

Audit Committee minutes **Thursday 17 January 2019**

Members:

Ailsa Beaton (chair)	Non-Executive Director
Roger Barlow	Independent Audit Committee member
Jane McCall	Non-Executive Director

Attendees:

ICO

Elizabeth Denham	Information Commissioner
Paul Arnold	Deputy Chief Executive Officer
Louise Byers	Director of Corporate Affairs and Governance
Heather Dove	Head of Finance
Andrew Hubert	Director of Resources
Jonathan Bamford	Director of Strategic Policy (Domestic) (for item 6)
Jo Pedder	Head of Engagement (for item 6)

Internal Auditors

Peter Cudlip	Mazars
Michaela Spiller	Mazars

External Auditors

Matthew Atkinson	National Audit Office (NAO) (by telephone)
Mark Colman	BDO
David Eagles	BDO

Secretariat

Chris Braithwaite	Senior Corporate Governance Manager
Caroline Robinson	Corporate Governance Officer

1. Introductions and apologies

- 1.1. Apologies were received from Sid Sidhu (NAO).

2. Declaration of interests

- 2.1. No declarations were made.

3. Matters arising from the previous meeting

- 3.1. The minutes of the previous meeting were agreed.
- 3.2. There was one outstanding action from the previous meeting, regarding requesting Non-Executive Directors to provide a quarterly return of gifts and hospitality they had received. Chris Braithwaite confirmed that this action would be completed by the end of January 2019.

4. Deputy Chief Executive Officer's update

- 4.1. Paul Arnold updated the Committee on major issues affecting the ICO. He noted that Elizabeth Denham had been awarded a CBE in the 2019 New Year's Honours and the Committee congratulated her on this honour. Elizabeth Denham commented that the honour reflected the excellent work of everyone associated with the ICO.
- 4.2. One of the key areas of focus for the ICO since the Committee's last meeting had been preparation for the UK's exit from the EU. There continued to be close liaison with DCMS and appropriate guidance on a potential "no deal" scenario had been developed and released before Christmas. Plans were in place to deal with increased demand from the public and businesses for ICO services in the run up to the EU Exit.
- 4.3. Recruitment to additional posts within the ICO continued. The recent staff survey had indicated that 89% of staff were "proud to work for the ICO" and staff turnover was now at 8%. The new pay progression policy had now been agreed and would be implemented from April. A full briefing on this policy would be provided to the Management Board at their next meeting. The Audit Committee expressed their gratitude to all staff who had been involved in the review of the pay policy.

5. Risk and Opportunity Management

- 5.1. Louise Byers presented a report which set out the current Risk and Opportunity Register. The Committee noted the changes which had been made to the register since the last meeting.
- 5.2. The report also provided information in relation to scenario planning work which had been completed since the Committee's last meeting. This planning had focused on demand for services and availability of funding. The Committee welcomed the report, which was very helpful in identifying how the organisation would react if faced by these challenges.
- 5.3. The Committee requested that a further report be provided which also considers the impact of several risks maturing simultaneously, along with other factors, such as business continuity events, on the scenarios set out within the report.

Action 1: Louise Byers to submit a report to the June 2019 meeting to report on the further development of the risk scenario planning.

6. Internal audit

- 6.1. Peter Cudlip introduced a report providing an Internal Audit progress update, highlighting the common themes which had emerged from the audits which had been undertaken so far.
- 6.2. One common theme was identified as "management should consider the effectiveness and general uptake of training across the wider organisation". Andrew Hubert explained that he was not aware of any issues in relation to uptake of training. Mazars and Andrew Hubert agreed to review this and provide clarification of the theme to Audit Committee members.

Action 2: Mazars and Andrew Hubert to review and provide clarification to Audit Committee Members of the common theme in relation to uptake of training.

6.3. The Committee noted the significant expansion of the ICO over the last year and asked whether there was clarity on processes, roles and responsibilities, and that appropriate governance structures were now in place to take advantage of the additional capacity and expertise. Elizabeth Denham explained that a new governance structure had been agreed in December and was now being embedded. A report could be submitted to the Committee's next meeting to set out the new structure.

Action 3: Paul Arnold and Louise Byers to submit a report to the Committee's next meeting setting out the new governance structures.

6.4. Michaela Spiller introduced a report providing information of the completed audit of guidance development. Jonathan Bamford and Jo Pedder agreed that the audit had been very helpful and that they would implement the recommendations from the audit in line with the timescales set out in the report.

6.5. Elizabeth Denham asked whether Mazars was aware of best practice in guidance development from their audits of other regulators, particularly in relation to outsourcing and the role of legal teams. With regard to outsourcing, Peter Cudlip explained that the best practice was to develop long-term relationships with specialists in particular areas where guidance may be needed. With regard to the role of legal teams, Mazars was aware that this was an issue experienced by many regulators but best practice had not yet been established. Peter Cudlip explained that Mazars would facilitate a meeting between the ICO and similar clients to develop best practice in this area.

Action 4: Mazars to facilitate a meeting between the ICO and other similar Mazars clients to explore best practice of the role of legal teams in guidance development.

7. People Strategy audit

7.1. Michaela Spiller introduced a report providing information of the completed audit of the ICO's People Strategy. In addition, Andrew Hubert provided a report which set out an update on the current position with the People Strategy.

- 7.2. The Committee agreed that for future Internal Audit reports, the management response should indicate whether each recommendation was accepted or rejected.

Action 5: Chris Braithwaite to ensure that future Internal Audit reports were consistent in stating whether management accepts or rejects each recommendation.

8. Outstanding audit actions

- 8.1. Chris Braithwaite reported that there were three late internal audit recommendations. All of these related to the integration of the assurance map in to the risk and opportunity register. These actions would be completed by the end of April 2019.

9. External audit

- 9.1. David Eagles presented a report which set out the details of the proposed approach for the audit of the 2018/19 financial statements.
- 9.2. The Audit Committee agreed that:
- the assessment of the risks of material misstatement to the financial statements, set out within the report, was complete;
 - management's response to these risks was adequate; and
 - the proposed audit plan to address these risks was appropriate;
 - the Committee had sufficient oversight of the effectiveness of internal control; and
 - the Committee was not aware of: any potential for material misstatement due to fraud or the ICO's risk profile; of non-compliance with laws, regulations or internal policies; or of any other matters which may influence the audit of the financial statements.

10. 2018/19 Financial Statements

- 10.1. Heather Dove provided an oral update on the plan for the completion of the 2018/19 Financial Statements, which was on schedule. She explained that a creditor would be listed within the Financial Statements for staff pay, as back-pay as a result of the implementation of the pay progression scheme would not be finalised during the financial year. She also explained that the ICO had discussed the pension

information required with MyCSP, to ensure that this aspect of the Financial Statements process went smoothly for 2018/19.

11. Finance

- 11.1. Heather Dove introduced the November finance report, which had been circulated in advance of the meeting. She also provided a verbal update regarding the December 2018 position, which was in line with the estimated position.

12. Fraud, Whistleblowing and security – Q1 and Q2, 2018/19

- 12.1. Chris Braithwaite presented a report which provided an update on whistleblowing and security incidents in Q3 of 2018/19. The Committee was given further information regarding the medium impact incident.

13. Any other business

- 13.1. There were no items of other business.