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Information Commissioner's Office

Internal Audit 2012-13: Follow up

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Distribution		Timetable	
For action	Senior Corporate Governance Manager	Fieldwork completed	1 March 2013
		Draft report issued	6 March 2013
For information	Audit Committee	Management comments	
		Final report issued	

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Glossary

1 The following terms are used in this report:

ICO – Information Commissioner's Office

NAO – National Audit Office

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It is the responsibility solely of the ICO management to ensure that there are adequate arrangements in place in relation to risk management, governance and control.

1 Executive Summary

1.1 Background

Our review considered the ICO's arrangements for monitoring and implementing recommendations raised from audit reviews, including both internal and external audit and any other sources of assurance.

In our view, effective follow-up arrangements should include the following elements:

- A complete record of every recommendation accepted by the Audit Committee, irrespective of its source, including a transparent assessment of the unmitigated risk and the agreed implementation date, together with an accurate statement of its current status
- Robust scrutiny of that record, with evidence that management is being challenged on progress and that the consequences of any delayed risk mitigation are transparent to the Commissioner.

1.2 Scope

We reviewed the assurances available to the Audit Committee that recommendations are being implemented in a timely manner (following up a low priority recommendation we made in 2011-12), and reviewed a sample of the internal audit recommendations that we raised in 2011-12 and 2012-13, and the external audit recommendations raised by the NAO.

We focussed on the following sub risk:

- The ICO's arrangements for following up audit recommendations may not be adequate resulting in recommendations not being completed on time and to a satisfactory standard, with the ICO remaining exposed to risks that are deemed to be unacceptable resulting in a lack of comfort for the Audit Committee and senior management that the internal control framework is operating effectively.

Further details on responsibilities, approach and scope are included in Appendix A.

1.3 Internal Audit Opinion

Design effectiveness	
Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management	Green
Operating effectiveness	
Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related risk management objectives were achieved during the period under review.	Green

Refer to Appendix B for definitions of internal audit opinion and recommendation ratings.

1.4 Key findings

We found the ICO's follow up arrangements to be suitably designed and operating effectively, and have raised no recommendations.

The ICO has maintained focus on the timeliness of implementing audit recommendations over the past year. The number of outstanding and overdue recommendations as at March 2013 is at the same level as at the time of our previous review in January 2012, with eight recommendations being overdue. However, management and the Audit Committee are aware of the current status of recommendations and the explanations for the delays in implementation, which relate to the ICO's ongoing ICE project and the ongoing IT re-procurement exercise.

1.5 Basis of opinion

During our review we identified a number of areas of good practice:

- The Senior Corporate Governance Manager maintains a log of outstanding audit recommendations, which is presented to the Audit Committee at each meeting for discussion and challenge;
- This log is available on the ICON system, to allow recommendation owners to view their outstanding recommendations;
- The log shows the due date for implementation of recommendations, as well as a forecast due date if this is expected to be different. An accompanying explanation is provided for any re-forecast due dates;
- Implemented recommendations are recorded separately from ongoing recommendations to allow the Audit Committee to clearly focus on those which remain unactioned, but implemented recommendations do remain on the Register until the end of the financial year to which they relate;
- A performance update is provided with the outstanding recommendations log to each Audit Committee meeting, giving oversight of the number of overdue recommendations;

- We verified that all recommendations raised during 2011-12 had been included on the log of outstanding recommendations and cleared as appropriate;
- We carried out testing on a sample of eight internal audit recommendations and confirmed each had been appropriately implemented as reported. In addition, we sampled two external audit recommendations and confirmed that the Audit Committee had received appropriate assurance that they had been properly implemented.

1.6 Acknowledgement

We would like to take this opportunity to thank the staff involved in for their co-operation during this internal audit.

A Internal audit approach

Approach

Our audit was carried out in accordance with the guidance contained within the Government's Internal Audit Standards and the Auditing Practices Board's 'Guidance for Internal Auditors'. We also had regard to the Institute of Internal Auditors' guidance on risk based internal auditing (2005).

Our internal audit approach is based upon the underlying principles of the UK Corporate Governance Code (2010) together with the associated Turnbull Committee guidelines on internal control (2005) that require management to identify, assess and manage the risks that are significant to the achievement of the organisation's overall business objectives. We will also have regard to the HM Treasury Management of Risk Guidance (2001). Our role as internal auditor is to provide objective and independent assurance to the Audit Committee and management that it is doing so successfully for each of the areas being audited.

As part of our 2012-13 Audit Plan, we agreed with the Audit Committee and management that we should carry out a review of the ICO's arrangements for managing its follow up of audit recommendations to further inform our ongoing understanding of the ICO's key internal control activities.

Our aim in completing this audit was to ensure that the ICO has appropriate arrangements in place to identify, manage and report on risk.

We achieved our audit objectives by:

- agreeing the principles and benefits of effective risk management arrangements with management;
- meeting with key staff to gain an understanding of the arrangements in place, building upon the information we have already gained through our audit planning process;
- reviewing key documents that support the processes in place; and
- comparing existing arrangements with established best practice and other guidance.

The findings and conclusions from this review will support our annual opinion to the Audit Committee on the adequacy and effectiveness of internal control arrangements.

Scope

Our review focused on the following risk:

- The ICO's arrangements for following up audit recommendations may not be adequate resulting in recommendations not being completed on time and to a satisfactory standard, with the ICO remaining exposed to risks that are deemed to be unacceptable resulting in a lack of comfort for the Audit Committee and senior management that the internal control framework is operating effectively.

Additional information

Client staff

The following staff were consulted as part of this review:

- Peter Bloomfield – Senior Corporate Governance Manager
- Hannah Cutler – Corporate Governance Officer

Documents received

The following documents were received during the course of this audit:

- Audit Committee minutes and accompanying reports on outstanding audit recommendations
- Evidence to support the sample of recommendations reported to the Audit Committee as implemented

Locations

The following locations were visited during the course of this review:

- The Information Commissioner's Office, Wilmslow.

B Definition of internal audit opinion and ratings

Internal audit opinion

Design effectiveness	Opinion	Operating effectiveness	Rating
We have not been able to form an opinion on whether the internal controls examined have been designed to achieve the risk management objectives required by management	No opinion can be given	We have not been able to form an opinion on whether the internal controls examined were operating to provide reasonable assurance that the related risk management objectives were achieved during the period under review	No opinion can be given
Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management	Green	Those activities and controls were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review	Green
Overall, we have concluded that, except for the specific weaknesses identified by our audit, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.	Amber	Except for the controls listed below those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.	Amber
Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.	Red	Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review	Red

Audit issue rating

Within each report, every audit issue is given a rating. The ratings are summarised in the table below.

Rating	Description	Features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in control that requires the immediate attention of management	<ul style="list-style-type: none"> Key control not designed or operating effectively Potential for fraud identified Non compliance with key procedures / standards Non compliance with regulation
Medium	Important findings that are to be resolved by line management.	<ul style="list-style-type: none"> Impact is contained within the department and compensating controls would detect errors Possibility for fraud exists Control failures identified but not in key controls Non compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures.	<ul style="list-style-type: none"> Minor control weakness Minor non compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or best practice advice	<ul style="list-style-type: none"> Information for department management Control operating but not necessarily in accordance with best practice



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