



 Internal Audit Report  
**HR Core Controls**  
September 2020



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#### ***Disclaimer***

This report ("Report") was prepared by Mazars LLP at the request of the Information Commissioners Office (ICO) and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, We have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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## 01 Introduction

As part of the Internal Audit Plan for 2020/21, we have undertaken a review of the Information Commissioners Office's (ICO) core controls for human resources (HR). As part of the examination of key risks we reviewed the following areas:

- HR roles and responsibilities;
- Recruitment;
- Pre-employment checks;
- Appraisals process;
- Learning and development;
- Retention of high calibre staff; and
- Covid-19 response.

The full scope of the review is included at **Appendix A1**.

We are grateful to the Director of Resources, Head of Workforce Development and Planning, Head of HR and other staff for their assistance during the audit.

The fieldwork for this audit was undertaken whilst government measures were in place in response to the Coronavirus Pandemic (Covid-19). The scope and fieldwork for this audit were impacted. This included working restrictions, specifically in respect of control arrangements for testing recruitment procedures and pre-employment checks. Information for these areas is retained on personnel files held within the office. Therefore, our opinion is reflective of the work completed, which does not cover the full scope and associated risks and controls. The areas that impacted our work included recruitment and pre-employment checks where we were unable to access hard copy information that is stored in the ICO office.

We understand that ICO is working to adopting paperless working, which we support. This will help should documents be required while working in a remote environment.

## 02 Background

Successful organisations that can deliver against their strategic objectives are heavily reliant on capable human capital. In order to assess capability all employees are required to undergo a recruitment process and vetting for suitability for the role. Staff members are subsequently challenged through performance measurement and appraisals which through this framework, allows organisations to maintain standards but to also grow and improve.

At ICO, HR is under the oversight of the Director of Resources and operationally by the Head of HR, whose team is involved in recruitment and on boarding. Separately, learning & development and appraisals are managed by the Head of Workforce Development and Planning.

### Recruitment

At ICO, any recruitment is required to first be authorised by the Director of Resources before any job posting can commence. Jobs are typically advertised through ICO's website using the third-party integrated system, *Vacancy Filler*. Job descriptions and person specifications are posted alongside salary amounts.

Vacancy Filler receives applications and other summary information including personal details which are only seen by the HR team. Hiring managers shortlist candidates using the vacancy filler platform. Shortlisting is completed by two panel members that score a candidate's application form to identify the highest scoring candidates. The next stage may involve interviews or assessment centres depending on the role.

### Pre-employment checks

For successful candidates, whom have received a conditional offer of employment, pre-employment checks are conducted. These checks include the legal requirement of "right to work", health screening, qualifications, references and security clearances.

All staff are required to receive a disclosure barring check (DBS), however dependant on the nature of the role, a more sensitive security clearance may be used such as Security Check or Developed Vetting. Roles requiring a higher level of clearance are stated within the job descriptions in the application stages.

### Appraisals

There is an annual performance and development review (PDR) process between line managers and direct reports, which is carried out between April and May each year. Currently PDRs completions are reported within CIPHR, ICO's HR system which is managed by the HR Manager (Projects).

### Learning and Development

There is a learning and development plan in line with corporate objectives and the needs of the organisation. With any learning and development requirements there is a need to assess the training needs of the organisation, deliver required content and measure the effectiveness. The Workforce Development and Planning Team undertakes a needs assessment based on vacancy gaps and skills gaps as identified by Directors and ad hoc assessments are also made at the operational level, between the workforce team and others.

### Staff retention


Across the sector, staff retention and the subsequent hiring of new staff can be challenged by the higher pay and benefits offered in the private sector, in particular for specialist and technology roles. The ICO has identified it is more difficult to fill technology vacancies and so a cyber apprenticeship was launched by the ICO, in an attempt to grow existing talent within the ICO.

### Response to Covid-19

Towards the end of March 2020, the UK Government requested all “non-essential” workers should work from home in response to the outbreak of Covid-19 pandemic. At ICO, staff were required to work from home and, as such, changes were made in the HR and Workforce Development and Planning teams. Restrictions to business as usual operations included no access to physical documents, identity verification as part of pre-employment checks and delivery of training courses were all changed and adapted to changes in working.

Furthermore, as a result of Covid-19, many staff members’ holiday plans were changed which impacted annual leave administration, and in other cases childcare and other family obligations were increased as a result of the lockdown in UK. ICO has organised the implementation of Covid-credits a type of flexible working solution in response to the flexible hours required by its staff members

## 03 Key Findings

Assurance on effectiveness of internal controls	
	<b>Adequate Assurance</b>
Rationale	
<p>In our review of the core controls within HR we have provided a “Adequate Assurance” assurance opinion. Our work identified some good controls for HR and Workforce planning that included the ICOs transparent recruitment processes, learning and development opportunities and rewards.</p> <p>However, we have identified a number of areas that ICO should seek to address in order to improve the control environment. These recommendations are included within <b>Section 04</b>.</p>	

Priority	Recommendations
1. (Fundamental)	-
2. (Significant)	2
3. (Housekeeping)	3
<b>TOTAL</b>	<b>5</b>

### Areas of Strength

- A People strategy is in place which aims to inspire high performance, be a well-regarded employer that attracts and retains talent, and develop and maintain an expert and resilient workforce. The strategy provides the expectations required from the HR core functions and how their work contributes to the wider organisation.
- A Recruitment policy is in place which sets out the methods of recruitment in order to ensure recruitment is administered in a fair and consistent process. In addition, the recruitment process is made available to all candidates through the ICO's website on the "Jobs" section.
- We tested a sample of five live vacancies and confirmed the latest job descriptions and person specifications are included within the job adverts. Salary amounts are made known to applicants within the job advert and their corresponding salary pay scales are correct for the pay scales in 2019/20.
- The ICO aims to provide competitive salaries for its staff members. Although salaries are fixed within its pay scales these pay scales are negotiated upon and agreed with trade unions before implementation. We confirmed the pay scales for 2019/20 were agreed on the 19 June 2020.
- The ICO has understood their salary offerings by benchmarking reports from their retained Executive Search Agency, Hays. We confirmed benchmarking was carried out in 2017 and 2019.
- There is a revised new starters checklist in place which considered the recommendations with a previous internal audit on Payroll. Although we were not able to test for the control effectiveness due to testing restrictions from Covid-19.
- A guidance document on the Personal Development Record (PDR) was produced in April 2020. The document provides information of the PDR process, objectives and how discussions could be shaped to focus improvements in the individual. This guidance is designed to help line managers and their staff to build quality and meaningful PDRs.

- We sampled tested nine PDRs and found eight were completed in a manner which fulfilled the objectives of PDRs.
- There is top-down communication from the Director of Resources in an organisation wide email encouraging the completion of PDRs and recording the completion within MINFO.
- Learning needs are identified in several ways at the ICO including informal meetings held by Learning and Development staff to Workforce Planning questionnaires completed by Directors which aim to identify skills gaps within their directorates.
- Rewards and opportunities to pursue qualifications are available at the ICO which includes new Cyber apprenticeships and Management apprenticeships. There is a Qualifications policy and Procedures for Training Request which help to guide staff towards more tailored qualifications which help the ICO to retain its talent.

### Risk Management

Within the latest Risk and Opportunity Register from June 2020, ICO has identified one risk related to the HR core controls;

*R29: Technology Relevant Regulator: (Cause) Insufficient resources, knowledge, training and external engagement prevent the ICO from (Threat) engaging with and effectively regulating emerging technology-based threats to information rights (Impact such that is, impeded in fully achieving all of its IRSP goals, in particular goal #6 and results in poor reputation perception of the ICO as a relevant regulator for cyber related privacy issues"*

R29 is identified as having a current risk score of Amber-12 and a target score of Green-4 after the implementation of mitigating actions. Although several actions are identified as being technology related and under the ownership of the Deputy Commissioner, there are two HR controls related actions which include:

- *Technology Strategy developed and additional staff being recruited to the Technology Policy Department to provide appropriate resource to deliver the strategy.*



- *Staff being recruited to the Internet Economy Team within Privacy Innovation.*

There are two more risks notably; R73, R2 which identify HR policies and delivery of training as the mitigating actions for the two risks.

We understand ICO's review of HR policies is not completed yet and as such these risks cannot be considered as mitigated. This is included in Section 04, recommendation 4.1.

**Security clearance of new starters**

There are a number of roles at ICO that require a higher level of security clearance. These clearances can at times take up to 4 months or longer if the individual has worked overseas. For these cases, ICO will start the employment on a probationary basis until the full security clearances have been received. This presents a risk to ICO should clearances provide negative results.

From discussions with management we understand that the decision on the timing of the security clearances has been considered in detail in regard to the risk. ICO, on balance of the risk, have taken the view that failing to fill the role due to the length of time required to receive the security clearance is greater than enabling the m to join on probation. We have therefore not made a recommendation for this.

**Value for Money**

**HR roles and responsibilities**

Allocation of tasks and duties is important to avoid duplication of effort, this is particularly important in large teams where outputs are largely process driven. The HR team has mapped out the tasks and responsibilities required within recruitment and on-boarding which has helped drive efficiency and effectiveness as staff are aware of their responsibilities within a given process.

**Recruitment**

The largest costs typically associated with recruitment is the use of recruitment agencies and temporary staff. We understand the ICO utilises Hays Recruitment to fill roles that are grade F and above. However, we understand efforts to recruit using the ICO website and advertising on job boards and publications are carried out concurrently with the use of other recruitment agencies.

We completed sample testing of 10 new starters, and we noted four staff members were recruited using a recruitment agency. Although recruitment agencies are useful intermediaries in finding the best candidates, nonetheless their use should be minimised due to their prohibitive costs. We noted from the latest management accounts available (April 2020), the ICO is expecting an overspend of £153,000 on recruitment and training for the financial year. We understand this is due to some specialist roles that are harder to recruit and therefore more cost is incurred through recruitment agencies.

Many public sector organisations have taken the approach to reduce their reliance by designing recruitment strategies, upskilling their staff in performing executive searches, targeted recruitment campaigns and connecting with social media platforms such as LinkedIn to post jobs.

**Pre-employment checks**

Pre-employment checks are an important part of confirming the successful candidate's legal right to work in the UK but to also verify character and experience. VfM for pre-employment checks is the efficiency to which these checks can be carried out, as highly capable candidates may receive other competing employment offers and therefore organisations may miss out on their preferred candidates if this process is slow.

We noted the allocations of roles and responsibilities help to make the pre-employment checks more efficient, however, there are job roles within the organisation which require higher levels of security clearance which includes Security Vetting or Developed Vetting.

The ICO's Recruitment Policy suggests these may be undertaken after the staff member has already started their job with the ICO and, as such, their employment may be affected if security clearance is not granted. We have made a recommendation with the approach of the policy, as clearances should be checked prior to the start of employment to avoid restarting

recruitment campaigns or the possible damages required for the ICO to end an employment contract.

**Appraisals process**

Most organisations find VfM in the appraisals process when there is buy in from the whole organisation, since this facilitates the seeking of improvement but also recognition for all staff members, which is a positive experience for the organisation. We tested appraisals completion through the MINFO and noted the completion rate was approximately 34% at ICO. We have raised a recommendation in relation to this in Section 04, recommendation 4.4.

A well-maintained learning and development budget and targeted development offering based on organisational needs offers the greatest VfM. The ICO has tracked its learning and developed budgets and we noted it came under budget by £87,428 in 2019/20. Training and development expenditure is currently under budget by £440,447 year to date, although this is a direct result of Covid-19 and the unavailability to deliver certain training. ICO has adapted by delivering workshops over Microsoft Teams instead which has saved incidental costs such as venues and travel costs.

There is targeted delivery of training at ICO through the analysis of needs conducted by the Head of Workforce Development and Planning and the Directorate Planning responses captured as part of directorate planning as completed by ICO's directors.

**Retention of high calibre staff**

Although the public sector may find competing with private sector salaries and rewards challenging, it is important to identify a strategy to retain high performing staff members.

A People strategy is in place with one of the objectives identified as retention of staff. This is carried out through the rewards strategy which is in place at ICO. Furthermore, there is a recognition policy and personal development opportunities including qualifications and training which all contribute to offering an attractive proposition to staff retain their roles within ICO.

**Covid-19 response**

Whilst Covid-19 has presented a disruption this has not been significant to ICO with only minimal requirements for business continuity which has allowed ICO to continue business as normal. We note while the Workforce

Development and Planning Team has had minimal changes to their work and although training is now delivered on Microsoft Teams, this has saved costs on venue and travel costs.

The HR team has met several challenges, given much of their working has previously relied on personnel information within physical folders. Although we noted this has since moved towards electronic filing, we have found key information misplaced electronically or not filed within our sample testing of starters and their recruitment and checks information. The ICO will likely be required to find the most efficient and cost-effective method of converting files into a digital format. We have made a recommendation in relation to this in Section 04, recommendation 4.6.

**Sector Comparison**

The Civil Service Commission set out Recruitment Principles in 2018/19. The principles outline requirements for public bodies regarding selection panels, information made available to applicants, evidence, decision-making, and exceptions. From our review of ICO's recruitment policies, and tested practices, we noted no instances where ICO's procedures appeared to diverge from these principles.

Difficulties in retaining employees have been increasing throughout the UK, with the Chartered Institute of Personnel and Development (CIPD) completing a survey in this area in 2017. The results of this survey indicated that the most popular step taken to improve staff retention was through increasing learning and development opportunities. An improved induction process and improved benefits also received high scores in the survey. We confirmed learning and development is well integrated at the ICO, with specific apprenticeships and qualification opportunities available to foster more tailored growth in conjunction with organisation training needs.

In many organisations, personal development reviews and appraisals are increasingly aligning personal development goals towards organisational objectives and values in order to achieve goal congruence. A golden thread analogy is often used to link the organisational strategy, annual plans and how each development objective directly contributes towards a plan

objective. We noted the ICO has not adopted this method of organising their personal objectives.

Across different sectors, many organisations previously accelerated their IT strategy implementations in response to the UK incorporating GDPR regulations on the 25 May 2018. This was done so to minimise the use of paper when storing personal information. Many changes were made to adopt paperless processes especially within HR teams. We note in comparison, the ICO requires more reliance on paper and behind comparable peers in the public sector for HR administration, we have raised a recommendation to this effect within Section 04 of this report.



## 04 Areas for Further Improvement and Action

Definitions for the levels of recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority		Timescale/ responsibility
4.1	<p><b>Hiring manager's training</b></p> <p><i>Observation:</i> As part of a fair and consistent recruitment process, hiring managers are required to undertake training which includes <i>Unconscious Bias</i>, and <i>Recruitment &amp; Selection</i>.</p> <p>Within our sample testing we reviewed five hiring managers and it was evidenced from training records, four hiring managers were recorded as fully trained and one hiring manager that had completed half the training required.</p> <p>Further investigation of this issue identified that the training had been completed but there had been an issuing recording this as completed.</p> <p><i>Risk:</i> Recruitment does not follow a fair and consistent process</p>	The ICO should investigate whether training recording issues persist.	2	<p>The ICO will review the process for recording training and see if any issues persist.</p> <p>The process will be reviewed to ensure that all training is recorded</p>	<p>Head of WDP</p> <p>End of Dec 2020</p>
4.2	<p><b>Appraisals completion</b></p> <p><i>Observation:</i> We reviewed PDR completion data held on MINFO which was retrieved on the 6 August 2020. This showed that completion rates across ICO where 34%, although it is understood</p>	The ICO should evaluate and plan to ensure PDR completion is widespread across the organisation.	2	HR team will re-issue instructions for recording the completion of PDRs on Minfo and monitor the completion. This will be reported	Head of HR

	Observation/Risk	Recommendation	Priority		Timescale/ responsibility
	<p>staff on probation will not have a PDR in place which places 34%, a lower indication than actual.</p> <p>As well Covid-19 presenting an issue with completion, we understand there has been an IT issue that limited the number of people being able to access ICO systems, including MINFO that is used for the PDRs. These two factors together have had a significant impact on the completion rates across ICO.</p> <p>Furthermore, there is currently no reporting of PDR completion rates reported to senior management.</p> <p><i>Risk:</i> Staff performance is not reviewed at regular intervals by line managers.</p>	<p>PDR completion rates should be tracked and reported to senior management as part of performance reporting.</p>		<p>on annually to the ICO Resources Board</p>	<p>End of November 2020</p>
4.3	<p><b>HR policies</b></p> <p><i>Observations:</i> The People strategy launched in November 2018 has identified one of its priorities as “Recruiting the best possible people”.</p> <p>One of the identified actions to deliver the priority was to “...actively ensure policies, working practices and environments are conducive to attracting and retaining staff with a diverse range of skills.”</p> <p>We have noted the following policies that would benefit from a review to ensure procedures are up-to-date and they fulfil the action of developing an attractive environment to work in include;</p>	<p>The ICO should ensure HR policies and procedures are regularly reviewed and updated where necessary.</p> <p>Typically, many organisations will review policies on timeframes between one to three years.</p> <p>Version control and review dates are also included for audit and administration purposes which is useful should earlier iterations of</p>	3	<p>Policy review process is underway and policies.</p> <p>The ICO will ensure that there is an annual review to determine if any policies require amending</p>	<p>Head of HR</p> <p>End of November 2020</p>

	Observation/Risk	Recommendation	Priority		Timescale/ responsibility
	<ul style="list-style-type: none"> <li>• Career Break - October 2011</li> <li>• Dignity at work - September 2006</li> <li>• Grievance - October 2006</li> <li>• Maternity - May 2015</li> </ul> <p>The Director of Resources has explained the policies were currently in draft and undergoing final consultation with trade unions at the time of our review. Whilst the policies are old, in consideration of them currently in draft we have prioritised this as housekeeping.</p> <p><i>Risk:</i> Recruitment does not attract the right candidates for the job roles and/or does not a fair and consistent process.</p>	policies are required to be reviewed.			
4.4	<p><b>Workforce planning model</b></p> <p><i>Observation:</i> A workforce planning model is identified as one of the solutions for ensuring the assessment for short and long-term workforce planning needs are met. The workforce model was submitted as part of a review into Workforce Planning 2019/20 to 2022/23 to the Corporate Strategy &amp; Planning Steering Group on 9 May 2019.</p> <p>We note the workforce planning model is a fluid process with an update due to go to Management Board. We do not that there is no formal reporting process.</p> <p>In addition, although there is feedback from individual training on content and how this is</p>	The Workforce planning model should be formally reported on regular basis with consideration given to the overall training needs and delivery across ICO.	3	The Workforce Planning model is being updated and will be reviewed at management board in November and then again in Feb 2021.	Director of Resources Nov 2020

	Observation/Risk	Recommendation	Priority		Timescale/ responsibility
	<p>delivered, ICO would benefit from an evaluation of the overall training across the organisation.</p> <p><i>Risk:</i> The ICO is unable to effectively upskill its workforce</p>				
4.5	<p><b>Job descriptions and person specifications</b></p> <p><i>Observation:</i> We completed sample testing of 10 new starters that had joined ICO from April 2020 onwards, for recruitment and checks controls.</p> <p>We noted four positions were hired using job descriptions and person specifications that were a few years old. The four positions related to three Case Officers and one Executive Assistant.</p> <p>The Case Officer's job description was last updated in 2014 and the Executive Assistants' was previously updated in 2010.</p> <p>Although understandably the job descriptions remain effective, there is a requirement, according to the Recruitment policy, for hiring managers to meet with HR to discuss recruitment requirements and confirm job descriptions are up to date.</p> <p>From our review we were not able to ascertain whether the job descriptions and person specifications are up to date.</p> <p><i>Risk</i> Recruitment does not attract the right candidates for the job.</p>	<p>The ICO should ensure job descriptions and person specifications are updated when they are last reviewed to ensure the latest information is submitted as part of the job posting. This should be recorded by including a review date on the job description.</p>	3	<p>The HR advisors will include a latest reviewed date and or verified date</p>	<p>Head of HR</p> <p>November 2021</p>

# A1 Audit Information

Review Control Schedule	
<b>Client contacts:</b>	Andrew Huber, Director of Resources Emma Titley, Head of Workforce Development and Planning Mike Collins, Head of HR and Facilities Amy Walthall, HR Manager (Projects) Katy Hulme, HR Manager Fiona Eaton, HR Advisor Angela Downey, HR Assistant Deborah Toone, Learning and Development Manager Jo Taylor, Learning and Development Advisor
<b>Internal Audit Team:</b>	Peter Cudlip, Partner Darren Jones, Manager Cooper Li, Internal Auditor
<b>Exit Meeting:</b>	17/08/2020
<b>Last information received:</b>	17/08/2020
<b>Draft report issued:</b>	10/09/2020

<b>Management responses received:</b>	23 October 2020
<b>Final report issued:</b>	23 October 2020

Scope and Objectives
<p>Our audit considered the following risks relating to the area under review:</p> <ul style="list-style-type: none"> <li>• <b>HR roles and responsibilities-</b> Staff do not know what they are responsible for or how to carry out their duties, leading to non-compliance with ICO’s policies and procedures</li> <li>• <b>Recruitment-</b> Recruitment does not attract the right candidates for the job roles and/or does not follow a fair and consistent process</li> <li>• <b>Pre-employment checks-</b> Staff are recruited without the full completion of employment checks including right to work and security clearances</li> <li>• <b>Appraisals process-</b> Staff performance is not reviewed at regular intervals by line managers</li> <li>• <b>Learning and development-</b> ICO is unable to effectively upskill its workforce</li> <li>• <b>Retention of high calibre staff-</b> ICO is unable to retain its high performing staff members</li> <li>• <b>Covid-19 response-</b> HR practices are unable to adapt to;                         <ul style="list-style-type: none"> <li>○ Remote working</li> <li>○ The increased administration demands as a result of changes in staff working hours and any other relevant changes as a result of Covid-19.</li> </ul> </li> </ul>



The objective of this audit was to evaluate and assess the adequacy and effectiveness of the ICO's arrangements for HR Core Controls.

Testing was carried out on a sample basis by a member of the Internal Audit Team. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

### Definitions of Assurance Levels

<b>Substantial Assurance:</b>	Our audit finds no significant weaknesses and we feel that overall risks are being effectively managed. The issues raised tend to be minor issues or areas for improvement within an adequate control framework.
<b>Adequate Assurance:</b>	There is generally a sound control framework in place, but there are significant issues of compliance or efficiency or some specific gaps in the control framework which need to be addressed. Adequate assurance indicates that despite this, there is no indication that risks are crystallising at present.
<b>Limited Assurance:</b>	Weaknesses in the system and/or application of controls are such that the system objectives are put at risk. Significant improvements are required to the control environment.

### Definitions of Recommendations

Priority	Description
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

### Statement of Responsibility

We take responsibility to the Information Commissioner's Office (ICO) for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in

internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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