

## Executive Team – for assurance

**Meeting agenda title:** Risk Management – Orange Book Compliance

**Meeting date:** 18 March 2024

**Time required:** 10 mins

**Presenter:** Louise Byers

**Approved by:** Jen Green

### 1. Objective and recommendation

1.1. The Executive Team (ET) are requested to:-

- confirm that they agree with the approach and scope of the assessment used to support our proposed disclosure statement of compliance with the five [Orange Book](#) principles for inclusion in the governance statement of the Annual Report.
- consider and approve the proposed disclosure statement prior to consideration by Audit & Risk Committee (ARC) in April and approval by Management Board (MB) in May.

### 2. History and dependencies

- 2.1. As a public sector organisation, the ICO should have systems for identifying and managing risk suited to its business, circumstances and risk appetite. As such, we are required to disclose or explain our reasons for departure with the five Orange Book principles, clearly and carefully, in our governance statement accompanying our Annual Report and Accounts. The Orange Book is produced by HM Treasury and sets out required risk management practices.
- 2.2. Disclosure should be on the basis of practice and outcome, rather than policy and intention and ET and MB should choose how they determine what gets disclosed and the strength of its assurance.

### 3. Developing a common understanding

- 3.1. In May 2023 the UK Government published an updated version of the Orange Book and introduced the Risk Control Framework (RCF).
- 3.2. The Orange Book Risk Management Framework supports the consistent and robust identification and management of

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opportunities and risks within desired levels across an organisation, supporting openness, challenge, innovation and excellence in the achievement of objectives. For the risk management framework to be considered effective, the following five principles shall be applied: -

- A. Governance and Leadership;
- B. Integration;
- C. Collaboration and Best Information;
- D. Risk Management Processes; and
- E. Continual Improvement.

- 3.3. The Risk Control Framework (RCF) is a subset of the risk management framework and its purpose is to help public bodies have an effective and efficient approach to risk control. The RCF provides a high-level bank of questions that are based on the five principles outlined above. It does not introduce any additional principles. However, it does provide further granularity on 'what' and 'why' in relation to the control of risk as it is important that the principles are consistently understood. It also provides structure to existing requirements which should ensure that the Accounting Officer is confident in control activities.
- 3.4. Co-ordinating a fit-for-purpose approach to assurance supports organisations in establishing a clear and comprehensive picture of the greatest risks to the achievement of their objectives, service delivery improvements and value for money.
- 3.5. A spreadsheet tool has been created by the Risk Centre of Excellence team (*Annex 4*) which provides various levels of assurance questions for use when assessing adherence with the items underpinning the categories and components in the RCF. Recognising that one size does not fit all organisations, the tool is intended to be useful to assist assurance teams and practitioners in understanding the scope of existing requirements rather than supply a definitive list of questions.
- 3.6. The structure of the Assurance Tool is as follows:
  - a) There are high-level risk management assurance questions relating to Part I of the Orange Book - listed in the Questions To Ask (Completed at *Annex 1*)
  - b) High level questions for each component of the RCF

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- c) Detailed questions informed by systematically collected evidence linked to key guidance/ good practice codes/standards
- d) A map of how the underlying standards/ requirements/guidance relate to each component in the RCF

### 4. Matters to consider

- 4.1. Given the size and structure of the ICO, the maturity of our risk management framework, the approach and scope taken for the current year has been to use a) above - the 35 high-level risk management assurance questions from Part I of the Orange Book.
- 4.2. It is proposed that we look to utilise more of the bank of questions from Part 1 and Part 2 (*Annex 4*) for assurance from 2024/25 and in addition, seek further assurance from GIAA on our risk management framework.
- 4.3. We have undertaken an assessment against the recommended risk control framework questions to consider our compliance with the five risk management principles. The assessment needs to allow the identification and disclosure relating to the substantive outcomes and features of the organisation that were in place for the majority of the year.
- 4.4. The outcome of the assessment against the 35 bank of questions is outlined in the table below and attached at *Annex 1*. Although there is more work to do to continuously improve the ICO's risk management framework, we believe that we currently comply with each Principle except for Question 5 in the Governance and Leadership Principle.

<b>Principle:</b>	<b>Comply</b>	<b>Explain</b>
A: Governance & Leadership (Questions 1-9)	8	1 (question 5)
B: Integration (Questions 10-14)	All	
C: Collaboration & Best Information (Questions 15-20)	All	
D: Risk Management Processes (Questions 21-32)	All	
E: Continual Improvement (Questions 33-35)	All	

- 4.5. Question 5 of the Governance and Leadership Principle asks "How effective are risk information and insights in supporting decision-

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making, in terms of the focus and quality of information, its source, its format and its frequency?" We recognise that there is more we can do to strengthen our risk information and insights to support decision-making, and whilst the intention and work planned will strengthen this, we do not yet fully comply with this principle.

- 4.6. Work is already in development to improve this as part of the risk and decision making workstreams within our Do It Differently Programme. In addition, we have recently included more detailed information within the corporate risk update reports to ET and MB which we need to build upon.

### **Recommendation:**

- 4.7. Based on the outcome of the bank of questions assessment. We recommended that our disclosure within the Annual Report about risk management includes the following statement: -

*With the exception of Question 5, Principle A: Governance and Leadership, our practices comply with the requirements of the Orange Book's 5 principles. We plan to make improvements in our risk information and insights to support decision-making and aim to achieve this by March 2025.*

## 5. Areas for Challenge and Decisions Requested

- 5.1. Decision requested: Does ET Agree with the approach and scope of the assessment used to support our proposed disclosure statement of compliance with the five Orange Book principles for inclusion in the governance statement of the Annual Report?
- Challenge Question: Do ET think that more questions included in the RCF at Annex 4 should be undertaken to provide support to the disclosure statement for 2023/24?
- 5.2 Decision requested: Do ET approve the proposed disclosure statement as recommended above prior to consideration by Audit & Risk Committee (ARC) in April and approval by Management Board (MB) in May for inclusion in the Annual Report.
- Challenge Question: Do ET wish to amend the statement? The Risk and Governance Team have followed advice from the Risk Centre of Excellence team on acceptable disclosures as attached at Annex 3.

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5.3 Challenge Statement: Is the disclosure statement and assessment undertaken to support this in line with the internal and external auditors opinion statements in the Annual Report?

## 6. Communications considerations

6.1. The disclosure statement will need to be included in the Governance Statement of the Annual Report.

## 7. Next steps

7.1. The next steps for this work are:

- Present the report to ensure that Audit & Risk Committee and Management Board agree with the approach and scope and the assessment outcomes against the Orange Book's 5 Principles.
- Ensure that Audit & Risk Committee and Management Board agree with the Disclosure Statement.
- Include Disclosure Statement in the Governance Statement within the Annual Report.
- Continue with workstreams to ensure compliance with all principles within the Orange Book by March 2025.
- Utilise more of the RCF bank of questions from Part 1 and Part 2 for assurance from 2024/25 and in addition, seek further assurance from GIAA on our risk management framework.

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**Consultees:** Joanne Butler

### List of Annexes:

- Annex 1 – Approach and Scope of Assessment
- Annex 2 – RCF Questions Assessments Outcomes – Comply or Explain
- Annex 3 - Risk Centre of Excellence Team on acceptable disclosures
- Annex 4 – Orange Book RCF Bank of Questions Spreadsheet ([this is a large Excel Spreadsheet and is available at this link](#))

**Publication decision:** The report can be published internally and externally.

**Outcome reached:**