

Audit Committee– minutes

29 April 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
Mike Fitzgerald	Director of Digital, IT and Customer Services (for item 10)
Alan McGann	Head of Cybersecurity (for item 10)
Emma Deen	Head of Business Services (for item 10)

Internal Auditors

Peter Cudlip	Mazars
Michaela Spiller	Mazars
Gary Stewart	Mazars

External Auditors

David Eagles	BDO
--------------	-----

Secretariat

Chris Braithwaite	Senior Corporate Governance Manager
Caroline Robinson	Corporate Governance Officer

1. Introductions and apologies

- 1.1. Apologies for absence were received from Matthew Atkinson and Sid Sidhu.

2. Declaration of interests

- 2.1 No declarations of interest were made.

3. Matters arising from the previous meeting

- 3.1 The minutes of the previous meeting were approved as an accurate record.
- 3.2 There were no updates to outstanding actions.

4. Deputy Chief Executive Officer's update

- 4.1 Paul Arnold provided the Committee with an update on matters relating to the Committee's work which were not otherwise addressed in the agenda. This included updates on EU exit preparations, high priority investigations, statutory codes and work with the Department for Culture, Media and Sport Select Committee. He also updated on the ICO's expansion, including embedding the values, corporate narrative and commitment to service excellence within the organisation.
- 4.2 The Committee discussed the Commissioner's recent appearance at the DCMS Disinformation Sub-Committee, which had been hugely positive in enabling the ICO to continue developing a strong relationship with members of the Committee.

5. Risk and opportunity management

- 5.1 Louise Byers introduced a report which set out the current position in relation to the ICO's risk and opportunity management.
- 5.2 Paul Arnold explained that Executive Team had conducted a review of the corporate risks earlier that day and had agreed that the score for R1 ("the way we exit the European Union, and the accompanying uncertainty, impacts on our ability to deliver functions...") could be reduced from 20 to 16. This was to reflect the work already completed in preparation for the EU withdrawal, along with the extended time period in which to prepare for various exit scenarios. The Committee discussed this and agreed with the reduction of the risk score.
- 5.3 Paul Arnold reported that Executive Team had also discussed whether the score for R3 ("ICO fails to meeting expectations when dealing with its regulatory action priorities in a timely and effective way and hence does not meet the wide range of stakeholder expectations") could be reduced from 16 to 12.

This was to reflect, in particular, the work which had been completed in relation to oversight of regulatory priorities and managing high priority investigations. The Committee also agreed with the reduction of the risk score.

Actions: Chris Braithwaite to update risks R1 and R3 as per the reductions agreed at Executive Team.

- 5.4 The Committee discussed the decision to amalgamate three risks into one to form a revised risk R2, particularly whether this new risk adequately reflected risks in relation to culture and compliance. Paul Arnold explained that the revised risk reflected the service excellence work programme, which would be main driver to deliver the ICO's cultural change project. However, the risk register would be reviewed to ensure that there was an appropriate reflection of risks in relation to compliance and culture. This would be included in the updated version of the report which would be submitted to Management Board.

Action: Louise Byers to review the risk register to ensure that there is appropriate inclusion of risks relation to compliance and culture, prior to the report being submitted to the Management Board.

6. ICO governance structures

- 6.1 Louise Byers presented a report which set out the ICO's governance structures, following the growth of the organisation over the last year.
- 6.2 The Committee welcomed the report, but requested that additional information be included in relation to: the composition of each of the governance bodies referred to in the report; and the involvement of non-executive directors.

Action: Louise Byers to update the report to include clarity on the involvement of non-executive directors and the composition of each body, prior to the report being submitted to Management Board.

7. Funding ICO litigation costs

- 7.1 Paul Arnold presented a report which set out potential approaches for funding litigation costs resulting from the ICO's investigations.

- 7.2 The Committee discussed the proposals set out in the report, particularly in light of the need for the ICO to be suitably resourced to be an effective regulator and the use of a similar model by the Competition and Markets Authority.
- 7.3 The Committee considered the potential of the recommended approach to create a reputational risk that the “ICO has a financial incentive to take regulatory action”. However, the Committee agreed that the process set out, whereby the ICO reclaimed the funding rather than directly retaining it, would help to mitigate this potential risk.
- 7.4 The Committee agreed to support the recommendation set out in the report. The report would be updated accordingly and submitted to Management Board for consideration.
- Action: Paul Arnold to update the report to include reference to the Audit Committee’s support of the recommendation prior to submission to Management Board.**
- 7.5 The Committee agreed that it would be vital to ensure that the recommended approach was supported by the NAO. However, the use of a similar approach by the CMA, which was supported by the NAO, indicated that this should be achievable.

8. Finance

- 8.1 Andrew Hubert presented a report which set out the ICO’s management accounts for March 2019 and the ICO’s budget for 2019/20.
- 8.2 The Committee discussed the overspend on business travel. The Committee agreed that there was sufficient reasoning for this being overspent, given the need for a significant increase in national and international travel in preparation for the UK’s EU exit (as well as due to the implementation of GDPR). It was important that this information was presented alongside public reporting of travel spend, as it demonstrated that the additional spending had been vital to deliver the ICO’s duties.
- 8.3 The Committee discussed whether annual budgeting based on projected income continued to be appropriate for the ICO. Given the potential for significant variances in spending requirements between years as a result of major

investigations or litigation, the option for a three-year budgeting model may be preferable.

9. Outstanding audit recommendations

- 9.1 Chris Braithwaite presented a report which set out the status of the outstanding audit recommendations.
- 9.2 The Committee agreed that the revised target date for the outstanding actions for the guidance development audit should be October.

10. Internal audit

- 10.1 Mazars presented a series of reports which set out the findings of the following audits: Procurement and contract management; IT strategy; Cyber-security (ISO 27001) (advisory audit); 2018/19 follow-up audit; 2018/19 annual audit report.
- 10.2 In relation to the procurement and contract management audit, management confirmed that the audit finding of limited assurance was appropriate. Given the importance of the procurement policy (due for completion in June 2019) in providing assurance in this area, the Committee agreed that a further update should be provided to the Committee's June 2019 meeting, to provide information of the recommendations from the audit report were being addressed.

Action: Andrew Hubert to provide an update on implementing the recommendations from the procurement and contract management audit to the Committee's June 2019 meeting.

- 10.3 The Committee welcomed the proposal for single tender procurements to be presented to the Audit Committee and agreed that the thresholds for such reports should include aggregation of multiple individual single tenders with the same contractor.
- 10.4 The Committee welcomed the management response to the IT Strategy audit, as when recommendations were only partially accepted by management this should be made clear as part of the response.

11. Internal audit plan 2019/20

- 11.1 Mazars presented a report which set out the internal audit plan for 2019/20. The Committee agreed that the proposed plan for 2019/20 was appropriate.
- 11.2 The Committee discussed whether the planned audit of culture and processes, currently scheduled for 2021/22, should be brought forward. The Committee agreed that this could be considered following Management Board's discussions of the risk relating to culture (as per item 5 above).

12. External audit update

- 12.1 BDO provided a verbal update on external audit work.
- 12.2 The Committee noted that this was Heather Dove's last meeting before going on maternity leave. The Committee thanked Heather for all of her work in preparing the accounts in advance of her maternity leave and gave her their best wishes for her leave.
- 12.3 Andrew Hubert confirmed that an interim Head of Finance would be appointed for the duration of Heather's leave.

13. 2018/19 ICO annual report

- 13.1 Chris Braithwaite presented a report which set out early drafts of the 2018/19 Audit Committee annual report and the "Accountability" section of the 2018/19 ICO annual report.
- 13.2 The Committee agreed that any assurance which the ICO had given to the DCMS's Audit Committee during the year should be included in the annual report.

Action: Chris Braithwaite to update the annual report to include reference to assurance given by the ICO to the DCMS's Audit Committee.

- 13.3 The Committee also agreed that the Audit Committee's annual report should include updates on progress towards achieving the outstanding audit recommendations.

Action: Chris Braithwaite to update the Audit Committee annual report to include updates on progress towards achieving outstanding audit recommendations.

14. Fraud, whistleblowing and security

14.1 Chris Braithwaite presented a report which provided an update on fraud, whistleblowing and security over the last quarter.

15. NAO Guidance

15.1 Chris Braithwaite presented a report which provided the Committee with the NAO's March 2019 Round-up for Audit Committees.

16. Any other business

16.1 There were no items of other business.