

Audit and Risk Committee – for assurance

Meeting date: 18 October 2021

Time required: 5 minutes

Presenter: Louise Byers

Approved by: Paul Arnold

1. Topic

- 1.1. Annual Report and Financial Statements 2020/21 – Lessons Learned

2. Objective of this report

- 2.1. The objective of this report is to give the Audit and Risk Committee assurance of the lessons learned from the production of the 2020/21 Annual Report and Financial Statements and identify the improvements to the process for future years.

3. Recommendation

- 3.1. That the Audit and Risk Committee notes the report.

4. Lessons learned

- 4.1. Following completion of the Annual Report and Financial Statements for 2020/21, we held lessons learned meetings during August and September 2021, to capture any improvements that we can identify to the process for future years. These meetings were both internal (between Corporate Governance, Finance and Communications) and external (with the NAO).
- 4.2. The following lessons learned were identified, along with actions to implement the lessons:

Lessons learned between the ICO and NAO

Lesson 1: lack of clarity regarding whether a trust statement should or could be produced.

Action 1: a report is provided to the Committee elsewhere on the agenda for this to clarify the position on whether a trust statement will be produced for the 2021/22 Annual Report and Financial Statements.

Lesson 2: the audit completion report identified a non-material adjustment on the expected credit losses on fines and penalties.

Action 2: ICO Finance team will provide further information to NAO and Deloitte at an earlier stage, particularly on the risk assessments on the organisations involved in fines and penalties and the overall economic environment, which informs the provisions for losses in this area.

Lesson 3: the ICO sometimes lacked clarity on some amendments required by BDO or NAO, in some cases with contradictory amendments being suggested.

Action 3: NAO have clarified that they will always retain overall responsibility for the audit. They will ensure that the timing of any file reviews ensures any amendments are shared clearly and a timely manner. This has been taken into account in the NAO's appointment of Deloitte to undertake the delivery of the audit (under contract for a minimum of three years).

Lesson 4: there were significant benefits to bringing forward the timeline for production of the report. ET agreed the scope in January, Communications began drafting the narrative for the performance report, based on approved copy from stories on the website, during February and March with the report substantially completed in April (apart from any information which was not available at that time, e.g. audited financial figures). This meant that the near-final report could be presented to Management Board in May 2021 for approval, which was provided to BDO during their audit fieldwork. In particular, initial drafting of the performance report by the Communications Directorate led to a high quality first draft using significantly less resources.

Action 4: repeat the process for production of the report in 2021/22.

Lesson 5: we established weekly progress meetings involving Corporate Governance, Comms and Finance throughout the process, along with a Gantt chart progress tracker, following the lessons learned from last year's report. The meetings typically lasted less than 15 minutes but the meetings and tracker had significant benefits in keeping all parties aware of progress or problems.

Action 5: continue with weekly progress meetings and Gantt chart progress tracker for 2021/22.

Lesson 6: Corporate governance were involved in the audit end-of-fieldwork meetings with the external auditors. This allowed us to be aware of progress and any potential issues which could impact the sign-off date for the accounts.

Action 6: continue with Corporate Governance attending end-of-fieldwork meetings with external auditors.

- 4.3. In addition, there is also the consideration that, for the 2021/22 Annual Report and Financial Statements, there will be a new Commissioner in post, meaning the ICO has a new Accounting Officer. The NAO's recommendation where there is a change in Accounting Officer is that there should be a handover between the outgoing Accounting Officer and the incoming one, in accordance with the principles set out in Managing Public Money and other HMT guidance). This could take the form of a meeting, a pack of information prepared by officers and signed off by the Accounting Officer, or a combination of both. This allows the outgoing Accounting Officer to give the new person assurances that there are no areas of concern regarding the finances or governance of the organisation. We will ensure that this is picked up within the handover from the current Commissioner to the new Commissioner. This risk is mitigated somewhat as there will be continuity of Paul Arnold remaining in his role as Accountable Officer.
- 4.4. There are also a few other new considerations that we have identified for the 2021/22 Annual Report and Financial Statements: the updated depreciation policy (subject to the Committee's decision on the report elsewhere on the agenda); the appointment of new auditors (Deloitte) to conduct the audit on the NAO's behalf; and the appointment of the ICO's new Finance Director, who will begin their role later this month. We will ensure that as part of the audit planning process we build up strong relationships between the ICO, Deloitte and NAO, and the new depreciation policy (if approved) will be a point of emphasis in the planning for the 2021/22 audit.

5. Consultation outcomes

- 5.1. We developed these lessons learned collaboratively with the NAO, which has led to identifying a wide range of lessons learned and actions to address them.

6. Publication decision

- 6.1. This report can be published internally and externally without redactions.

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