

Information Commissioner's Office

Audit Committee
Internal Audit Annual Report 2021/22

Prepared by: Mazars LLP

Date: June 2022



Contents

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of the Information Commissioner's 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 internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit 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

Mazars LLP are the appointed internal auditors to the Information Commissioner's Office (ICO). This report summarises the internal audit work undertaken by Mazars in 2021/22, the scope and outcome of work completed, and incorporates our annual statement on internal controls assurance.

The report should be considered confidential to ICO and not provided to any third party without prior written permission by Mazars.

Scope and purpose of internal audit

The purpose of internal audit is to provide the Audit Committee, with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving ICO's agreed objectives. It also has an independent and objective advisory role to help line managers improve governance, risk management and internal control.

This opinion forms part of the framework of assurances that is received by ICO. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control. Our professional responsibilities as internal auditors are set out within the Chartered Institute of Internal Auditors (CIIA) and the Internal Audit Charter.

Responsibility for a sound system of internal control rests with the Management Board and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Performance against the Internal Audit Plan

The Internal Audit Plan for 2021/22 provided for 85 days of internal audit work. At the request of management the procurement and contract management review was postponed until 2022/23. We are pleased to confirm that we completed the rest of the audit work scheduled.

Acknowledgements

We are grateful to the staff throughout ICO for the assistance provided to us during the year.



Sampling methodology

As part of our auditing methodology we use a range of sampling techniques to provide a robust basis for our audit opinions. Where possible we favour conducting whole data set testing using the analytics software IDEA; such as within our Data Integrity review.

Where this is not possible or practical, we look to conduct sampling through use of random number generators, stratified or systematic sampling as appropriate to ensure that our findings are both representative and relevant. Sample sizes are driven by the level of assurance being provided and where not dictated as part of the audit scope are at the discretion of the internal auditor in conjunction with the Engagement Manager.

02 Audit Opinion

Remote Working

Audits were completed remotely, with walkthroughs and client interviews held virtually and all evidence being requested and provided digitally. The annual internal audit opinion provided below reflects the audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.

Our opinion

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Moderate** in its overall adequacy and effectiveness.

Certain weaknesses and exceptions were highlighted by our audit work and five high priority findings were raised. These matters have been discussed with management, to whom we have made several recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports. The ICO's has continued to perform well with the implementation of recommendations, with 100% of recommendations being implemented.

In respect of Covid-19, our annual internal audit opinion reflects the revised audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.

Scope of Opinion

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to ICO is a reasonable assurance that there are no major weaknesses in risk management and internal control processes.

The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken as part of the plan;
- Whether or not any 'High' or 'Medium' recommendations raised have not been accepted by Management and the consequent risks;
- The extent to which recommendations raised previously, and accepted, have been implemented;
- The effects of any material changes in ICO's objectives or activities;
- Matters arising from previous reports to ICO;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of ICO; and
- The proportion of ICO's internal audit needs have been covered to date.

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A2.

Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by ICO. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

Follow Up

We follow up on all IA recommendations to ensure Management have addressed and implemented appropriate actions to address those recommendations. Further detail on the number of open and closed actions can be found in Appendix A1.

03 Internal Audit Work Undertaken in 2021/22

The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports.

We undertook six in-depth audit reviews, covering a number of important control systems, processes, and risks and a review of the implementation of recommendations. The results of this work are summarised below:

Audit area	Assurance level	Recommendations				Accepted	Not accepted
		High	Medium	Low	Total		
Cyber Security	Limited	3	9	8	20	20	-
Fines Recovery	Substantial	-	1	-	1	1	-
Core Financial Controls	Moderate	-	1	4	5	5	-
Workforce Planning	Limited	2	-	-	2	2	-
Stakeholder Management	Moderate	-	3	-	3	3	-
Performance Reporting and Management Information	Moderate	-	2	-	2	2	-
Follow up	Not Applicable	-	-	-	-	-	-
Total		5	16	12	33	33	-

04 Internal Audit Plan 2021/22 vs Budget

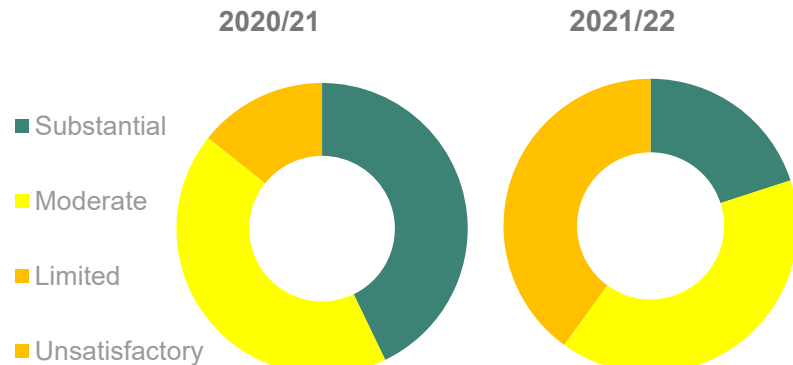
The Internal Audit Plan was for a total of 85 days. One audit was cancelled during the year (Procurement and Contract Management). This change was requested by management and was agreed with the Audit Committee during the year.

Audit area	Planned days	Actual Days	Difference	Status
Cyber Security	15	15	-	Final Report
Fines Recovery	8	8	-	Final Report
Core Financial Controls	9	9	-	Final Report
Workforce Planning	10	10	-	Final Report
Stakeholder Management	9	9	-	Final Report
Performance Reporting and Management Information	9	9	-	Final Report
Procurement and Contract Management	10	0	- 10	Postponed until 2022/23
Follow up	5	5	-	Final Report
Management and Control (Mazars internal)	10	10	-	
Total	85	75	- 10	

05 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at ICO.

Comparison of Assurance Levels

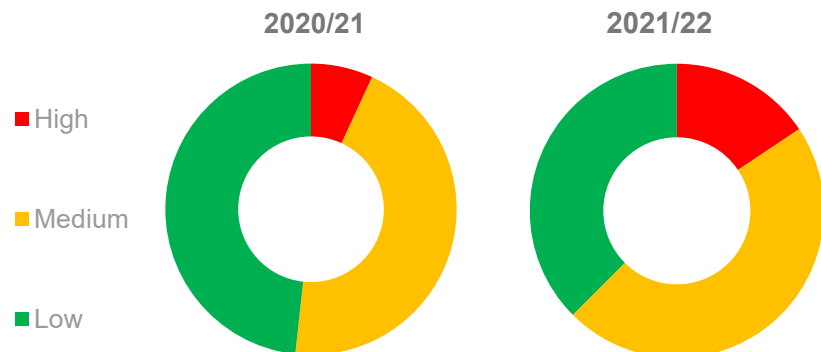


Of the six strategic audits conducted in 2021/22, there was one review where Substantial assurance was provided, two with Moderate assurance and two with Limited assurance.

In 2020/2021, there were seven strategic audits completed. One received Limited assurance, three with adequate assurance and three with Substantial assurance.

For 2021/22, new assurance levels were agreed with the Audit Committee which changed the number of ratings from three to four. The additional level of assurance is 'Unsatisfactory'.

Comparison of Recommendation Gradings



The total number of recommendations made in 2021/22 was 33. The figure in 2020/21 was 29. The values and proportion of 'High' and 'Medium' recommendations have risen, whilst the value and proportion of 'Low' priority recommendations has fallen slightly.

06 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of ICO at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit Committee. We have received positive feedback on our work from the Audit Committee and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the Audit Committee.



Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

07 Demystifying ESG – A pathway to enhance social value in the public and social sector

- ESG (referring to environmental, social and governance matters) is an increasingly common term and is quickly penetrating the public and social sector. ESG is a huge opportunity for sector transformation to reposition environmental and social value at the forefront of decision making across an entire organisation. Failure to identify and effectively manage ESG-related risks poses serious threats to an organisation's ability to achieve its strategic objectives. In addition, there are wide-ranging opportunities to be seized in the ESG space such as talent attraction and retention, access to funding and increased sustainability and resilience.
- Social value has always been at the heart of the public and social sector, it defines its meaning and purpose, but sustainability and ESG encompass a much wider remit than social value. This may be causing confusion as leadership teams struggle to articulate this remit, how best to manage its implementation, and in many cases how to get started. This is particularly true of achieving net zero, which we address in our report.
- Our latest research, based on a survey of 57 public and social sector leaders, highlights the challenges and progress being made with ESG. The report is available to download via the link below and focusses on the issues specifically faced by public and social sector organisations.



Demystifying ESG:
A pathway to enhance social value
in the public and social sector

[Download here](#)

Demystifying ESG:
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Appendices

- A1 Implementation of Recommendations
- A2 Definitions of Assurance

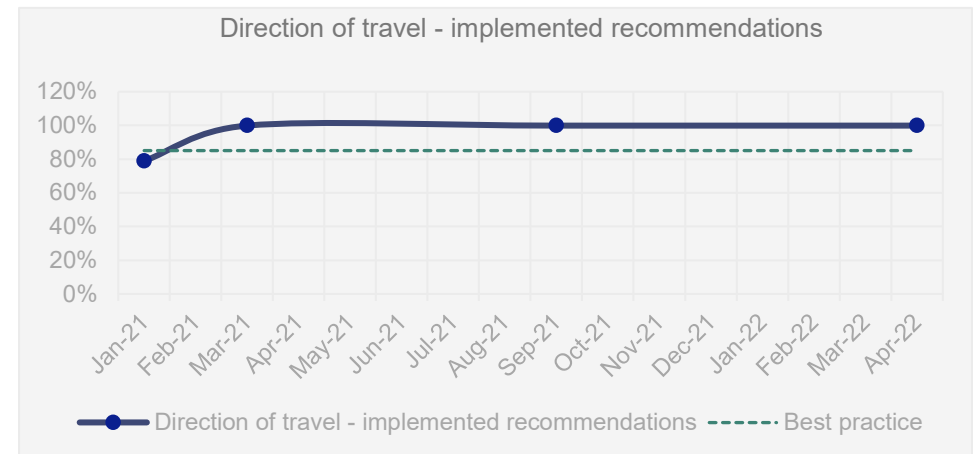
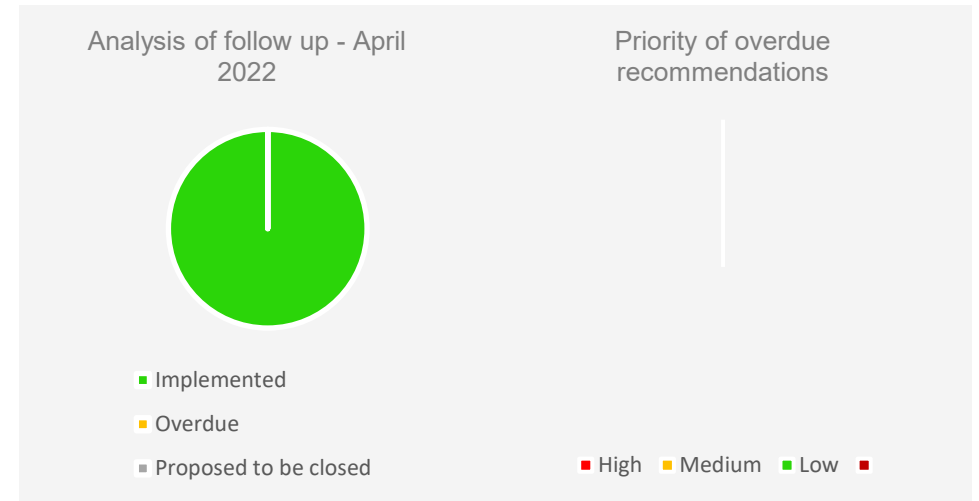


A1 Implementation of Recommendations

The following table provides a status of agreed audit actions.

	Implemented	Overdue
High	3	-
Medium	13	-
Low	17	-
Advisory	9	-
Total	19	-
Implementation Rate	100%	

ICO's has continued to perform well with the implementation of recommendations, with 100% of recommendations being implemented.



A2 Definitions of Assurance

Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows:

Priority	Description
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low	Scope for improvement in governance, risk management and control.

Annual Opinion

For annual opinions we use the following classifications within our audit reports:

Opinion	Definition
Substantial	The framework of governance, risk management and control are adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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We take responsibility to the Information Commissioner's Office 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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