

Audit and Risk Committee – for assurance

Meeting agenda title: Annual report and financial statements approach

Meeting date: 17 January 2023

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 2022/23.
- 1.2. The Executive Team considered the approach and agreed that we should amend the format of the annual report to align to the ICO 25 enduring objectives, but otherwise repeat the process and format that was successful last year.

2. History and dependencies

- 2.1. Following laying of the annual report in July 2022, a report was submitted to the Audit and Risk Committee setting out lessons learned from the production of that annual report. This was considered by Audit and Risk Committee in October 2022. 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 annual report and accounts, which must be presented to Parliament before 31 August each year. The annual report is therefore split into three parts:
 - Part A: Performance Report
 - Part B: Accountability Report
 - Part C: Financial Statements
- 3.2. The 2022/23 annual report will need to be laid before Parliament's summer recess in July 2023, likely to be on or around 19 July. This is reflected by the scheduling of the Audit and Risk Committee meeting on 19 June 2023, at which the Committee will expect to be presented with the final version of the annual report, which has been signed off by the external auditor. The Audit and Risk

Committee will then advise the Commissioner to sign the annual report.

4. [Matters to consider to achieve objective](#)

Part A – Performance report

- 4.1. For the last three years the performance report has been structured around the corporate narrative, which included sections on supporting the public; enabling innovation and economic growth; raising global data protection standards; taking regulatory action; supporting the public sector; delivering the ICO service experience.
- 4.2. This approach allowed us to rely on existing published comms products as the basis for the annual report. Communications also held the pen on writing the narrative which meant there was a more cohesive tone throughout the report (although for 2021/22 this was initially outsourced). This was successful in producing a cohesive narrative, but still required a lot of chasing of contribution from across the organisation to properly articulate the impact of our work.
- 4.3. For 2022/23 onwards, ET have agreed that we will structure the report around ICO25. This would give 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. Where possible, as well as providing information on performance during the 2022/23 financial year, we will look to exploit opportunities to signpost readers to live performance information on our website, such as [the data breach incident trends dashboard](#), [performance scorecards](#), [the reprimands log](#), [civil monetary penalties log](#) and the [complaints and concerns data sets](#).

Part B – Accountability report

- 4.4. This section of the report includes the director's report, governance statement and remuneration policy. For each of these areas we are reporting in a standard format so there is little scope to amend or adjust what we report.
- 4.5. For the EDI part of this section, in each of the last two years we have expanded the section to give more information of the work

we had done to achieve the EDI objectives. We can continue that this year as our EDI maturity has continued to develop.

Part C – Financial Statements

- 4.6. Although the financial statements are a key part of the annual report, there is not significant option for deviation from the norm on production of these. We will aim to implement all of the lessons learned from the production of the 2021/22 report to help the production of this section.
- 4.7. We anticipated that a key challenge with delivery of this part of the report for 2021/22 was the turnover in personnel involved, with a new company providing external audit (Deloitte) on behalf of the National Audit Office. This proved to be the case, with late adjustments identified by Deloitte in July 2022, after the Commissioner had signed the accounts and submitted them for approval by the Comptroller and Auditor General.
- 4.8. Various lessons learned were identified to avoid this in future, including Deloitte producing a more detailed audit plan, which will be presented to Audit and Risk Committee in January 2023. Deloitte have committed block booking resources dedicated to the ICO audit and to spending more time working with the Finance team on site to ensure that audit is more productive and efficient.
- 4.9. As with 2021/22 audit there will be weekly audit review meetings, and Deloitte have committed to raise critical quality review issues more quickly via this forum. NAO, Deloitte and our Finance, People and Corporate Governance teams will also meet before the interim audit to ensure that any changes required due to an updated Financial Reporting Manual have been implemented by the ICO, rather than these being picked up during the audit fieldwork or review.
- 4.10. The ICO's Finance Department have also taken steps to improve the post-balance sheet reviews and reconciliation procedures, particularly in relation to monetary penalties. On the latter an internal audit is scheduled for Quarter 4 which will also provide greater assurance with regards to this particular area.

Other potential enhancements

- 4.11. In November 2021 the Risk & Governance Board considered a report which set out some potential areas of best practice from the annual reports of other regulators, mainly relating to presentation

in Part B and Part C. Some of these enhancements were built in to the 2021/22 annual report. However, there are other enhancements that we can build into the report, such as:

- An efficiency report which summarises all the different approaches taken to enhance efficiencies, such as cost savings, organisation design, systems, and IT infrastructure. This could provide a narrative on efficiencies and how we deliver value for money for fee payers and from grant-in-aid funding.
- Setting out the key issues the Management Board has considered in the year.
- A brief "Overview of the sector", to help to set the context for our regulatory activities and the importance of the work we undertake. This is done by some other regulators and is extremely helpful in providing context to their work. By the nature of our "sector" being the entire economy, this could be challenging to produce, but could be helpful in demonstrating the scope of our work.

5. Next steps

5.1. The next steps for this work are:

- Corporate Governance to begin commissioning contributions to the report during January and February 2023.
- Communications to develop first draft of performance narrative during March 2023.
- Communications & Engagement Board and Executive Team to review draft during April 2023.
- Audit and Risk Committee review draft Part B of the report in April 2023.
- Submit Part A of the report to Management Board in May 2023.
- Finalise financial statements during June 2023.
- Audit and Risk Committee to consider Annual Report for sign off on 19 June 2023.
- Target laying date of 4 July 2023.

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Consultees: Angela Donaldson, Louise Byers, Angela Balakrishnan, Risk and Governance Board

List of Annexes: None

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

Outcome reached: