this event and request direct feedback from the judging panel on our 2024/25 ARA, as we have done in previous years. We will adjust the approach as appropriate to implement this feedback where possible for the 2025/26 ARA (or for more complex elements, feed this feedback into development of the 2026/27 ARA).

Proposed approach

The proposed approach for producing each section is set out below. Corporate Governance will continue to have overall accountability for and oversight of delivery of the ARA.

Part A – Performance Report

For the last three years, the performance report has been structured around ICO 25. It includes various sections which are owned by different parts of the organisation:

- Forewords: owned by Communications team
- Performance overview: owned by Communications team
- Performance analysis/statistics: owned by Data team
- Financial overview: owned by Finance team
- Sustainability reporting: owned by Estates team
- Going concern: owned by Finance team
- Various miscellaneous sections (introductions, legislation we oversee, whistleblowing): owned by Corporate Governance team

The performance overview will continue to report on delivery of ICO 25 and the impact and outcomes we have had as a regulator, during 2025/26. It is not intended for the 2025/26 ARA to serve as a report on everything that has been achieved throughout the ICO 25 period.

As with 2024/25, this section will be primarily drafted by Communications to provide “one voice”, where possible based on existing content for efficiency purposes such as quarterly impact reporting, economic impact work published during the year and existing published communications products. As with 2024/25, Communications will produce an initial draft

based on information available as at the end of Q3 (end of December 2025) and individual directorates will be given an opportunity to review, correct and add to the first draft during February and March. After the year end Communications will add information to reflect any additional work in Q4.

The Data team is looking at ways to improve and simplify the performance analysis section within Part A while retaining accessibility. As part of this, they are considering whether more of the information can be hosted on the website separate from the ARA, and the ARA itself only include that performance information which is required by the Financial Reporting Manual (FReM), while linking to the additional information on the website. We will confirm the approach to this as part of the interim external audit in January 2026.

During development of the 2024/25 ARA we attempted to create a graphic illustrating how the data protection fee is spent, but abandoned this as the information required to do in a way which provided meaningful analysis for readers was not available. Finance will attempt to develop this again for the 2025/26 ARA. We will aim to provide early sight of this graphic as it is being developed.

Part B – Accountability Report

This accountability report includes various sections which are owned by different parts of the organisation:

- Governance (directors report, governance statement and similar): owned by Corporate Governance team
- Staffing and remuneration: owned by People Services Directorate
- Parliamentary accountability: owned by Finance team

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.

As requirements in this area are largely set by the FReM, the sections included in this part of the report have remained relatively fixed in the last couple of years and we plan to largely repeat the same processes we have followed previously.

Similar to the data elements of Part A, we are looking at whether some parts of this section (such as EDI and information about board members)

can be hosted on the website and linked to from the ARA rather than included within the ARA.

Part C – Financial Statements

This section is owned by Finance. The financial statements are a key part of the ARA and must comply with applicable professional standards and the FReM. There is no option for significant deviation from the norm, other than to thoroughly review, edit and reduce in length some parts of the notes to the financial statements, eg the accounting policies section. This review is underway and the results will be presented to the ARC in line with the confirmation of accounting policies prior to year end

As this section of the ARA went relatively smoothly for 2024/25, we plan to repeat the same processes for 2025/26.

Other matters

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 ARA. Up to 2024/25 we outsourced this through the national annual report print provider. However, this process was not always smooth or cost effective, including occasionally introducing new errors into the ARA. Therefore for 2025/26 we produced this version in house. This was a success and Corporate Governance will again produce the 20 point version of the report in house. The cost saving from doing this is c. £1.5k.

Challenges and risks recognised

The key challenges and risks we have so far identified for delivering the 2025/26 ARA are set out below.

Governance transition

We will transition to new a governance structure as a result of the Data (Use and Access) Act 2025. At the time of writing, this transition is expected to take place on 1 April 2026. Therefore, the transition is not expected to have any direct impact on the production of the ARA, as the reporting period for the 2025/26 ARA ends of 31 March 2026, although we will need to ensure we make clear disclosures throughout the report regarding the setting up of the Information Commission. The main area where the ARA will need to reflect this transition is in the Going Concern statement, although this has been the case in previous years as the new legislation has been pending.

The new governance structure will change how the ARA is signed off. Under the current Corporation Sole structure, the Audit and Risk Committee (ARC) reviews the ARA and recommends to the Commissioner that he approve and submit the ARA. Under the statutory board structure, rather than the Commissioner approving the ARA, it will be the Information Commission Board which approves the ARA. Therefore, we have scheduled the sign-off process as follows:

- 18 June 2026: Audit and Risk Committee meeting to recommend the Board approves the ARA.
- 23 June 2026: Information Commission Board approves the ARA.
- 24 June 2026: submit ARA to National Audit Office for certification (takes around one week)
- 1 July 2026: target laying date
- 8 July 2026: backup laying date
- 16 July 2026: expected recess date.

One challenge in this area is that it will be the ARC of the Information Commission which will review and recommend the ARA to the Information Commission Board to approve. To mitigate this risk, we are intending to provide an initial (unaudited) draft of the ARA to the ICO ARC meeting on 26 March 2026. This will include all information planned to be included in the ARA up to the end of month nine (December 2025), including financial figures to this date. This is intended to give the ARC members assurance on progress with the ARA and allow the ICO ARC to endorse the ARA to the Information Commission ARC, subject to development of the final three months of information and the external audit.

In the event that the transition date is delayed beyond the date of the ARA being approved, we will revert to the previous arrangements for approval (i.e. ARC reviewing, Commissioner approving). This would mean the governance transition has no effect at all on the production of the 2025/26 ARA, but would complicate the production of the 2026/27 ARA. We have begun scenario planning for this with NAO and Deloitte, in the event this is needed.

An annex is provided which includes more information of potential timelines and scenarios depending on the date of governance transition. This has been shared with NAO for comments, but at the time of writing this feedback has not yet been received.

Pensions information for Board members

In the production of the 2023/24 and 2024/25 ARAs, the pensions provider, MyCSP, were not able to provide full pensions information for all Board members. In 2023/24 this was caused by a delay to all pensions information across the public sector, due to the McCloud judgement.

In 2024/25 this was specifically due to not receiving pensions information to the Commissioner, as his pension is administered differently from the rest of the Board members. At the time of writing, we have received some of the information from MyCSP to resolve this issue, but are still awaiting them providing the remaining information. We are confident that we will be able to receive the remaining information and will issue a correction to the ARA to publish the information once received. After resolving the historic issue, we will ensure that we request the information for 2025/26 in line with the lessons learned from this matter, to ensure that the same issues do not arise.

Complicating this slightly is that administration of the civil service pensions scheme will transfer from MyCSP to Capita in November 2025. However, we do not currently expect this to create additional complications and will keep developments under review.

“Designed” version of the ARA

For the last couple of years, we have produced the ARA as a word document throughout most of the process, up to the point that we have a final version of the report, usually the version which is presented to ARC for endorsement to the Commissioner. At that point, the content is transferred to InDesign, to create the visual elements of the report and make it more appealing to readers.

However, this is a labour intensive process and, as it is largely manual, introduces the chance for errors to creep, requiring additional proofreading, all against tight time pressures. At this stage, we are exploring whether we can design the document adequately entirely within Word, or whether we can present the Word version as the official document which is laid in parliament but then create the designed version as a webpage, which would remove the time pressure and risk elements, while also offering opportunities to improve the quality and accessibility of the design.

Next steps

Should the requested decision be agreed, the next steps for this work are:

- We will develop the template for the 2025/26 ARA during autumn 2025, ensuring that there is a complete template, which implements so far as possible the lessons learned (identified in a separate report), by December 2025. This will also be supported by an updated Gantt chart which sets out all tasks which require completion, including timelines and responsibility for each task. Corporate Governance will maintain this Gantt chart throughout the development and delivery of the ARA.
- We will begin commissioning contributions for the ARA from January 2025.
- At present, there are no internal or external communications which need to take place for this work.

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Reviewers: Louise Byers, Tony Uttley, Sam McVaigh, Dave Murphy

Sign off: Jen Green

List of annexes: Annex 1 – Governance transition scenarios and implications

Annex 1 – Governance transition scenarios and implications

Set out below are assumptions relating to the scenarios and implications for governance transition on the ARA process, based on a review of guidance available. This includes information based on the target transition date of 1 April 2026, as well as a contingency plan if transition is delayed to mid-financial year in 2026/27.

It is our working assumption that this is treated as a “transfer by absorption” as per the 2024/25 FReM.

Scenario 1 – transfer on 1 April 2026

At present our working assumption is that the Information Commission will be formed on 1 April 2026. This assumes that we have the new Board in place to do so, and therefore at the time of writing the key dependency is DSIT’s recruitment and appointment of the NEDs. If this date is met:

- We would complete financial year-end as normal for the ICO at 31 March 2026 and prepare the final ICO ARA for external audit as usual.
- We would need to review and consider the Going Concern disclosures necessary given the transfer, ensuring it was clear that all operations, assets and liabilities were transferring from 1 April 2026 to the new Information Commission. On this basis, it would be our assumption that we still prepare the year-end and ARA as normal and prepare the accounts on a going concern basis as all assets, liabilities and operations are transferring to the Information Commission. There is an example case of a public sector transfer (in addition to the guidance attached above and FReM guidance on Transfer by Absorption):
 - Where an entity ceases to exist, the FReM states that it should consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of financial statements. We think this would apply to the ICO, and has been how we have handled potential governance transition in going concern statements for the last few years’ ARAs.
 - the Department for International Development’s (DfID) 2019/20 financial statements were prepared on a going concern basis even though the department had been abolished before the accounts were certified. This was

because the government's intention was that the Foreign and Commonwealth Office (now the Foreign, Commonwealth and Development Office – FCDO) would assume responsibility for international development.

- Recognising that 2025/26 would be the final ARA prepared for the ICO, but that the operations continue under the Information Commission, all closing balances become the opening balances for the Information Commission on 1 April 2026. So, in 2026/27 ARA, the yearend, first ARA and external audit would be completed as normal, and ARA for Information Commission prepared on a Going Concern basis. We would also use the prior year comparatives from the ICO within the Information Commission's first ARA making clear disclosures in the ARA about the transfer.

Scenario 2 – transfer later in the 2026/27 financial year

There is a risk that the Information Commission is not established on time for 1 April 2026 and we need to prepare a contingency plan for this instance. In this case we believe that the revised transfer date would be mid-year in 26/27, with a proposed alternative date of 1 September 2026.

This potentially means we will have some complications regarding our statutory reporting which we need to take some advice on please. The FreM states: "Where an entity's functions are wholly transferred into one or more other entities at a date other than 31 March, the entity should prepare closing accounts. The transferor should present additional information in the SoFP to provide clarity of the impact of the transfer on its assets, liabilities and equity. For example, the transferor could provide an additional statement of financial position to enable reporting of the pre- and post-transfer (i.e. nil balance sheet) position in closing audited accounts or provide additional narrative to explain the impact of the transfer."

- For 2025/26 financial year, we would complete this as usual, making the necessary disclosures within the Going Concern about the proposed transfer and transfer date, but these would still be completed on a going concern basis as above. Therefore, there would be no actual impact on the 2025/26 ARA – the impact would be on the 2026/27 ARA.
- There are outstanding questions on requirements in this scenario, which we are currently seeking guidance on from the NAO. We would aim to take as simple an approach as possible, particularly

given this is a straight transfer over with no changes and we will not have any complexity (such as accounting policy changes), but rather simply a new operating entity and name:

- Would we need to complete formal closing accounts on 31 August 2026 for the ICO to agree the closing, and therefore opening balances for the Information Commission? The guidance is limited in the FReM regarding what this means in entirety, as well as on the timing and requirements for external audit for these mid-year closing accounts. Also, in reviewing the DfID/FCDO example, DfID' final ARA was 2019/20 and the FCDO 2020/21 ARA is clear throughout the on anything different pre-merger and post-merger. Also, within the financial statements notes, the merger balances are all stated at 31 March 2020 and not at 1 September 2020 (the date of new merged entity).
- Will we need to complete any additional external audit reviews in September/October to confirm the closing and opening balances at end of August? We assume this will depend on the answer to the question above, and how simple or complex this needs to be.
- In terms of the Annual Report and Accounts document, what are the requirements for 2026/27? Will we be able to just prepare one ARA document for the new Information Commission, being clear throughout the document on the transfer dates and nature of the transfer?