

## SECTION B

# ACCOUNTABILITY

This section sets out our governance arrangements and the lines of accountability to ensure delivery of our objectives and duties.



# GOVERNANCE

## MAGGIE CARVER, INTERIM CHAIR



In the last 12 months Ofcom has demonstrably shown its operational resilience despite

the continuing challenges facing Ofcom and the communications sector more generally.

We recognise that the pace of change is accelerating in our sector and we are ensuring that we are responding effectively.

### Governance overview by the Interim Chair

**As the Interim Chair for the reporting period, I am pleased to introduce, on behalf of the Ofcom Board, the Corporate Governance Report for the period 1 April 2021 to 31 March 2022.**

Corporate Governance continues to be a high priority in Ofcom and goes beyond applying a set of prescribed rules and guidelines. It is vital to the way we are run and sets the tone for the organisation. The Ofcom Board sets the strategic direction and risk appetite and is the ultimate decision-making body for matters of Ofcom-wide strategic, financial or reputational significance. A bespoke Corporate

Governance Framework sets out those matters reserved solely to the decision-making power of the Board. Over the past year, the continuation and evolution of the Covid pandemic has reinforced for the Board the importance of our aim to make communications work for everyone. We recognise that our communications sectors are changing fast. For us to maintain our effectiveness, we recognise that this requires long-term strategic focus and agility in our approach. The Board is ensuring that the organisation is responding appropriately to the changing environment.

The Board has been keenly aware of the impact of the Covid pandemic for our colleagues, closely overseeing the support provided to them, while at the same time maintaining the operational integrity of Ofcom. The Board has been keen to ensure a balanced and flexible approach to future ways of working and, as a result, the opportunity to work in a hybrid pattern has been extended to most colleagues.

The next few pages detail how Ofcom approaches governance, including the operation of the Board and Board Committees. In December 2021/January 2022, we organised an external evaluation to be carried out of the Board and Board Committees' effectiveness. The review found that the Board needs to be more diverse in its composition. It also needs to continue to improve its understanding of technology and the regulatory/market developments outside of the UK. The Review further noted that Ofcom's impending new Online Safety duties will require reflection on prioritisation. The review recognised that Ofcom's governance arrangements continue to work well; the Board considered strategic matters at each of its meetings throughout the 2021/22 year. The review also noted that the Board continued to deepen its understanding of the communications sector, with a prioritised series of Board Workshops which enabled Board Members to carry out deep dives on some longer term and strategic issues. Deep Dive topics included online safety, the evolution of the mobile (including 5G) and audio sectors, telecoms investment perspectives,

consumer fairness/behaviours and attitudes, cyber risk, sustainability and climate change, as well as net neutrality. In addition, the Board received updates from individual business areas and key Ofcom Group functions.

We have also reviewed and enhanced our Corporate Governance Framework; drawing on Deloitte's independent corporate governance report. We were highly rated but are always looking for ways to improve so that we remain at the leading edge of governance best practice and can anticipate new challenges in the communications sectors we regulate.

Our corporate governance arrangements continue to be informed by the UK Corporate Governance Code.

Each year, our People Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of our Board, so that we can make recommendations about the improvements to the Board that could be made. This continues to be important, bearing in mind our new online duties.

In May 2021, we said farewell to Tim Suter. Our sincere thanks are due to Tim for his significant and valuable contribution to Ofcom. The Government is recruiting a new Board Member and it is thought that they might be appointed by the summer. We have also worked with colleagues in the Northern Ireland Assembly and the Department for Digital, Culture, Media and Sport (DCMS) on the appointment of a new Board Member for Northern Ireland and are delighted to welcome Karen Baxter as our first Ofcom Board Member for Northern Ireland who joined the Board on 28 March 2022. Karen brings significant experience and knowledge from her previous roles in policing and cyber security, which are especially relevant to Ofcom's growing regulatory responsibilities. I am also delighted to welcome Michael Grade who has been appointed by the DCMS Secretary of State as Ofcom's new Chair – he took up his post on 1 May 2022 and has exceptional experience in broadcasting.

Whilst we awaited these new appointments, our existing Board Members took on new responsibilities, and I would especially like to thank Bob Downes who became the Interim Chair of the Content Board, David Jones, who joined the Content Board and Angela Dean who became the new Nations Director, England.

2021/22 was a significant and challenging year for Ofcom and the Ofcom Board. Despite the continuing impact of the Covid pandemic, I am pleased with the progress we have made in delivering a number of our main objectives, including:

- **April 2021** Wholesale Fixed Telecoms Market Review.
- **April 2021** Final announcement of the outcome of the auction of the 700 MHz and 3.6-3.8 GHz spectrum.
- **June 2021** Publication of recommendations to Government following completion of an in-depth review of the future of public service media.
- **September 2021** New switching process announced to make it easier and quicker for consumers to change their broadband or home telephone provider.
- **November 2021** Board approved the principles for our emerging strategy for carrying out our proposed responsibilities as Online Safety regulator.
- **January 2022** Consultation published on Mobile Demand with a call on evidence on Mobile Strategy.

I would also like to thank Jacqui Gregory who left us in May 2022 for her hard work and dedication as Corporation Secretary. I am extremely grateful to Dame Melanie Dawes, the Board, Senior Management and all staff for their unwavering loyalty and support to me and to Ofcom, during my time as Interim Chair. It has been a privilege and a joy to work with so many highly talented people.

**Maggie Carver**  
Interim Chair

## GOVERNANCE STATEMENT

This Governance Report summarises Ofcom’s governance arrangements, including the composition of our Board, how our governance framework operates in practice (including our governance structure and Board roles and responsibilities) and our main areas of focus in 2021/22.

**It also sets out how we keep our Board and Board Committees informed and updated and summarises the outcome of our last Board Effectiveness Review. How we manage conflicts of interest and the main functions of our Board Committees and Statutory Boards are set out towards the end of the Report.**

### Our Governance

As a statutory corporation, Ofcom’s principal governance compliance requirements are governed by the relevant legislation (namely, the Ofcom Act (2002), the Communications Act (2003), the Postal Services Act (2011), the Digital Economy Act (2010), the Digital Economy Act (2017) and any other relevant supplementary legislation or Orders thereto) which determines matters such as the purposes of the organisation and the appointment of our Members. Ofcom is also subject to the Code of Conduct for Board Members of Public Bodies.<sup>7</sup> Our overall corporate governance approach is informed, but not bound by the 2018 UK Corporate Governance Code (“the UK Code”) and its related guidance<sup>8</sup>, subject to where certain principles are considered to be disproportionate or less relevant in Ofcom’s case and/or there are other requirements placed on Ofcom by statute

### How our approach is informed by the 2018 UK corporate governance code

Examples of how our approach has been informed by certain principles of the UK Code include:

- **Board Leadership & Purpose** our Board has a clear purpose, values and strategy and is able to satisfy itself that these and its culture are aligned. Our Board, which is made up of a majority of Non-Executive Members, provides independent thinking and objective challenge to our strategic aims.
- **Division of Responsibilities** the Chair of our Board provides strategic leadership of the Board. Our Non-Executive Members are considered to be independent of management and free of any business or other relationship which could materially interfere with them exercising their judgement. However, should special circumstances arise, appropriate action is taken to ensure that independence is maintained.
- **Composition, Succession & Evaluation** appointments to our Board follow a rigorous and transparent procedure, with our Chair and Non-Executive Members being appointed by the Secretary of State for Digital, Culture, Media and Sport (DCMS). As new Members are appointed to the Board, we will be actively seeking to improve our Board’s diversity. Our People Committee seeks to ensure that we have effective succession plans in place and that we properly identify and manage our talent pipeline.
- **Audit, Risk & Internal Control** our Risk and Audit Committee oversees the structures and processes in place to manage our risks and ensure that appropriate controls are in place.
- **Remuneration** our Remuneration Report sets out how we ensure that our remuneration policies and practices support our strategic aims and that the remuneration we pay to our colleagues promotes Ofcom’s success.

<sup>7</sup> The Code of Conduct for Board Members of Public Bodies applies to all non-executive members on the Boards of Government departments, non-ministerial departments, executive agencies, non-departmental public bodies (NDPBs) and national public corporations.

<sup>8</sup> The UK Code sets out the governance rules which apply to all UK companies with a Premium listing of equity shares on the London Stock Exchange.

## Our Board: Activities & Purpose

The Board is responsible for setting the strategic direction and risk appetite of the organisation and is the ultimate decision-making body for matters of Ofcom wide strategic, regulatory or reputational significance. Effective governance facilitates the delivery of Ofcom's purpose and strategy particularly in challenging times. The Board is committed, through its governance framework, to appropriate decision making at the correct level within Ofcom making sure there is accountability, long term value and fulfilling our purpose of furthering the interests of consumers and citizens. The Board has adopted and implemented a bespoke Corporate Governance Framework which contains a statement of governance principles that guide the activities of the Board. This covers key responsibilities of the Board and matters reserved for the Board's decision and includes the following:

- approval of Ofcom's Plan of Work, long-term objectives and overall strategic policy framework;
- approval of Ofcom's annual budget, overall financial policy and Financial Authorities Framework;
- approval of Ofcom's annual report and accounts;
- risk management, internal controls and compliance; and
- undertaking a formal regular review of the Board's own performance and that of Board committees and individual Members.

## Board Appointments

The Chair and the majority of the Non-Executive Members of the Board are appointed by the Secretary of State for DCMS, for periods of four years. The Scotland Member, the Wales Member and the Northern Ireland Member are appointed by Scottish Ministers, the Welsh Government and the Department for the Economy respectively, following consultation with the Secretary of State for DCMS. Executive Members of the Board are appointed by the Chair and the Non-Executive Members of the Ofcom Board, with the Chief Executive's appointment requiring approval by the Secretary of State for DCMS. We recognise that the current balance of the Board is not representative of the UK population. We are working with DCMS and the devolved Governments to align future recruitment with our strategic commitment to be a diverse and inclusive organisation. Having a Board that is representative of the different perspectives within our society will allow us to make the best decisions for all UK citizens and consumers. Efforts are ongoing to further complement the current range of skills on the Board to take account of our new regulatory duties. Increasing the diversity of the Board remains at the forefront of our minds during this recruitment.

## Board roles

### The Chair

The Chair of the Board is responsible for chairing and providing leadership of the Board. Other responsibilities include:

- leading the Board in formulating Ofcom's strategy for discharging our statutory duties;
- encouraging high standards of propriety;
- providing an assessment of the performance of individual Board Members;
- ensuring Ofcom meets regularly throughout the year and that minutes of meetings accurately record decisions taken; and
- representing the views of Ofcom externally.

### Non-Executive Board Members

Our Board has a majority of Non-Executive Board Members, all of whom bring extensive skills and experience to the Board. This ensures a good balance of skills is available to Ofcom in discharging our duties and responsibilities, in addition to establishing the policy and strategic direction including the resourcing framework for the operation of Ofcom.

### The Chief Executive

The Board has delegated responsibility for the day to day running of Ofcom to the Chief Executive and the Executive, namely the Senior Management Team ("SMT") which consists of Ofcom's Chief Executive, Group Directors, General Counsel, Chief Economist, Chief Operating Officer, Chief Technology Officer and People & Transformation Director. The SMT, through the Policy Management Board (PMB), ensures that the strategy, policies and behaviours set at Board level are effectively communicated and implemented across Ofcom.

The Permanent Secretary for DCMS has designated the Chief Executive as Ofcom's Accounting Officer. This appointment carries with it, duties of responsibility in respect of regularity, propriety, value for money and good financial management, and the safeguarding of public funds. The Chief Executive has specific responsibilities for ensuring compliance with the terms of the Framework Document with DCMS. She must also ensure that proper accounting records are maintained, and she must sign the accounts.

As a Member of the Board, the Chief Executive has to ensure that her accountability responsibilities do not conflict with her responsibilities as a Board Member. The Chief Executive may be called upon by the Committee of Public Accounts and other Parliamentary Committees to give evidence on the discharging of her duties.

## Board Members

### Lord Grade, CBE

Chair and Non-Executive Board Member

Appointed to the Ofcom Board as Chair on 1 May 2022

Tenure



Membership



Michael Grade has had a long career in broadcasting, encompassing London Weekend Television, the BBC, ITV and Channel 4. He has chaired the BBC, ITV and Pinewood/Shepperton Film Studios. He is co-founder of the GradeLinnit company, which produces for the theatre. He is Chairman of the Arora Group's Heathrow Expansion Advisory Board and has also been Chairman of Ocado, First Leisure Corporation, Camelot, the Charity Fundraising Regulator and Bradford's Media Museum, as well as being a member of the former Press Complaints Commission and a trustee of the Science Museum. Michael Grade sits in the House of Lords as a non-affiliated Peer.

### Dr Angela Dean

Non-Executive Board Member & Chair of the Board Risk & Audit Committee

Appointed to the Ofcom Board on 30 September 2018

Tenure



Membership



Angela is currently a trustee of York Museums Trust and Chair of its Capital Projects Board. She is a Senior Independent Panel Member for Public Appointments. She has been non-executive director of a number of not-for-profit organisations including Chair of International House Trust, Vice Chair of the Council of King's College London, trustee of the National Lottery Heritage Fund and a member of the Museums, Archives and Libraries Council. Angela's executive career was in international finance, mainly as a Managing Director of Morgan Stanley where she headed its global technology research team. She was a member of the Working Group of the United Nations Global Compact for corporate social responsibility issues in investment.

### Maggie Carver, CBE

Deputy Chair and Non-Executive Board Member

Appointed to the Ofcom Board as Deputy Chair on 30 September 2018. Interim Chair from 1 January 2021 to 30 April 2022

Tenure



Membership



Maggie has extensive experience as a non-executive director on the boards of 19 companies, public, private and not-for-profit. These include charring news and programme provider ITN, multiplex operator SDN, the British Board of Film Classification and the RCA, as well as being a director on the boards of Channel 5 Television, RDF Media plc, Satellite Information Services, armed forces broadcaster BFBS, British Waterways and the British Horseracing Authority. Maggie's executive career was in investment banking, television production, broadcasting and retail.

### Bob Downes

Non-Executive Board Member (Board Member for Scotland) & Interim Chair of the Board Election Committee and the Content Board

Appointed to the Ofcom Board on 1 February 2018; Re-appointed on 1 February 2022

Tenure



Membership



Bob is the current chairman of the Scottish Environment Protection Agency. He also chairs the Commission for Communications Regulation's Independent Oversight Body, which will oversee the implementation and operation of an enhanced Regulatory Governance Model in Ireland by Eir. Bob also chairs Cryptic, an arts production company and is an advisor to a number of small technology businesses, including Kube Networks. Formerly, he was a senior executive with BT Group.

### Key

#### Tenure



Total number of years tenure

#### Board and Committee Membership



People Committee



Content Board



Election Committee



Risk and Audit Committee

**David Jones**

Non-Executive Board Member  
(Board Member for Wales)

Appointed to the Ofcom Board on  
8 April 2019

Tenure

**3**

Membership

**R P**



David is currently a non-executive of Ofwat and Qualifications Wales. He was the founder of Travelink Systems Limited until 1995 and Executive Chair of TigerBay Software from 2011 to 2015. He is an occasional guest lecturer on Digital and Cyber security at Cardiff University.

**Graham Mather, CBE**

Non-Executive Board Member

Appointed to the Ofcom Board on  
1 June 2014; Re-appointed on 1 June 2018

Tenure

**8**

Membership

**P**



Graham was a member of Ofcom’s Consumer Panel from 2004 to 2008. He served as a member of the Monopolies and Mergers Commission and, between 2000 and 2012, was a member of the Competition Appeal Tribunal, the body that deals with appeals from UK regulators. Graham is currently the President of the European Policy Forum and Chairman of its Regulatory Best Practice Group. He is a member of the Board of the Office of Rail and Road.

**Karen Baxter**

Non-Executive Board Member  
(Board Member for Northern Ireland)

Appointed to the Ofcom Board  
on 28 March 2022

Tenure

**>1**

Membership

**P**



Karen has a distinguished 30-year policing career, retiring as Commander from the City of London Police in 2020. She commenced her service as an officer in Northern Ireland and has extensive experience across a wide range of complex investigations including, safeguarding, homicide, counter-terrorism, serious and organised crime. More recently, as Commander and National Coordinator for Economic Crime, she had oversight for the most serious financial investigations in the United Kingdom. Karen was also the Police executive lead for Cyber Crime Prevention working with key stakeholders and the third sector to address emerging risks in the online space.

In 2020 Karen joined UK Finance as the Managing Director for Intelligence Strategy working across the banking sector to review the use and management of intelligence. More broadly her role involved multiple sector engagement in respect of the online harms threat and proposed legislative changes.

**Ben Verwaayen**

Non-Executive Board Member  
& Chair of the Board People  
Committee

Appointed to the Ofcom Board on  
1 January 2016, Re-appointed on  
1 January 2020

Tenure

**6**

Membership

**P**



Ben is currently a General Partner at investment fund Keen Venture Partners and holds various Board positions, including at Akamai in the US and Renewi Ltd, a major player in the circular economy in the BeNeLux and the UK. He is a former Chief Executive of BT, KPN in the Netherlands, and Alcatel Lucent. He has also served as a Chairman of Endemol, and as a Board Member of AkzoNobel in the Netherlands and of the mobile operator Bharti Airtel in India.

**Key**

**Tenure**

**<1**

Total number of years tenure

**Board and Committee Membership**

**P**

People Committee

**C**

Content Board

**E**

Election Committee

**R**

Risk and Audit Committee



## Executive Board Members

### Dame Melanie Dawes Executive Board Member & Chief Executive

Appointed to the Ofcom Board  
In March 2020

Tenure

2



Prior to joining Ofcom, Melanie was the Permanent Secretary at the Ministry of Housing, Communities and Local Government. She has held a range of senior roles across the Civil Service, working in partnership across the public and private sectors, including as Champion for Civil Service Diversity and Inclusion. She started her career as an economist and spent 15 years at the Treasury, including as Europe Director between 2002 and 2006. She was Director General of the Economic and Domestic Affairs Secretariat at the Cabinet Office between 2011 and 2015. Prior to that she served on the Board of HMRC. As Director General for Business Tax, she had responsibility for all the business taxes and duties alongside leadership of the department's relationships with the largest companies. Melanie has held various non-executive roles including with the consumer body Which? and is a trustee of the Patchwork Foundation, which helps under-represented young people in democracy.

### Lindsey Fussell Executive Board Member & Group Director for Networks and Communications

Appointed to the Ofcom Board in  
December 2020

Tenure

2



Lindsey Fussell joined Ofcom in 2016 and is Group Director for Networks and Communications, leading Ofcom's work in the telecoms, post and network sectors. Before joining Ofcom, Lindsey held a range of senior leadership roles in the Civil Service. She was Public Services Director at HM Treasury, where she led on devolution, education and culture, defence and criminal justice, and was responsible for delivering important aspects of the 2013 and 2015 Spending Reviews. Lindsey is also a lay member of York University's governing Council.

### Kevin Bakhurst Executive Board Member & Group Director for Broadcasting and Online Content

Appointed to the Ofcom Board  
in April 2020

Tenure

2

Membership



Kevin joined Ofcom in October 2016 and is Group Director for Broadcasting and Online Content, overseeing our broadcast and online regulation and policy. Prior to joining Ofcom, Kevin was Managing Director, News and Current Affairs, Deputy Director General, and then Acting Director General with Ireland's national broadcaster, RTÉ. After graduating from Cambridge University, Kevin worked at Price Waterhouse before joining the BBC as a researcher in 1989. He went on to edit the Ten O'Clock News, becoming Deputy Head of the BBC Newsroom and Controller of the BBC News channel and BBC News at One. During his time editing BBC news bulletins, the programmes won awards from organisations including BAFTA and the Royal Television Society. Outside work, Kevin was a Magistrate from 2000 until 2006.

### Key

#### Tenure

◀1 Total number of years tenure

#### Board and Committee Membership

P People Committee

C Content Board

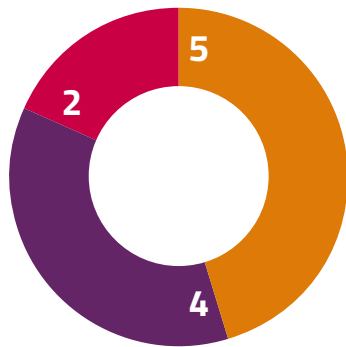
E Election Committee

R Risk and Audit Committee

# GOVERNANCE AT A GLANCE

## TENURE

in role



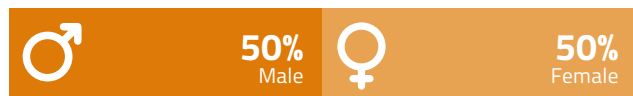
### Key

- Under 3 years
- 3-5 years
- 5+ years

## DIVERSITY

of the Ofcom Board

Gender



Ethnicity



Disability



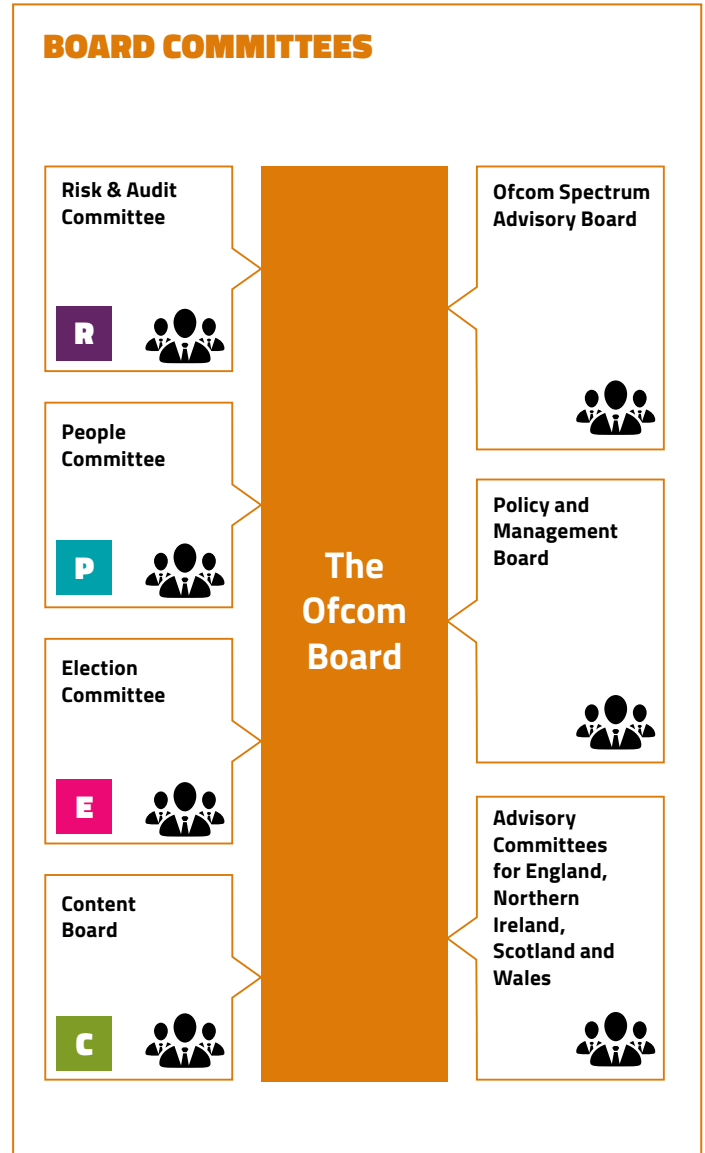
## OUR BOARD ACTIVITIES

	Chair, NED, Chief Executive and Executive Board Member updates	36%
	Supporting UK broadcasting	15%
	Preparing to regulate Online Safety	8%
	Regulatory, Finance, Risk and Legal	8%
	Getting Everyone Connected	7%
	Strengthening Ofcom for the future	7%
	Corporate Governance	6%
	Continuing to innovate in regulation	4%
	Fairness for customers	3%
	Sustaining the universal postal service	2%
	Investment in strong, secure networks	2%
	Other (including Covid-19 pandemic, market research and briefings)	2%

## Our Board: Activities

The core activities of the Board and the Board Committees are recorded and planned through our work programme and forward agendas. The Board’s annual agenda follows the strategic priority areas agreed in our annual Plan of Work plus the additional areas required to meet Board’s main responsibilities. The pandemic required the Board to consider how to balance decisions in a way that continued to progress our main purpose while considering the challenges faced by our stakeholders, consumers, citizens and colleagues. The following chart shows how the Board allocated its agenda during the reporting period.

Examples of some of the activities undertaken by the Board in each of these areas during the reporting period are outlined on page 81.



## Management Information

The Board and Board Committees are provided with regular management information to enable them to review Ofcom's performance and capability. This includes regular performance and finance reports, review of delivery against Ofcom's Budget and Plan, review on the delivery of Ofcom's Strategy and Plan of Work, the strategic risk register, status on the Board/Board Committee Effectiveness Review outcomes and other corporate data.

## Board Administration

The administration of the Board is the responsibility of the Corporation Secretary, who maintains and keeps up to date the main procedures and policies of the Board, corporate records and the terms of reference of our Board Committees and Matters Reserved for the Board. The Corporation Secretary also maintains and keeps under review Ofcom's Corporate Governance Framework (including the Delegations of Authority and Board Committee terms of reference) and, in consultation with the Finance Director, the Financial Authorities Framework.

The Board had ten scheduled meetings during the year and one ad-hoc meeting. The scheduled meetings were held each month, with the exception of August and January. The Board also undertakes a Strategy Session in October of each year, where medium to long-term strategy is examined and discussions take place on strategic and material issues. Due to the continuing measures and restrictions put in place in response to the pandemic, just over half of our Board meetings were held remotely in the reporting year, with five including the Strategy Session held in person. The Board papers relevant to the agenda of each Board and Board Committee meeting are distributed to Board and Committee Members, as appropriate, approximately one week in advance of the meeting via a secure digital portal.

### Attendance at the Board during the 2021/22 Financial Year

	Ofcom Board
<b>Number of meetings</b>	<b>11</b>
Maggie Carver CBE	11
Dr Angela Dean	11
Bob Downes	11
Graham Mather CBE	11
Tim Suter*	1
Ben Verwaayen	9
David Jones	11
Dame Melanie Dawes DCB	11
Kevin Bakhurst	11
Lindsey Fussell	11

\*Tim Suter stepped down from the Ofcom Board in May 2021.

The appointments of Michael Grade and Karen Baxter took effect after the last meeting was held in 2021/22.

## EXAMPLES OF SOME OF THE ACTIVITIES UNDERTAKEN BY THE BOARD

### Corporate Governance

- Reviewed and updated our Corporate Governance Framework
- Approved & monitored delivery against Ofcom's Budget and Plan
- Evaluated the effectiveness of the Board, Committees, our Board Members and the Chair
- Approved/recommended non-executive appointments to the Ofcom Board, Ofcom's Panels and Committees, the Content Board and 6 non-executive appointments to the Board of the Channel 4 Corporation

### Regulatory, Finance, Risk & Legal

- Reviewed Ofcom's Strategic Risks each quarter
- Reviewed and approved Ofcom's Risk Appetite Statements
- Approved Ofcom's Budget 2022/23.

### Getting Everyone Connected: Better Broadband and Mobile

- Reviewed the impact of the implementation of the Wholesale Fixed Telecoms Broadband Review
- Reviewed the operation of the Openreach Monitoring Unit
- Reviewed Mobile Strategy and Mobile Demand Strategy prior to consultation
- Monitored the approach being taken by industry to the migration to IP based services

### Supporting and Developing UK Broadcasting

- Reviewed the BBC Annual Performance Review
- Approved the statement on the future of public service in media in the UK – "Small Screen: Big Debate" – looking at the future for Public Service Broadcasters services and their sustainability given the rise of digital consumption
- Reviewed the Media Ownership Rules

### Preparing to Regulate Online Safety

- Oversight of Ofcom's Online Work Programme
- Approved the regulatory approach to Ofcom's new responsibilities for online safety

### Fairness for Customers

- Reviewed Ofcom's Consumer Strategy
- Reviewed Ofcom's approach to tackling nuisance calls
- Reviewed updates on Fairness Commitments and Comparing Customer Service Reports

### Enabling Strong Secure Networks

- Reviewed updates on Ofcom's work programme for network security and resilience
- Reviewed updates on the development of the Telecoms Security Framework

### Sustaining the Universal Post Service

- Ongoing consideration of Royal Mail's strategy and, in light of that, the sustainability of the postal universal service obligation

### Continuing to innovate in regulation

- Reviewed Ofcom's role in the Digital Markets Regime
- Reviewed the progress of the Digital Regulation Cooperation Forum and agreed the Plan of Work for 2022-23

### Strengthen Ofcom for the future

- Reviewed Ofcom's Communications Strategy
- Approved the contract for the procurement of ICT Services
- Reviewed the progress of the One Ofcom programme

### Other

- Covid-19 pandemic response including state of the market updates; impact on stakeholders and consumers and Ofcom's response as an employer

## Keeping the Board Informed

Ofcom is firmly committed to the on-going development of its Board Members and we recognise the need to continually evolve their knowledge to enable them to effectively fulfil their duties. All newly appointed Board Members are provided with a comprehensive and bespoke induction programme on joining Ofcom. The induction also includes Members' duties and Board procedures, internal control processes, strategy and planning, measures used to monitor performance and the Risk Management Policy and the Internal and External Audit.

In addition, presentations and interactive workshops on different aspects of Ofcom's Plan of Work are regularly made to the Board, facilitated by Ofcom colleagues with professional advisers and/or external stakeholders, throughout the course of each year.

## Board Performance and Effectiveness Review

Each year, the Board conducts an effectiveness review to evaluate the performance of the Board, Board Committees and individual Board Members. In December 2021/January 2022, an external review was commissioned.

The Board considered the outcomes of the review and its recommendations at its February 2022 Board meeting and agreed an Action Plan to address the recommendations at its March 2022 meeting. The review concluded that Ofcom's governance arrangements continue to work well, although as noted in the Interim Chair's Governance Overview and in the next section of this Governance Report, some respondents thought that the Board needs to improve its understanding of technology and regulatory/market developments outside of the UK, as well as Ofcom's impending new Online Safety duties requiring a reflection on prioritisation. To address this, a series of 'deep dives' into these areas have been built into our agenda forward planning, enabling the Board to focus on considering longer-term thinking in these areas.

There were some recommended areas for change, relating to the following:

- **Board Composition** the Board would benefit from greater diversity and expertise in online and media/broadcasting to strengthen the level of support and challenge in these areas;
- **Board Dynamics** the Board to seek additional opportunities to engage informally in person;
- **Board Packs** papers to focus on conveying the most critical issues and messages and more readily support strategic debates, enabling Board Members to quickly grasp essential information (e.g. options, assumptions, numbers, risks), focussing their deliberations on important points;
- **Board Support** future briefings to include International comparisons and technological development;
- **Board Committees** the People Committee to elevate its focus to drive a more strategic approach to talent management and more KPIs to be developed around talent and succession;
- **Monitoring Employee Sentiment/Culture** the Board to receive more regular feedback on staff survey results;
- **Covid Response** regular updates to be presented to the Board on managing the transition back to office working;
- **Board Meetings** consideration to be given to incorporating breakaway discussions on strategic topics into the meeting cycle. Both around Ofcom's remit (e.g. the accelerating pace of technological change) and Ofcom itself. With the easing of Covid restrictions the Board to meet in other Ofcom offices outside of London;
- **Understanding Digital/Technology and International Regulation** more insight into progress towards online goals and developments in the tech sector and updates to the Board on overseas regulatory and market developments;

- **Oversight of Risk** greater Board involvement in the oversight of risk (i.e. dynamic overview of the top risks facing Ofcom);
- **Ofcom Objectives** consideration to continue to be given to whether the current structure and operation of the Content Board will be optimal under the new online safety regime;
- **Main Challenges to Delivering Objectives** retaining independence, recruiting for online/telecoms security, managing external communications & perception, keeping pace with technological development; and
- Transition to a new Ofcom Board Chair.

A series of action areas have been identified by the Board in response to the recommendations and status updates will be reviewed periodically by the Board.

## Stakeholder Review

One of the recommended priorities for change arising out of the 2020 Board Effectiveness Review was for Ofcom to establish credibility with its stakeholders across its new range of responsibilities and increase the “brand value” so that Ofcom remains a trusted regulator. This remains a priority for Ofcom and the Board agreed to conduct an externally facilitated, anonymised stakeholder survey in 2020 with thirty of Ofcom’s senior stakeholders, mainly from companies regulated by Ofcom. We will continue to gather perspectives from external stakeholders on how Ofcom’s approach to regulation can be further strengthened in a structured and transparent way.

## Conflicts of Interest

It is essential that Ofcom maintains a reputation for impartiality, integrity and high professional standards in all that it does. Ofcom is subject to the Code of Conduct for Board Members of Public Bodies and, in support of this, Ofcom has established a Code of Conduct for Board Members that contains provisions regarding Members’ interests.

Ofcom manages, sensibly and appropriately, potential conflicts of interest that Non-Executive Members may have, or that may arise from time to time, to ensure that the actions of Members do not bring into question Ofcom’s impartiality and objectivity. Members must also ensure that their conduct accords with the ‘Seven Principles of Public Life’.

Ofcom maintains a register of Members’ interests which is updated annually. This ensures that Ofcom has a current record of Members’ interests and relevant information is published on Ofcom’s website. Between annual declarations, Members are required to notify the Corporation Secretary when their interests change, so that the Register can be amended accordingly and, where necessary, any potential conflicts can be raised with the Chair and/or the full Ofcom Board.

## Board Committees and Statutory Boards

In the exercising of Ofcom’s duties under the relevant legislation, the Board delegates certain responsibilities to the Executive within Ofcom and certain responsibilities to Board Committees, in accordance with clearly defined authorities and terms of reference.

Ofcom also has a number of other bodies with a governance or advisory role to the Board. The activities and main functions of these committees and bodies are described on pages 87-89.

### Risk and Audit Committee

The Risk and Audit Committee is made up of three Non-Executive Members of the Board: Angela Dean (Chair), Maggie Carver and David Jones. The Chief Executive, the Chief Operating Officer, the Finance Director, the Financial Controller and the Head of Risk Management & Insurance are invited to attend Committee meetings, as are the Internal and External Auditors.

The role and responsibilities of the Risk and Audit Committee, together with the Committee's activities during the reporting period, are set out in the Report of the Chair of the Risk and Audit Committee on pages 94-98.

### The People Committee

The People Committee is made up of all Non-Executive Members of the Ofcom Board. The principal purpose of the People Committee is to provide an early, long-term and strategic perspective on Ofcom's People and Workforce related areas and to periodically evaluate (in consultation with the Chief Executive) and challenge (where considered appropriate), the progress of Ofcom's People and Transformation Strategy. The Committee seeks assurance from Ofcom Management that there are effective measures and plans in place for talent management, talent development and succession planning, performance management, culture and values and colleague engagement and other people-related areas to support Ofcom's performance, skills and expertise.

The People Committee also sets the over-arching principles and parameters of performance and the remuneration policy across Ofcom and considers and approves individual terms and conditions of service, including the remuneration arrangements of the Chief Executive, the Senior Management Team and other "key" colleagues. The Committee also oversees the process on appointments of Executive Board Members and other Group Directors of the Senior Management Team and approves the succession plans for the Ofcom Board, the Senior Management Team and critical colleagues.

The People Committee met six times during 2021/22.

### The Election Committee

Section 333 of the Communications Act 2003 requires Ofcom to ensure that party political broadcasts, (including party election broadcasts) and referendum campaign broadcasts are included in every licensed public service television channel, every local digital television programme service, and every national (i.e. UK-wide, commercial) analogue radio service, and their digital simulcast services.

Unresolved disputes between any licensee and any political party, concerning the length, frequency, allocation or scheduling of broadcasts are brought to Ofcom for resolution. The Ofcom Board has delegated the adjudication on such disputes to the Election Committee. The Election Committee also has delegated authority to make decisions on complaints in relation to the standards set by Ofcom about due impartiality in programmes broadcast during an election or referendum period.

The Committee consists of up to five members. The Chair of the Election Committee is appointed by the Ofcom Board. The current Chair is Bob Downes, a member of the Ofcom Board and Interim Chair of the Content Board. The remaining members are selected from the Content Board and/or Ofcom colleagues, as decided by the Chair of the Committee, with a quorum of three members (two of which need to be Content Board Members).

### The Content Board

The Content Board is set up under Section 12(1) of the Communications Act 2003. The Content Board fulfils an advisory role for the Ofcom Board on content-related aspects of decisions or matters reserved for the Board.

The Content Board serves as Ofcom's primary forum for the regulation of television and radio quality and standards. Its role is to understand, analyse and champion the voices and interest of the viewer, the listener and the citizen.

The Board is made up of the following Non-Executive Members: Bob Downes, (Interim Chair), Dekan Apajee, Jonathan Baker, Rachel Coldicutt, Maggie Cunningham, Peter Horrocks, Tobin Ireland, David Jones, Ruth McElroy, Stephen Nuttall, Monisha Shah and Kim Shillinglaw and Executive Members: Kevin Bakhurst and Ali Marsden.

The Board met six times in 2021/22.



### The Advisory Committees for the Nations

Section 20 of the Communications Act 2003 requires Ofcom to establish Advisory Committees for each of the UK nations. The function of each Committee is to provide advice to Ofcom about the interests and opinions, in relation to communications and postal matters, of people living in parts of the UK for which the Committee has been established. In-addition to the appointed Members of the Advisory Committees, the Content Board Member and the Communications Consumer Panel (CCP) Member for the respective nations attend the Advisory Committee meetings as observers.

The role of the National Advisory Committees, together with those of the Nations' Members of the Content Board and the Communications Consumer Panel is immensely valuable in helping Ofcom take into account specific issues in the devolved nations of the UK in our policy formulation and implementation.

The Advisory Committees each met four times in 2021/22. The currently appointed Advisory Committee Members and observers are:

#### Advisory Committee for England

**Members: Paula Carter (Chair), Aaqil Ahmed, Emma Davison, Matthew Littleford, Alan Nunn and Mark Smith.**

Observers: Angela Dean (Ofcom Board), Monisha Shah (Content Board) and Richard Spencer (CCP).

#### Advisory Committee for Northern Ireland

(recruitment is currently underway for an additional Member)

**Members: Carrie Matchett (Chair), John Ellison, Angelina Fusco, Alan Meban and Michael Wilson.**

Observers: Karen Baxter (Ofcom Board), Bob Downes (Content Board) and Rick Hill (CCP).

#### Advisory Committee for Scotland

**Members: Elizabeth Partyka (Chair), Laura Anderson, Gerry Crawley, Ashe Hussein, Jessica McBeath and Stephen Speirs (Stephen receives no remuneration for this position).**

Observers: Bob Downes (Ofcom Board), Maggie Cunningham (Content Board) and Amanda Britain (CCP).

#### Advisory Committee for Wales

**Members: Hywel Wiliam (Chair), Robert Andrews, Tom Crick, Aled Eirug, Angharad Evans and Rem Noormohamed.**

Observers: David Jones (Ofcom Board), Ruth McElroy (Content Board) and Dr Sian Phipps (CCP).

#### The Communications Consumer Panel and the Advisory Committee on Older and Disabled People

Section 16 of the Communications Act 2003 requires Ofcom to establish a Consumer Panel. The Communications Consumer Panel (CCP) represents the interest of consumers, citizens and microbusinesses in communications. It provides advice that is robust and independent but, at the same time, pragmatic and constructive. Ofcom shares information and ideas with the CCP at the early stages of policy development, allowing us to provide advice to ensure that the consumer voice is taken into account from the outset.

The Advisory Committee on Older and Disabled People (ACOD) advises Ofcom about communications sector issues relating to older and disabled people.

To take advantage of the synergy between the CCP and ACOD, and to avoid potential duplication, cross membership of the two bodies was established in 2012. The remits of the bodies, however, remain unchanged.

Independent of Ofcom, the CCP consists of up to twelve experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information can be found at [www.communicationsconsumerpanel.org.uk](http://www.communicationsconsumerpanel.org.uk). The current Members of the Communications Consumer Panel and ACOD are Rick Hill (Chair and Member for Northern Ireland), Kay Allen, Amanda Britain (Member for Scotland), Helen Froud, Clifford Harkness, Dr Sian Phipps (Member for Wales), Richard Spencer (Member for England), Michael Wardlow and Rick Williams. Dr David Holden's term expired on 28 February 2022. We are in the process of appointing additional Members to the Panel and ACOD.

The Communications Consumer Panel and ACOD met formally eleven times in 2021/22.

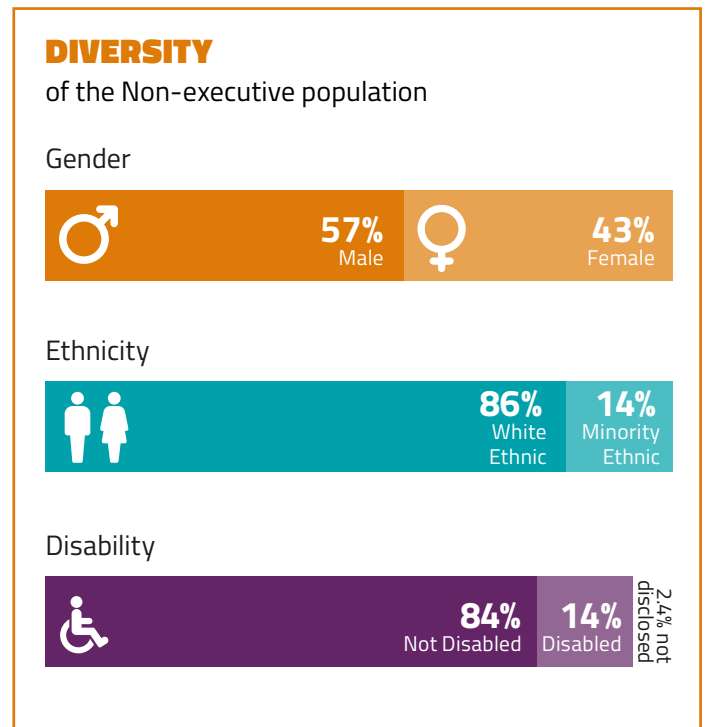
#### The Ofcom Spectrum Advisory Board

The Ofcom Spectrum Advisory Board (OSAB) was established in 2004 to provide independent advice to Ofcom on strategic spectrum management issues. Further information can be found on the OSAB website at: [www.osab.org.uk](http://www.osab.org.uk)

The Members of OSAB are Gavin Young (Chair), Greg Bensberg, Wassim Chourbaji, Professor Mischa Dohler, Peter Hadinger, Alastair Macpherson, David Meyer, Niall Murphy, Robert Pepper, Peter Pitsch, Ros Singleton, Holly Creek (DCMS) (ex-officio Member) and Cristina Data (ex officio Member).

OSAB met four times in 2021/22.

The diversity of our wider Non-executive population across the Content Board, National Advisory Committees and the Communications Consumer Panel/ACOD at the end of the reporting period was as follows:



Diversity statistics are calculated as of 31 March 2022

## Our Senior Management Team

Our Senior Management Team is made up of the following individuals:

Name	Role
<b>Dame Melanie Dawes DCB</b>	Chief Executive
<b>Luisa Affuso</b>	Chief Economist, Group Director Economics
<b>Kevin Bakhurst</b>	Group Director, Broadcasting and Online Content
<b>Martin Ballantyne</b>	General Counsel, Group Director Legal
<b>Lindsey Fussell</b>	Group Director, Networks and Communications
<b>Helen Hearn</b>	Interim Group Director, Spectrum
<b>Kerri-Ann O'Neill</b>	People and Transformation Director
<b>Melissa Tatton CBE</b>	Chief Operating Officer, Group Director Corporate
<b>Yih-Choung Teh</b>	Group Director, Strategy and Research
<b>Sachin Jogia</b>	Chief Technology Officer, Group Director Technology, Data and Innovation

### DIVERSITY

of our Senior Management Team

Gender



Ethnicity



Disability



Diversity statistics are calculated as of 31 March 2022

### Policy Management Board

The Policy and Management Board (PMB) is the main forum through which the Chief Executive exercises her delegations of authority, as delegated to her by the Ofcom Board. The PMB oversees the operations and management of Ofcom, as well as Ofcom's regulatory duties.

The PMB is chaired by the CEO and made up of Group Directors, the Director for People, Capability and Change, and the Finance Director. Other senior executives attend by invitation.

The Policy Management Board met eleven times in 2021/22.

## Accountability

Under the Office of Communications Act 2002, the Board is required to prepare a Statement of Accounts for each financial year. This conforms to the Accounts Direction issued by the Secretaries of State for Business, Energy & Industrial Strategy and for Digital, Culture, Media and Sport. The Board is also responsible for sending a copy of the Statement of Accounts to the Comptroller and Auditor General. The Statement of Accounts is prepared, as far as applicable, in accordance with the Companies Act 2006 and the International Financial Reporting Standards (IFRS) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and on an accruals basis. It must give a true and fair view of the state of affairs of Ofcom as at the end of the financial year and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In addition, Ofcom's Annual Report and Accounts is sent to the DCMS which lays copies of it before both Houses of Parliament and in Scotland, Wales and Northern Ireland. The Board is responsible for ensuring that proper records are maintained, which disclose accurately, at any time, the financial position of Ofcom, and enable it to ensure that the Statement of Accounts complies with the Communications Act 2003. In addition, the Board is responsible for safeguarding Ofcom's assets and therefore for taking reasonable steps for the prevention and detection of fraud and other irregularities.

How Ofcom manages the public funds we receive, and our relationship with DCMS in this regard, is set out in the Framework Document.

The Board confirms that in preparing this Statement of Accounts it has observed the relevant accounting and disclosure requirements, applied suitable accounting policies on a consistent basis, made judgements and estimates on a reasonable basis, followed applicable accounting standards and prepared the Statement of Accounts on a going concern basis.

### Transparency

Ofcom continues to review our publication scheme and to make a wide range of information readily accessible on our website. Wherever possible, Ofcom makes the data we collect and create available to the public following open data principles. Ofcom's open data is available in one public portal on our website and on the data.gov.uk portal, alongside datasets from all central Government departments and many other public sector bodies and local authorities.

During 2021/22, Ofcom handled/responded to 431 requests (541 requests in 2020/21) for information under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Where we held relevant information, we provided all, or part of the information requested in 75% of cases. Information is only withheld if it is exempt from disclosure under legislation.

During 2021/22, Ofcom also received 31 Subject Access Requests under the Data Protection Act 2018 (41 requests in 2020/21). Where we held relevant information, we provided this.

### Engagement

Ofcom aims to take into account the views of a wide range of interested parties when making policy decisions. In addition to engaging with the CCP/ACOD, the Content Board and the National Advisory Committees, we also engage with other national regulatory authorities (including via participation in the UK Regulators' Network), European Institutions and global bodies. This also ensures that decisions taken in international fora are practical, proportionate and reflect the interests of citizens and consumers in the UK.

Consultation also plays an important role in Ofcom's decision making. It allows those who could be affected by or concerned about a particular issue to give us their views before we decide on a particular course of action. Consequently, Ofcom consults publicly on all our major strategic priorities before making decisions. Details about Ofcom's method of consultation, and the consultations that took place during 2021/22, are set out on pages 159-163 in Annex A2.

### **Physical and personal security arrangements**

The UK threat level for terrorism was downgraded from "Severe" (an attack is highly likely) to "Substantial" (an attack is likely) in February 2022. The Ofcom Board risk appetite statement for Health & Safety and Physical Security has changed from "Averse" to "Minimal".

The programme for implementing physical security enhancements at all of our offices was completed in 2020. Threat assessments are a continual occurrence using external consultancy and internal audit. This maintains a consistent and stable approach to physical security management. A process for assessing personal security "Risk by Role" has been completed across all Ofcom Groups and work continues to document the mitigating controls that can be put in place. These measures are consistent with the Ofcom Board's risk appetite for physical and personal security.

### **Major incident/disaster recovery/business continuity planning**

Remote working, in line with Government pandemic guidance, has continued over the reporting period. Ofcom operated effectively with minimal impact on operations.

### **Information Security**

The management of Information/Cyber security risk is an ongoing process that is aligned to the Ofcom Board's risk appetite of "Averse/Minimal". Protecting Ofcom's information systems against internal and external risks continues to be a priority. Attempts by external parties to breach Ofcom security continue, but these have been successfully dealt with, as a result of the security controls in place. The new responsibilities for online safety, video sharing platforms and in relation to network security, could attract interest from nations states and hacktivists

who would like to bring about social, political or ideological change and we continue to improve monitoring to detect potential attacks or vulnerabilities. Testing has included the use of simulated phishing attacks to improve user awareness and technical penetration testing against the Information and Communication Technology (ICT) and physical infrastructure. A nation state could infiltrate our systems and we have, therefore, increased our focus on testing and improving our ability to recover should such an attack occur.

We investigated 49 breaches of data protection during the year, none of which were reportable to the Information Commissioner's Office (ICO). From a governance perspective, there was a successful re-certification against the UK National Cyber Security Centre (NCSC). In March 2021, we were certified to the international standard for information security management (ISO27001).

### **Whistleblowing policy and hotline**

Following a review of our internal whistleblowing policy, we have made it easier for colleagues to make disclosures under the policy and to navigate their way through the process. We use an externally hosted and administered whistleblowing hotline that allows colleagues to make anonymous disclosures.

### **Public interest disclosure**

The Public Interest Disclosure Act 1998 gives legal protection to employees against being dismissed or penalised by their employers as a result of disclosing information which is considered to be in the public interest. Ofcom is a 'prescribed person' as defined under the Public Interest Disclosure (Prescribed Persons) Order 2014. As such, individuals working outside Ofcom, but in the communications sector, may contact Ofcom if they have concerns about possible wrongdoing at their own organisation. During 2021/22 Ofcom received 10 disclosures under the Public Interest Disclosure Act 1998.

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

As Chief Executive and Accounting Officer I have overall responsibility for reviewing the effectiveness of the system of internal control. Group Directors have responsibility for the development and maintenance of the internal control framework. This framework informs the work of internal audit and comments made by external auditors in their management letter and other reports.

The Board has maintained strategic oversight and review of internal control and risk management arrangements through regular reports by Directors on their areas of responsibility and through specific reports for discussion at Risk and Audit Committee and Board meetings.

During the year, the Risk and Audit Committee has considered:

- individual internal audit reports, management responses and progress against any actions raised;
- the internal auditor's annual report and opinion on the adequacy of our internal control system;
- National Audit Office reports and recommendations;
- regular reports on Ofcom's strategic risk register, including the identification of risks to the organisation's system of internal control and information about the controls that have been put in place to mitigate these risks; and
- any additional assurance reports that have been requested by the Risk and Audit Committee.

As far as I am aware, I confirm that there is no relevant audit information of which the auditors are unaware. I have also taken all steps necessary in order to make myself aware of all relevant information and have established that the auditor is aware of that information.

I am confident that Ofcom will continue to operate as a viable, successful and well-governed organisation. I believe the governance arrangements we have in place are robust and sufficient to manage the expansion of Ofcom's remit and the risks we face in the years ahead.

As the Accounting Officer, I confirm that the Annual Report and Accounts as a whole is fair and balanced.

**Dame Melanie Dawes DCB**

Chief Executive and Accounting Officer

*Melanie Dawes*

15 July 2022

## THE REPORT OF THE CHAIR OF THE RISK AND AUDIT COMMITTEE

The Committee has maintained its focus in 2021/22 on our risk reporting, particularly on the organisation's strategic risks. We have verified that our risk targets are appropriately scored, and align with our risk appetite, and we have evaluated the associated mitigations and actions. This ensures that Ofcom continues to be resilient with proportionate and effective controls.

### Attendance of Members during 2021/22

The Members of the Committee during 2021/22 have served for the following periods of time:

Angela Dean	3 years, 6 months (as Chair)
Maggie Carver	3 years, 4 months
David Jones	2 years, 9 months

The Committee met six times in 2021/22, with all three Members in attendance.

### Overview

On behalf of the Board, I am pleased to provide an overview of the operation and scope of the Risk and Audit Committee for the financial period ended 31<sup>st</sup> March 2022.

The Committee has responsibility, on behalf of the Ofcom Board, for oversight of the appropriateness and effectiveness of Ofcom's risk management, risk governance, internal systems and controls and financial statements. The Committee also maintains the relationship with the National Audit Office (NAO), Ofcom's external auditors, including a review of its fees and the scope of its audit of Ofcom's financial statements. This covers their assessment of the risks of material misstatement and material irregularity, its independence, resources and the effectiveness of the audit process. In 2021/22, the Committee reviewed carefully the NAO's proposed one-off increase in fees due to Ofcom's implementation of a new Finance system. The Committee also works with Ofcom's internal audit provider to establish an Annual Plan for the audit of specific areas of Ofcom, and then monitors the progress and outcomes of those reviews.

The three Non-Executive Members of the Committee are independent and are considered to have the relevant skills and experience at a senior level. More than one Member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the communications sector in which Ofcom operates. In addition to my experience as a financial analyst, I was Chair of the Audit & Risk Committee of the National Lottery Heritage Fund & National Heritage Memorial Fund and I am a member of the Audit Committees of York Museums Trust and The Postal Museum.

The Committee has private sessions annually with the Finance Director and the Head of Risk Management and Insurance, in addition to the internal audit provider and the NAO. As part of my role as Chair of the Committee, I met regularly with the NAO and the internal audit provider in the reporting period, without Ofcom Management being present. Both the internal audit provider and the NAO have direct access to me in the event that they wish to raise anything which they feel is not appropriate to raise directly with Ofcom Management.

## Committee Activities

The Committee operates under formal terms of reference, which are reviewed annually, and which are set out in Ofcom's Corporate Governance Framework. The Committee has been delegated authority by the Board to:

- review and recommend Ofcom's risk appetite to the Board and to ensure Ofcom has appropriate processes in place to identify the main strategic risks including, but not limited to, any operational, reputational and financial risks;
- monitor financial reporting, including the accounting and financial reporting process of Ofcom's financial statements;
- ensure the effectiveness of Ofcom's internal control framework and risk management policy and systems;
- review and monitor the whistleblowing, business continuity planning and disaster recovery arrangements, bribery and fraud arrangements and any significant conflicts of interest across Ofcom;
- oversee the appointment of the Internal Auditors, including any proposals for tender, internal audit fees, Internal Audit performance, capability and effectiveness;
- review the External Auditors' independence and agree the nature and scope of the internal audit of Ofcom's financial statements

The work of the Committee follows an agreed annual work programme, with the Committee allocating its time in 2020/21 as follows:

- financial reporting and related matters
- annual report & accounts
- governance and risk management
- internal audit
- external audit
- cyber, ICT, physical & personal security
- oversight of the people and finance system replacement project
- scrutiny of the process for awarding the ICT services contract
- other (e.g. litigation, bribery & fraud)

## How our approach is informed by the UK Corporate Governance Code

The Committee is committed to discharging its responsibilities with transparency and integrity. In addition to the appointed Members of the Committee, the following have standing invitations to attend Committee meetings:

- Ofcom – Ofcom Chair, Chief Executive, Finance Director, Financial Controller, Head of Risk & Insurance Management, Group Director Corporate
- National Audit Office (NAO): representatives of Ofcom's External Audit Team
- Representatives of Ofcom's Internal Auditor

## Financial Statements and Accounting Policies

In conjunction with Ofcom Management and the internal audit provider and the NAO, the Committee reviewed the Financial Statements and associated documentation to establish if these were free from material misstatement and prepared in accordance with the applicable financial reporting framework. The Committee also challenged the judgements made by Ofcom Management and the assumptions and estimates on which they were based.

The Committee placed particular emphasis on the fair presentation and the reasonableness of the judgement of factors and appropriateness of significant accounting policies used in their preparation.

During the year, the Committee considered the treatment of various assets in the Group's accounts and the accounting assumptions applied to the results, including the assessment undertaken at the year end.



## Strategic Risk Deep Dives undertaken by the Committee in 2021/22

- Cyber Risk
- Online Safety, Video-Sharing Platforms and Public Service Media
- Horizon Scanning, Commercial Understanding of the Market
- Network Security – Telecommunications (Security) Act Readiness

### The Risk & Control Framework and Risk Management

The management of risk is an important part of Ofcom's internal control framework and encompasses both strategic and operational risks within a risk management policy, which is reviewed and approved annually by the Committee and the Chief Executive as the Accounting Officer. To ensure that our risk management framework is effective and aligned to our requirements, a review of our risk management framework is undertaken periodically. During 2021/22, the Committee oversaw the development of a more focused Strategic Risk Register. In March 2022 the Ofcom Board undertook a review and update of the Ofcom Risk Appetite Statements. Ofcom's Strategic Risk Register is reviewed quarterly by the Ofcom Policy and Management Board and by the Risk and Audit Committee and Ofcom Board. An oral update on matters considered by the Committee is provided to the next following Ofcom Board meeting. The Committee conducts a deep dive into a specific strategic risk at each meeting:

The Committee has continued to engage with Senior Management regarding any identified risk areas and the Committee has reviewed the controls and mitigating actions. The Committee has been heartened during 2021/22 by the high level of engagement and understanding of strategic risks on the part of Senior Management. This has enabled more effective discussion and a more realistic assessment of risk.

At the start of the pandemic, Ofcom's Head of Risk Management and Insurance created a Covid-19-specific Risk Register, and regular updates have been provided to the Committee on the steps Ofcom has taken to ensure continuous operation.

### Internal Controls

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. The Committee reported to the Board on the effectiveness of Ofcom's internal control systems and encouraged improvements in their effectiveness, where appropriate. A description of the organisation's system of internal control is included in the Corporate Governance Report on pages 73-74.

In 2021/22 the Committee held two separate meetings with the Finance team to assess the assumptions and controls behind the budget planning process and to ensure value for money.

Additionally, assurance is taken from the work carried out by specialist teams across Ofcom, including the Security Committee, the Data Protection Steering Group, the Health and Safety Committee and the Business Continuity Group.

### Cyber & Network Resilience

The Committee recognised that the new duties of Online Safety and Telecommunications Security have increased Ofcom's attractiveness as a target for malicious actors. During 2021/22, the Committee monitored the work undertaken by the Risk, ICT and Technology Group functions to manage cyber risk and network resilience. Recommendations have been made to further strengthen Ofcom's IT processes, other systems and response plans as a result of this work. Further action will be taken in this area during 2022/23, with regular progress updates to be provided to the Committee.

The Committee also reviewed physical and personal security at Ofcom – focusing on a comprehensive plan of work to strengthen our security and align the organisation with the requirements of the Information Security standard ISO27001, for which certification has been achieved.

### Annual Internal Audit Plan and Focus of Reviews in 2021/22

Given the continuing challenges presented by the pandemic, and the pressures it has placed on Ofcom, the internal audit provider continued with its presentation of the Internal Audit Plan half yearly to support a more agile approach. The proposed Internal Audit Plan for the first half of 2021/22 was agreed by the Committee on 11 May 2021 and the one for the second half of 2021/22 on 6 October 2021, with our internal auditors.

During 2021/22, our internal audit providers, Senior Management and the Committee undertook an extensive programme to map our audit universe to both our Risk Register and strategic priorities and to our assurance activities since 2014/15. This has proved a very useful tool to highlight areas of limited internal audit coverage and to help determine our internal audit plan.

#### Areas of Internal Audit covered during 2021/22

- Cyber Security
- People and Finance Systems Replacement Project (PFS) Governance
- Programme and Project Management System Implementation
- People and Finance System Replacement Project: Controls
- Corporate Governance
- Spectrum Licensing.
- Financial Control.

The reviews undertaken as part of the Internal Audits comprised a risk-based programme of work across a range of key control areas, agreed with management and approved by the Committee. The Committee received quarterly reports from the internal audit provider on the progress of its audits, Ofcom Management's response to the findings (where appropriate) and the progress made in addressing any issues identified during the audits.

#### Other Areas of Review

Ofcom's Whistleblowing Fraud and Anti-Bribery Policies are reviewed by the Committee in December of each year. The Whistleblowing policy covers all of the necessary matters required under the Public Interests Disclosure Act 1998. This policy has been communicated to all colleagues who have been reminded that they can raise matters anonymously with Ofcom's whistleblowing hotline provider. While a number of cases were referred through the whistleblowing external hotline in 2021/22, none of these related to incidents of malpractice as defined under Ofcom's Whistleblowing Policy.

The Committee also received reports on Ofcom's Financial Authorities Framework (prior to Board approval being sought on changes to the Framework), Ofcom's accounting policies, anti-fraud and anti-bribery, significant conflicts of interest and data protection act conformance. An annual review was undertaken of Ofcom's Business Continuity Planning, Disaster Recovery and Crisis Management, with the Committee reviewing and approving a new Ofcom Resilience Policy in December 2021.

**Reporting to the Board**

As Chair of the Risk and Audit Committee, I provide regular updates to the Board on the main issues discussed at Committee meetings. During the year, the Board has shown particular interest in Ofcom's Cyber security strategic risk and the way in which any potential cyber attack would be managed. In response to this, a teach-in was organised for the Board on business continuity and major incident management with particular reference to potential cyber security issues.

The Committee reviewed and updated its terms of reference in 2021, recommending these to the Board for approval.

**Committee Performance and Effectiveness**

An externally facilitated review of the Committee's performance and effectiveness was conducted as part of the Board Evaluation Review. The outcome was very positive, with the effectiveness of the Risk and Audit Committee rated highly by Members and, in particular, the Committee's robust oversight and challenge which was considered to be attuned to Ofcom's needs. A key priority identified was to continue to monitor Internal Audit feedback.

**Angela Dean**

Chair of the Risk and Audit Committee



27 June 2022

## OUR EMPLOYEES

Ofcom is growing as we take on new duties and regulation linked to telecoms security and online safety, and we need to transform our capabilities for the future.

Joining us provides an exciting opportunity to develop new skills and career paths. Our internal change programme, One Ofcom, helps us to coordinate this effectively and make the most of our growth.

We're making progress in building expertise in digital markets, online and emerging technologies and data analytics, as well as advanced techniques such as algorithmic design, machine learning and artificial intelligence. We also want to ensure our people continue to have strong commercial and industry experience to ensure effective regulation. As part of our wider strategy to become a more diverse organisation, we're recruiting people across the UK.

We opened a new hub in Manchester in the autumn of 2021, which is growing in size and serving as a base for our work on online safety and telecoms network security.

As we grow we are also modernising our People and Finance systems to support our people more. With new software, Workday, staff are now better empowered not just to manage the administrative elements of managing people, their own personal information and data and financial tasks, but also their recruitment activities. Having the most up-to-date information and data at our fingertips means we can speed up access to vital information, enabling us to make decisions more quickly.

### Diversity, inclusion and wellbeing

Our diversity and inclusion strategy reflects our ambition to value the skills and contributions of every member of society, providing opportunities for people of all characteristics and backgrounds to succeed in their career at Ofcom.

The strategy sets out our plans to create:

- a diverse workforce
- an inclusive culture
- processes, systems and policies that are fair
- colleagues who take personal responsibility for diversity and inclusion
- leaders who are role models
- stronger connections to the communities we serve

Underpinning this vision are our five values of excellence, collaboration, agility, empowerment and respect.

In the last year, we transformed our approach to recruitment to ensure we maximise the opportunities to diversify our organisation as we grow. We've partnered with a recruiter who provides up-to-date information on our diversity recruitment outcomes and supports our hiring managers. To keep us focused on achieving our 2026 workforce targets (see table A) we set goals for a minimum one percentage point increase for each of them in year one of our strategy. We met them all: 45% for women in senior roles (from a starting point of 44%); 13% for minority ethnic people in senior roles (from 11%) and 13% for disabled people across Ofcom (from 12%).

We also undertook a full review of our performance management approach and launched it in March 2022. A streamlined management structure and substantial investment to build new Career and Performance Manager (CPM) roles launched in March 2022. It will strengthen quality leadership capability and help us grow, retain and attract the talent we need to carry out our responsibilities. Our CPMs will be supported by a comprehensive learning and development programme throughout 2022/23. Alongside this, we revamped our approach to reward.

We aim to foster a culture in which everyone feels they are valued and can be themselves at work. This doesn't mean that we agree all the time. It means we listen to each other, seek and give challenge, and treat each other with professionalism, respect and kindness. We measure inclusion through an Inclusion Index and wellbeing through a monthly wellbeing pulse. These results are shared with senior leaders to shape the culture and workplace of Ofcom.

## Wellbeing support

In the last year, we invested more resource and investment through our Thrive@Ofcom wellbeing programme. We set up regular reminders on support mechanisms such as our Employee Assistance Service, open 24 hours a day; virtual GP service, available 365 days a year; private medical cover, which provides access to trained counsellors and therapists; and a free Headspace meditation and mindfulness app for all. We boosted the number of trained mental health first aiders to 95 employees and continued to provide information and tips on how to manage physical health and mental wellbeing.

## Monitoring and reporting

We monitor our policies, practices and processes through data analysis and internal reporting, annual and 'pulse' colleague surveys. We also consult with colleague networks, Prospect union and our elected colleague forum. We provide external diversity and inclusion benchmarking and a regular equal pay audit and pay gap report.

In 2021, we were recognised as a Times Top 50 Employer for Women. We jumped 19 places in the Social Mobility Foundation Index benchmarking ranking to 86th place in the autumn. We stepped back from Stonewall's Diversity Champion's programme but remained in their Workplace Equality Index and continue to benchmark highly. We are a Disability Confident Level 2 employer and have Carer Confident Accomplished (Level 2) accreditation.

In spring and summer 2021 we published our gender, ethnicity and disability pay gaps for 2020 and 2021. The pay analysis showed that our gender pay gap widened slightly on the mean (to 10.9%) and remained relatively constant on the median (from 12.1% to 12.3%). In the second year of reviewing our disability pay, the data shows there are gaps in mean and median pay which have increased. For ethnicity, the pay gap decreased for the mean and median. We increased our numbers in the upper and middle pay quartile, but as our organisation grows we have also increased representation in our lowest pay quartile as we take on more graduates and apprenticeships and administrative colleagues in our corporate functions. Our new workforce targets on increasing senior representation for gender, senior ethnicity and disability across the whole organisation will help us in our aim to reduce our pay gaps.

Our first progress update on our diversity and inclusion strategy will be published in July 2022, along with our 2022 pay gap figures.

**Table A: Diversity targets**

	Starting position (Mar 2021)	Target for year one	Closing position at year one (Mar 2022)	End ambition Mar 2026
Gender at senior levels	44%	45%	45% (met)	balanced
Minority ethnic representation at senior levels	11%	12%	13% (exceeded)	16%
Disabled representation Ofcom-wide	12%	12%	13%	15%

Base: All colleagues as at end of March 2021. By gender we mean legal sex. Senior levels = Principal and senior managers and specialists (SMS).

## Colleague involvement and consultation

Ofcom colleagues play an important role in ensuring that the organisation has a diversity of perspectives in its work and its approach in the workplace. Our regular formal and informal methods for informing and consulting colleagues include:

- the Ofcom Colleague Forum, an information and consultation forum made up of elected representatives of colleagues across Ofcom which meets regularly with senior management at Joint Consultative Group meetings (includes members from Prospect union)
- colleague surveys, inviting colleagues to share their views anonymously on a wide range of topics and which directly link to our diversity and inclusion strategy. The outcomes of these surveys provide a foundation for our organisational development and work
- our colleague diversity networks, of which we have eight covering a range of issues and communities
- open forums with the Chief Executive and the senior management team
- the Ofcom intranet, which is available to all colleagues in all of Ofcom's offices
- regular group meetings, to speak to and hear from colleagues.

## Employment policies and processes

At Ofcom, we believe that leaders and colleagues should work together to create an inclusive and empowering work environment. To support this, we have established policies which make Ofcom a welcoming, flexible and family-friendly employer. Our people policies and

processes are always under review to ensure they are up-to-date with the requirements of employment law, reflect best practice and our values.

We are committed to providing a family-friendly working environment. To support this, we have introduced a pregnancy loss policy, neonatal leave and pay from one week to a maximum of 16 weeks for new parents whose baby requires neonatal care following birth. We also doubled our paternity paid leave from four to eight weeks, adding to our wide range of family policies, including adoption and surrogacy support, fertility treatment leave, pregnancy loss and carers' policies. To support the overall wellbeing of our colleagues and their families, Ofcom has partnered with Parent Cloud Hub who provide support for returning parents.

## Absence

Our aim is to treat people who are ill with compassion and fairness and, where possible, provide them with support to enable them to recover their health and attend work regularly. Against the background of Covid-19, in 2021/22, the number of working days lost was 4.6 days per year per employee (2020/21 = 3.1 days) at Ofcom. This compares favourably to the public sector average of 6.6 days per year in 2021.

## Off-payroll arrangements

In line with the Financial Reporting Manual and the Public Expenditure System (PES) guidance from HM Treasury, we have disclosed all off-payroll engagements for the financial year 2021/22 to the Department for Digital, Culture, Media and Sport (DCMS).

# REMUNERATION REPORT

**This report has been prepared to be compliant so far as is practicable and appropriate with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, though Ofcom is not required to comply with the regulations.**

The approach taken by the Board has been informed by certain principles of the UK Corporate Governance Code and fulfils the requirements of the Government Financial Reporting Manual only where appropriate and applicable.

## Constitution of the People Committee

The People Committee comprises all non-executive members of the Ofcom Board, as determined by the Ofcom Board, details of which are set out on page 87.

The Committee would also normally expect the Chief Executive, the Chief Operating Officer, the People and Transformation Director and the Corporation Secretary to attend meetings. Where necessary and appropriate, the People Committee will also take advice and/or obtain services from Ofcom colleagues or specialist external organisations. No individual is present for any discussion about their own remuneration.

## Remuneration Policy

In setting Ofcom's remuneration policy, the People Committee believes that Ofcom should, with consideration of it being a public body, provide a stable reward framework that will attract and retain the high-calibre people necessary to enable Ofcom to achieve its strategic priorities and to fulfil its statutory remit and responsibilities.

## Components of remuneration

The main components of the remuneration of the Senior Management Team (SMT) are in line with our approach to all colleague remuneration which includes basic salary, an all colleague defined contribution pension scheme and a range of flexible benefits which includes life assurance, group income insurance, private medical insurance and an annual health check as standard elements.

### 1 Basic salary

### 2 Flexible benefits

- Private medical insurance
- Life assurance
- Group income protection
- Annual health check

### 3 Annual Bonus scheme

### 4 Pension

- All colleague defined contribution scheme
- Pension allowance as % of salary

### Basic Salary

The basic salary for all colleagues is determined by taking into account each colleague's responsibilities, performance, and experience, together with relevant market benchmarking analysis. All basic salaries are considered annually, and any changes are made effective from 1st July each year. We conduct an annual equal pay audit for gender, ethnicity, and disability.

### Flexible Benefits

Ofcom offers a flexible benefits allowance to colleagues based on their grade. For the purposes of the remuneration tables, only the value of private medical insurance is included. The total value of group income protection, life assurance and annual health checks is not disclosed under benefits in kind as these are not treated by HM Revenue & Customs as a taxable emolument.

### Annual Bonus Scheme

Ofcom does not provide a long-term incentive plan scheme for any of its employees. All colleagues are considered under the remit of a discretionary annual performance bonus scheme. In 2021/22 no bonuses were paid to colleagues under the scheme due to the Covid pandemic and the resultant savings were passed back to our stakeholders through lower charges. For 2022/23 we have revised our annual bonus structure, reducing the amount available for distribution from 2.5% to 2.1% of our pay bill. All awards are approved by the People

### The latest fair pay disclosure data is shown below:

	2021/22	2020/21	2019/20	2018/19
Band of highest-paid individual's total remuneration (£000)	330-335	330-335	330-335	390-395
Median remuneration (£)	56,665	58,439	59,031	57,548
Remuneration ratio	5.88	5.69	5.64	6.80

There has been a slight increase in the remuneration ratio from last year because of a reduction in the median remuneration. This is as a result of a higher proportion of colleagues being recruited in the lower paid quartiles.

The median remuneration excludes the highest-paid individual and is based on annualised, full-time equivalent remuneration as at the end the financial year.

The highest paid individual as at 31 March 2022 was the Chief Executive. The percentage change from the previous financial year in respect of highest paid individual is 0% which is based on the mid-point of the range relating to

Committee. Eligible colleagues will receive an award as a fixed amount per grade. Colleagues will not be eligible if they are going through a performance improvement process, or a live disciplinary sanction.

### Pension

Ofcom provides the option of a stakeholder (Defined Contribution) pension to all. All Ofcom colleagues are provided with a pension allowance, determined as a % of base salary. This can either be invested within one of two pension schemes – the Master Trust and Group Pension Plan which allows deductions to be made via salary sacrifice or taken as additional salary. No current Non-Executive Member received a pension benefit from Ofcom during the year under review.

### Fair pay disclosure

Ofcom believes in Fair Pay. We track this through monitoring a fair pay ratio, comparing the highest-paid individual in their organisation and the median remuneration of the rest of the organisation. The calculation of, and presentation of, the data is in line with the Government Financial Reporting Manual. For comparison purposes, the remuneration figure is taken as of 31 March annually and includes base salary, performance-related pay, flexible benefits allowance, and taxable benefits in kind.

the remuneration of the highest paid director. At this date the remuneration ranged from £18,272 to £332,920 (2020/21 range: £18,272 to £332,663).

The average percentage change from the previous financial year in respect of employees of the entity taken as a whole is -1.86%. The reason for this is more colleagues were recruited at the lower quartiles as well as no pay increase or bonus paid.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/22	8.26	5.88	4.08



## Remuneration tables

Details of the remuneration received by members of the Board, the Content Board and the SMT have been audited by the Comptroller and Auditor General and are set out in the following tables and notes.

The tables reflect the remuneration for the part of the year during which individuals were either permanent members of the Board or the Content Board only, or members of the SMT.

Those individuals marked with '+' against their name were in role for only part of financial year 2021/22 or 2020/2021.

Where individuals are members of more than one Board or Committee (as set out on pages 78-80) they appear only once in the remuneration tables.

The Non-Executive Members of the Ofcom Board and Content Board Members received no additional remuneration beyond their fees. The Non-Executive Members of the Ofcom Board additionally have provision of IT equipment if required.

**Table 1: Ofcom Non-Executive, Board Member remuneration:**

Name	Guidance note reference	Fees Paid 2021/22 £	Fees 2020/21 £
Karen Baxter +	1,2	616	–
Maggie Carver +	1,2	120,000	82,500
Angela Dean	1	42,519	42,519
Bob Downes	1	42,519	42,519
David Jones	1	42,519	42,519
Graham Mather	1	42,519	42,519
Tim Suter +	1,2	7,087	42,519
Ben Verwaayen	1	42,519	42,519
<b>Total</b>		<b>340,298</b>	<b>337,614</b>

### Guidance Note 1:

The fees for all the Non-Executive Members of the Ofcom Board are fixed in agreement with DCMS, for the duration of their appointment.

The fees shown in Table 1 represent the amount paid during the period under review. The fee of the Non-Executives of the Ofcom Board (excluding the Chairman and Deputy Chair) has remained at £42,519 per annum since 1 April 2008.

### Guidance note 2:

Terry Burns (Lord Burns) left the position of Ofcom Chair on 31 December 2020. Maggie Carver was appointed as Interim Chairman in January 2021 and received fees of £120,000 per annum on the basis of 3 days per week. Prior to this the full year fees for her role as Deputy Chair were £70,000.

Michael Grade (Lord Grade of Yarmouth) was appointed by DCMS as the new Chair of Ofcom and took up his post on 1 May 2022.

Karen Baxter joined as an Ofcom Non-Executive Board Member on 28 March 2022 and Tim Suter stepped down and left Ofcom in May 2021.

**Table 2: Ofcom Non-Executive, Content Board Member remuneration:**

Name	Guidance note reference	Actual fees 2021/22 £	Fees 2020/21 £
Dekan Apajee +	3	16,800	7,000
Jonathan Baker	3	16,800	16,800
Rachel Coldicutt +	3	16,800	7,000
Maggie Cunningham	3	16,800	16,800
Aled Eirug +	3	11,200	16,800
Robin Foster +	3	12,600	16,800
Angelina Fusco +	3	2,800	16,800
Anna-Sophie Harling +	3	5,600	7,000
Peter Horrocks +	3	16,800	7,000
Tobin Ireland	3	16,800	7,000
Ruth McElroy +	3	1,400	–
Sophie Morgan +	3	9,800	16,800
Stephen Nuttall	3	16,800	16,800
Monisha Shah	3	16,800	16,800
Kim Shillinglaw +	3	16,800	7,000
Janey Walker +	3	2,013	24,150
<b>Total</b>		<b>196,613</b>	<b>200,550</b>

**Guidance Note 3:**

The fees for Non-Executive Members of the Content Board are fixed by Ofcom.

The values shown represent the full-year amount paid or, where appropriate, part of the year, where the Non-Executive Member joined the Content Board.

The basic fee of the Content Board Members is £16,800 per annum.

**Table 3 : Ofcom Executive, Board Member remuneration:**

Name	Guidance note reference	Months of reporting period employed in Board	Total salary paid £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	2021/22	2020/21
								Total remuneration paid £	Total remuneration paid £
Melanie Dawes	4	12	315,000	63,000	15,000	2,727	–	395,727	395,663
Kevin Bakhurst	4	12	248,300	37,245	15,000	2,727	–	303,272	301,109
Lindsey Fussell	4	12	248,300	37,245	15,000	2,727	–	303,272	300,132

**Table 4: Ofcom Executive member, Content Board remuneration:**

Name	Guidance note reference	Months of reporting period employed	Total salary paid (full year equivalent in brackets where part year worked) £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	2021/22	2020/21
								Total remuneration paid £	Total remuneration paid £
Alison Marsden + <sup>1</sup>	4	12	140,453 (150,000)	22,500	14,093	2,727	–	179,773	154,126

**Table 5: Senior Management Team remuneration:**

Name	Guidance note reference	Months of reporting period where part of SMT	Total salary paid (full year equivalent in brackets where part year worked) £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	2021/22	2020/21
								Total remuneration paid £	Total remuneration paid £
Luisa Affuso	4	12	232,750	34,912	15,000	2,727	–	285,389	283,528
Martin Ballantyne +	4	12	225,000	33,750	15,000	2,727	–	276,477	206,865
Sachin Jogia +	4,5	6	131,448 (265,000)	19,717	7,441	996	–	159,602	–
Kerri–Ann O’Neill	4	12	144,200	21,630	15,000	2,727	–	183,557	182,286
Melissa Tatton +	4,5	12	225,000	33,750	15,000	2,182	–	275,932	153,338
Yih–Choung Teh	4	12	225,000	33,750	15,000	2,727	–	276,477	257,725

<sup>1</sup> Alison Marsden commenced a Non-Executive Director appointment at the UK’s statutory regulatory body for fertility treatment and embryo research, the Human Fertilisation and Embryology Authority (HFEA), on 1 April 2021. As Alison provided assurance that she would undertake all activities associated with this role, including attendance at Board/other meetings, in her own time, the People Committee agreed that she would be permitted to retain the £7,883 p.a. fee that she receives from HFEA. Alison’s role was not full-time all year as a result of leave arrangements.

**Guidance Note 4:**

The total annual remuneration is shown for Ofcom executives who are, or were, confirmed members of Ofcom's SMT during the reporting period 2021/22. This figure is remuneration entitled to for the reporting period so will be less than the full year equivalent if a full year was not worked as a member of the Senior Management Team.

The total annual remuneration includes basic salary, annual performance bonus, flexible benefits allowance, a percentage of basic salary paid as a pension allowance and taxable benefits in kind reflecting the cost to Ofcom of the provision of private medical insurance for each executive.

**Guidance Note 5:**

Sachin Jogia joined SMT as Chief Technology Officer in October 2021.

Melissa Tatton joined the SMT as Group Director, Corporate on an interim basis in September 2020 and was confirmed in post as Chief Operating Officer in April 2021.

**Table 6: Interim members and leavers of Senior Management team & Executive Content Board during the reporting period:**

Name	Guidance note reference	Months of reporting period employed	Total salary paid (full year equivalent in brackets where part year worked) £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	2021/22	2020/21
								Total remuneration paid £	Total remuneration paid £
Helen Hearn +	6	3	37,500 (150,000)	5,625	3,750	730	–	47,605	–
Phillip Marnick +	6	10	193,500 (232,200)	29,025	12,500	1,792	–	236,817	282,921
Jonathan Oxley +	6	1	22,917 (275,000)	3,438	1,250	222	–	27,827	332,332

**Guidance note 6:**

Helen Hearn joined the SMT as Interim Group Director, Spectrum for six months following Phillip Marnick's departure in January 2022.

Jonathan Oxley left Ofcom in April 2021 following a period of contractual gardening leave.

**Table 7: Annual Total Remuneration costs for all Senior Management Team & Executive Content Board Members in reporting period:**

Total actual salary paid £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	Total remuneration paid 2021/2022 £	Total remuneration paid 2020/2021 £
2,389,368	375,587	159,034	27,738	–	2,951,727	3,274,445

**Contract of employment**

The Chief Executive has a notice period of 12 months. No other Executive Member of the Ofcom Board or other Ofcom colleague has a contract of employment containing a notice period exceeding nine months.

The Non-Executive Members are all on fixed-term appointments for a set time commitment to Ofcom of approximately two days per week (with the exception of the Chair who commits up to 3 days a week and the Deputy Chair who commits up to two and a half days per week).

**Compensation for early termination**

The arrangements for early termination of a contract of employment for an Executive Member of the Ofcom Board, Content Board, or member of the SMT are decided by the People Committee and will be made in accordance with the contract of employment of the relevant Executive Member or member of the SMT. No ex gratia payments in relation to early termination exceed £95,000. Each contract of employment provides for a payment in lieu of notice on early termination at Ofcom's discretion. Non-Executive Members have no entitlement to compensation in the event of early termination.

**Outside directorships**

Details of our approach to Code of Conduct including outside interests for Non-Executives and Colleagues is referenced in the Governance section of the Annual Report and Accounts.

On behalf of Ofcom,

**Dame Melanie Dawes DCB**

Chief Executive and Accounting Officer

*Melanie Dawes*

15 June 2022

**Ben Verwaayen**

Chair of the People Committee

*BV*

15 June 2022

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT, SCOTTISH PARLIAMENT, SENEDD CYMRU AND NORTHERN IRELAND ASSEMBLY

## Opinion on financial statements

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2022 under the Office of Communications Act 2002.

The financial statements comprise the Office of Communications'

- Statement of Financial Position as at 31 March 2022;
- Statement of income and expenditure, Statement of Comprehensive net income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended;
- Remuneration Report; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Office of Communications' affairs as at 31 March 2022 and its surplus after tax for the year then ended; and
- have been properly prepared in accordance with the Office of Communications Act 2002 and Secretary of State directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office of Communications in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office of Communications' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office of Communications' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

## Other Information

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Office of Communications Act 2002:

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Office of Communications Act 2002 and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the Office of Communications and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Office of Communications or returns adequate for my audit have not been received from branches not visited by my staff; or
- management's use of the going concern basis of accounting is appropriate and whether a material uncertainty exists related to events or conditions which may cause doubt on Ofcom's ability to continue as a going concern for a period of at least 12 months from the date of the approval of the financial statements; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Office of Communications' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Office of Communications Act 2002.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Office of Communications' accounting policies.
- Inquiring of management, the Office of Communications Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office of Communications' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office of Communications' controls relating to its compliance
- discussing among the engagement team and involving relevant internal specialists, including Pension Experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.



As a result of these procedures, I considered the opportunities and incentives that may exist within the Office of Communications for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Office of Communications' framework of authority as well as other legal and regulatory frameworks in which the Office of Communications operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office of Communications. The main laws and regulations I considered in this context included the Office of Communications Act 2002, the Wireless Telegraphy Act 2006, the Postal Services Act 2011, the Digital Economy Act 2010 & Digital Economy Act 2017, Employment Law, tax legislation, Pension Legislation.

In addition, I considered the risk associated with a significant IT implementation during the year.

#### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Risk and Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal

course of business; and

- specific audit procedures performed in respect of the risk associated with a significant IT implementation during the year

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

#### **Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

July 2022

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