

Audit and Risk Committee – for assurance

Meeting agenda title: Annual Report and Financial Statements
2023/24 - Lessons Learned

Meeting date: 17 October 2024

Time required: 15 minutes

Presenter: Louise Byers, Naseem Ramjan, Michelle Hopton

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 2023/24 Annual Report and Financial Statements (ARA) and identify the improvements to the process for future years.

2. Developing a common understanding

- 2.1. Each year following the completion of the ARA and final audit, we hold lessons learned meetings to reflect on the processes and experiences with the objective to capture improvements that we can identify. This ensures that we build continual improvement into the process for future years. The lessons learned 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 the ARA and audit process for 2023/24 was significantly improved from the prior year, with the ARA and audit being fully completed enabling sign off of the ARA following the June ARC. This allowed the ARA to be laid as planned on 18 July (after the delay due to the General Election).
- 2.3. The focus for this year's lessons learned has been recognising and documenting what went well and capturing both ICO and Audit ideas for further improvement. These lessons learned are shaped to build on the success of 2023/24 whilst ensuring we further reduce the risk of slippage in the timetable in future years.

3. Matters to consider to achieve objective

- 3.1. The following areas were recognised by both ICO and audit teams as areas that worked well during the 2023/24 ARA and audit

process. Both teams remain committed to ensuring these are repeated for 2024/25 and beyond:

What went well – ARA production

- Recommendations from the NAO's Best Practice workshop in February 2024 were well incorporated.
- Project management of the ARA by Corporate Governance was excellent with both ICO and Audit teams recognising the value and impact of this approach to managing the timelines, having clarity on roles and responsibilities, and keeping clear version controls.
- The change from Word to In Design for the ARA has meant the document is much improved visually and is more dynamic.
- The delay caused by the General Election allowed for a shadow certification by the C&AG which worked well.

What went well – Audit process

- The teams from the ICO, Deloitte and NAO worked more collaboratively and had better working relationships. Formal introductions for personnel changes took place to ensure that both teams got to know respective roles and responsibilities and build the necessary relationships.
- There was clear, open, transparent communication about audit progress: the daily and weekly calls helped, as did the more detailed audit requirements list.
- Having the audit team on site during interim and final audits was very helpful and ensured better cross team collaboration and communication.
- Regular assessment about progress against the 2022/23 lessons learned was helpful.

- 3.2. The following are additional actions that both ICO and Audit teams agreed from the lessons learned workshop which will be implemented to ensure continuous improvement to the production of the ARA and audit process for 2024/25:

Lesson 1: The audit planning process started late due to ICO staff absence. This put pressure on the Q4 work to complete planning processes, schedule and complete interim audit and ensure readiness for final audit.

Action 1: Both teams agreed to completion of audit planning during Q3 2024/25.

Lesson 2: The jointly agreed order of focus across audit planning, interim and final processes didn't feel like it achieved the optimum outcomes in terms of efficiency, either for ICO or Audit teams. The following actions were agreed to help reduce the risk of audit overruns.

Action 2: There was agreement to ensure that all business processes were provided and discussed with audit to clear this requirement as part of the audit planning process.

Action 3: There was agreement to complete Related Party Transactions at interim with a follow up on any changes for final audit.

Action 4: ICO will create a "skeleton" of the ARA for interim audit to ensure that the auditors can bring forward the FreM disclosures check from final audit.

Action 5: The ECL model had been due to be completed at interim audit however this was not possible due to unforeseen personnel changes at the ICO. The ICO Finance Director took ownership for the ECL model will ensure handover to both the Head of Finance and the Financial Accountant ensuring sufficient Finance team knowledge and resilience for this key judgement area. This will be audited at interim for 2024/25.

Lesson 3: There was a discussion about the resources available within ICO and Audit teams and whether the timing and resourcing of the final audit achieved the optimal outcomes to fully mitigate against future risks of overrun.

Action 6: There was agreement to commence the 2024/25 final audit a week later than in the previous two financial years, giving the ICO Finance team an extra week to ensure that work on financial yearend can be fully completed before final audit starts. This ensures that week 1 of the audit is more productive and efficient for both teams.

Action 7: There was a discussion about whether there was a need to plan audit resources for an additional week to cover final audit to ensure that all review points are fully cleared. Audit will consider

the need for this at planning stage with due consideration of the other agreed actions which aim to take some pressure off of final audit.

Lesson 4: We have more work to do to ensure clarity of ICO roles and responsibilities outside of the Finance team. Whilst we ensured that the planning meetings were attended by a cross section of ICO colleagues, during the pressure of final audit the meetings became very Finance centric and many audit queries were channelled through Finance rather than direct to the ICO person responsible.

Action 8: For each section of the audit, the ICO will identify the person responsible within the ICO and time will be set aside to ensure the relevant relationships are established, with audit queries going direct to the relevant owner and not through Finance.

Action 9: Wider ICO colleagues will be invited to attend the daily and weekly audit progress calls ensuring that they directly own the progress and actions for their areas.

Lesson 5: The audit used Huddle (the NAO audit software package) however it didn't always alert the auditors to evidence having been uploaded and at times it proved difficult for auditors to find the relevant evidence within the system.

Action 10: Deloitte will be using introducing a new system called Connect next year, which should address these concerns and allows evidence to be attached to specific audit queries.

Factors to take into account for 2024/25

- 3.3. The requirements of Phase 2 of the Taskforce on Climate-related Financial Disclosures (TCFD) will be applicable to the ICO's accounts next year. The NAO underlined the metric requirements and data collection mechanisms that are required for disclosures. These were also highlighted at the NAO's Best Practice workshop in February, and are already being considered by Corporate Governance, Finance and Estates teams.

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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.