



Audit Committee minutes Monday 6 June 2016

Members

Ian Watmore (chair)
Roger Barlow

Non-Executive Director
Independent Audit Committee
member

Attendees

ICO

Simon Entwisle

Deputy Information Commissioner and
Deputy Chief Executive Officer

Christopher Graham

Information Commissioner

Louise Byers

Head of Good Practice

Sally Hanson

Interim Head of Finance

Paul Arnold

Head of Customer and Business
Services

Internal Auditors

Will Simpson

Grant Thornton

Paul Eckersley

Grant Thornton

External Auditors

James Edmands

National Audit Office (by telephone for
item 9)

David Eagles

BDO

Alison Langridge

BDO

Sam Cook

BDO

Secretariat

Peter Bloomfield

Senior Corporate Governance Manager

Neil Bostock

Corporate Governance Officer

1. Introductions and apologies

- 1.1. Apologies had been received from Ailsa Beaton and from James Edmands who would dial in for his item. Paul Arnold was welcomed for discussion on Project Eagle, agenda item 12, and as an observer.

2. Declaration of interests

- 2.1. There were no declarations of interest.

3. Minutes and action points from the Audit Committee meeting of the 7 March 2016

- 3.1. All of the action points had been cleared.

4. Commissioner's update

- 4.1. Christopher Graham provided an update on matters affecting the ICO. He noted that this would be his last Audit Committee as his tenure ended on 28 June. Simon Entwisle, as deputy Commissioner, will take over the duties of the Commissioner pending the arrival of Elizabeth Denham who would take up the position of Commissioner on or about the 18 July.
- 4.2. Christopher Graham raised the issue of the Government's decision that annual reports and accounts should not be laid prior to the EU referendum, and the consequent decision of the NAO not to certify annual reports and accounts until 27 June. The ICO had intended to lay on that day, allowing the current Commissioner to answer questions from external stakeholders and staff on the performance of the ICO over the last year at events planned for the 28 June. Certification on the 27th and laying on the 28th was possible and James Edmands would be encouraged to meet this deadline as it was appropriate that, as a Corporation Sole, the accounts are laid before the Commissioner retires on 28 June.
- 4.3. As noted, as deputy Commissioner, Simon Entwisle will be acting as Commissioner for the interregnum. There was discussion as to how best to support Simon Entwisle during this period.
- 4.4. Simon Entwisle mentioned his recent meeting with Elizabeth Denham. She is looking forward to joining the ICO.

- 4.5. Christopher Graham noted that the ICO was waiting for guidance from the Treasury as to whether or not it could introduce an additional allowance which would be payable to any member of staff required to take on significant additional responsibilities. The concern was that the introduction of the allowance might have to be taken into account in the 1% cap on pay awards. The Committee supported the Commissioner's approach.
- 4.6. The ICO was now focused on the EU data protection reforms and their introduction in May 2018. The reforms would have an impact on the size and make up of the ICO.
- 4.7. Christopher Graham thanked the Audit Committee for its help and support over the last seven years.

5. Risk management

- 5.1. Peter Bloomfield introduced the risk register. It had been revised since the last Management Board. No specific comments were raised.

6. Finance

- 6.1. The end of year finance report was presented to the Committee. The report included a summary of the financial year, in-year adjustments to the accounts and descriptions of the issues that had arisen. It provided a link between the management accounts and the end of year statutory accounts.
- 6.2. Sally Hanson was thanked for stepping into the role of Interim Head of Finance.

7. Outstanding audit recommendations

- 7.1. Peter Bloomfield introduced the register of outstanding audit actions. The ICO was keeping on top of the actions but there were a number where dates had been revised. The Committee considered that, in the main, the originally agreed timescales for actions should be realistic and should be met.
- 7.2. Whether or not the recommendation relating to a recruitment and selection strategy was cleared was questioned. It was noted as having been superseded by the ICO Change Programme; preparing the ICO for the EU data protection reforms. However the view of the Committee was

that the need for a recruitment and selection strategy was more important now than it had ever been.

Action point: Peter Bloomfield to amend the register to show that the action had not been cleared and to advise the Head of Organisational Development.

8. Internal audit

Project Eagle review

- 8.1. Will Simpson introduced this report. Grant Thornton had gone out to external stakeholders and asked what they thought of the changes introduced under Project Eagle. There had been relatively consistent feedback received from stakeholders under each of the areas looked at and good practice recommendations had been provided.
- 8.2. It was confirmed that dates had now been provided for the agreed actions.
- 8.3. There had been a delay in bringing the report to the Committee partly due to the researchers having to go back out to stakeholders as the initial response rate had been low, and partly due to delays in clearing the report.
- 8.4. One of the recommendations related to inconsistencies in deadlines given by the ICO for responses from data controllers. Simon Entwisle provided some background to why different deadlines might be given which did mean that consistency was difficult to achieve.

Action point: Peter Bloomfield to update the Project Eagle report with the agreed timings and to liaise with Grant Thornton over finalising the report.

Follow up-review

- 8.5. Paul Eckersley reported back on the follow-up report. There were no recommendations.

Internal audit report 2015/16

- 8.6. Paul Eckersley introduced the Grant Thornton Annual Report for 2015/16. It included a review of the year and their audit opinion; that in the areas of risk management, corporate governance and internal controls the activities and controls are suitably designed to achieve the objectives required by management and were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the objectives were achieved during the year.

Internal audit plan 2016/17

8.7. Paul Eckersley also introduced the internal audit plan for this year (2016/17). It included a look ahead to areas for possible audit during 2017/18 and 2018/19. There were questions over the timing of some of the proposed audits, depending as they would on the views of the new Commissioner. The Committee considered that it was important for the new Commissioner to meet with the internal auditors early in her tenure.

Action point: Peter Bloomfield to liaise with the Commissioner's support to arranging an early meeting between the internal auditors and the new Commissioner.

8.8. Simon reported back that the ICO was working actively with DCMS on fee forecasting.

8.9. Paul Arnold advised that work around preparing for Share Point implementation had now been done, although there needed to be consideration of how best to follow up MERIDIO replacement. And current IT audits needed to be focused on day to day controls and processes. They were currently framed in quite broad terms.

Action point: Paul Arnold and Paul Eckersley to liaise over the proposed IT audits.

8.10. Louise Byers advised that the ICO was looking at auditing its own data protection compliance.

8.11. The Committee adopted the audit plan as drafted.

9. External audit

Final audit completion report 2015/16

9.1. James Edmands was welcome to the meeting by telephone.

9.2. David Eagles introduced the Audit Completion Report 2015/16, thanking Sally Hanson, the Finance Team. Louise Byers and Peter Bloomfield for their assistance.

9.3. The report concluded that the auditors anticipated recommending to the Comptroller and Auditor General that he should certify the 2015-16 financial statements with an unqualified audit opinion.

9.4. Areas highlighted in the report included the review of significant financial statement risks (the management override of controls), personnel and system changes in the

Finance Team, organisational and governance changes affecting the wider ICO (eg changes in sponsoring department), and dilapidation provisions in respect of the lease.

- 9.5. Louise Byers updated the Committee on accommodation. It had been agreed with the Department for Culture, Media and Sport that the ICO could retain the ground floor of the annex to Wycliffe House. The ICO was in the process of negotiation the lease renewal with the landlord.
- 9.6. In respect of the Annual Report and Accounts David Eagles identified that BDO had a few minor comments on the document and they were currently discussing these with Sally Hanson. BDO expect to clear these outstanding matters shortly.
- 9.7. BDO had identified issues arising out of the end of year processes relating to the new ICO finance system. Sally Hanson described staffing changes and systems administration access. She also explained that the Finance Team was small and segregation of duties was therefore difficult to achieve. She was planning a project to look at delegated rights, purchase management access and control, and procedures and documentation. The project would be completed by the end of the calendar year. The project would also include wider staff training on use of the finance system which would go some way to help improve the financial management and control environment.
- 9.8. The Committee supported the project and agreed the deadline.
- 9.9. Ian Watmore thanked Sally Hanson, Louise Byers and the audit team for a smooth end of year audit process.
- 9.10. There followed discussion of timing for certification and laying of the Annual report and Accounts. James Edmands confirmed that no accounts would be laid before the referendum. This meant that the C&AG would certify accounts from 27 June onwards. James Edmands was encouraged to ensure that the ICO Annual Report and Accounts are certified on 27 June so that they can be laid on the 28 June. This was crucial as the Commissioner's tenure finishes on 28 June and it is important that, as Corporation Sole, the accounts are laid before the Commissioner's retirement.
- 9.11. The Committee asked whether certification could be the week earlier with laying on the 27 June. James Edmands

would consider this. But 100s of organisations would be trying to lay at the same time.

Action point: James Edmands to report back to the ICO on the various issues affecting the certification and laying of the ICO annual report and accounts as soon as decisions had been made.

- 9.12. The Audit Committee agreed and recommended that the Commissioner sign the letter of representation.

10. ICO Audit Committee annual report 2015/16

- 10.1. Peter Bloomfield presented the ICO Audit Committee Annual report. This had been broadly agreed at an earlier meeting and had been updated to reflect the numbers of audit recommendations, and the internal and external audit opinions given. Following earlier discussion at this meeting there was a need to make minor amendments relating to the clearance of internal audit recommendations.

- 10.2. The Committee agreed to adding concerns about the number of recommendations cleared, but only after dates had been revised. There was also a change needed under "Audit Committee Opinion".

Action: Peter to amend the ICO Audit Committee Annual Report 2015-2016, to clear it in correspondence with the Committee, and to publish it on the ICO website.

11. ICO Annual report and Accounts 2015/16

- 11.1. Peter Bloomfield presented the ICO Annual Report and Accounts 2015-16. The draft would go to the designers shortly; as soon as the minor amendments identified had been made and the "Certificate and Report of the Comptroller and Auditor General" had been incorporated.

12. Report on fraud, whistleblowing and security matters

- 12.1. Peter Bloomfield introduced the report on fraud, whistleblowing and security matters. There had been a number of minor security incidents reported to the steering group.

- 12.2. Paul Arnold provided a summary of an investigation into a recent security incident involving the management of the ICO's cryptographic materials. The incident had been

contained, investigated and ultimately classified as low risk. The Committee was disturbed by the incident but was satisfied that it had been dealt with appropriately. The Committee also agreed the proposal for an increased role for internal audit when reviewing controls in this area.

13. Any other urgent business

- 13.1. On behalf of the Committee and attendees Ian Watmore wished Christopher Graham well for the future and thanked him for the corporate governance framework he has been so diligent in maintaining.