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Information Commissioner's Office

Internal Audit 2016-17: Follow up

Last updated 11 May 2017

Distribution		Timetable	
For action	Senior Corporate Governance Manager	Fieldwork completed	16 February 2017
		Draft report issued	22 February 2017
For information	Audit Committee	Management comments	22 February 2017
		Final report issued	22 February 2017

Contents

1 Executive Summary

1.1 Background

Our review considered the ICO's arrangements for monitoring and implementing recommendations raised from internal audit reviews.

1.2 Scope

The Senior Corporate Governance Manager has the responsibility for monitoring progress of audit actions agreed with management. Progress, status and closure of audit actions are reported to the Audit Committee.

There were no High recommendations made in the previous year which we would individually and separately follow up; we therefore examined a representative sample of the recommendations from the audit actions that were outstanding as at 1 April 2016 and have since been closed. We sought to confirm that for those audit actions closed, there is evidence to substantiate that the appropriate action has been put in place, and thus that it is right to close them.

We focussed on the following sub risks:

- Risks identified by Internal Audit reviews are not being appropriately mitigated and the ICO is exposure to risks that exceed the organisation's appetite for those risks;
- Insufficient evidence is retained to confirm the conclusion that the action is in place, leading to a duplication of work to confirm implementation, an inefficient use of ICO resources; and,
- Senior Management Team are misinformed of internal controls leading to poor management oversight of controls and potentially an Internal Audit plan that does not focus on the key risks.

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

1.3 Overall assessment

We have made an overall assessment of our findings as:

Overall assessment	
Overall the ICO has an established process in place which provides sufficient oversight of audit actions and their progress. We have identified matters which, if resolved, will help management fulfil their responsibility to maintain a robust system of internal control.	**Green**

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

1.4 Key findings

Risk / Process	High	Medium	Low	Imp
Mitigation of risks	-	-	-	-
Evidence of implementation	-	-	1	-
Oversight from Senior Management	-	-	-	-
Total	**-**	**-**	**1**	**-**

1.5 Controls identified

During our review we confirmed that the following controls have continued to operate during 2016-17:

- 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, and they are reminded individually when updates are needed;
- 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; the Audit Committee has to approve (or formally accept) due date changes.

1.6 Acknowledgement

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

2 Detailed Findings

2.1 Evidence of implementation

1.	Low	Supporting evidence for completed audit recommendations

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
In order to provide assurance that recommendations have been implemented and diligence applied to ensure the control is adequate, we sampled a selection of closed audit recommendations and requested evidence of their implementation. Our review covered nine recommendations and we found evidence was not available for one of these recommendations. Furthermore, the Senior Corporate Governance Officer does not maintain a folder to substantiate the closing of audit recommendations, which would also assist in any future follow up review. Instead, evidence must be gathered again from the action owner, which means that evidence relates to the point in time when it is being collected, rather than necessarily relating to the point in time when the action was identified as closed. It thus confirms that the action may have been completed at the time of our follow-up, but – depending on the action required - not necessarily at the (historic) due date of the action. Audit recommendations which have not been adequately actioned could be signed off, giving management the false impression that the risk they had been exposed to has been mitigated effectively.	Where possible, the Senior Corporate Governance Manager should obtain supporting evidence from recommendation owners that supports and confirms that recommendations have been implemented, and meet the requirements of the agreed action. In circumstances where evidence is unavailable due to the tangibility of the action, a discussion should be had with the owner to confirm the position. An email outlining the justification for closure should be obtained.	*Action Agreed.* *Date Effective: 07/03/17* *Owner: Peter Bloomfield*

A Internal audit approach

Approach

Our role as internal auditor to a Public Body is to provide an independent and objective opinion to the Accounting Officer on risk management, control and governance processes, by measuring and evaluating their effectiveness in achieving the organisation's agreed strategic objectives.

Our audit was carried out in accordance with the guidance contained within the Government's Public Sector IAS of 2013 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). In addition, we comply in all material respects with other Government guidance applicable to Public Bodies and have had regard to the HM Treasury guidelines on effective risk management (the 'Orange Book').

As part of the 2016-17 Internal Audit Plan, we have agreed with management and the Audit Committee to undertake a follow up of audit recommendations.

Responsibilities

The Information Commissioner acts through her Board of Management and the Information Commissioner's Office ("ICO") discharges his obligations. Therefore, references to the Information Commissioner and the ICO in this report relate to one and the same party.

It is the responsibility of the Information Commissioner to ensure that the ICO has adequate and effective risk management, control and governance processes.

HM Treasury's Corporate Governance in Central Government Departments (2011) states that boards of Public Bodies should determine the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should therefore maintain sound risk management and internal control systems and should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the organisation's auditors.

Please refer to our letter of engagement for full details of responsibilities and other terms and conditions.

Scope

Our review focused on the following risks:

- Risks identified by Internal Audit reviews are not being appropriately mitigated and the ICO is exposure to risks that exceed the organisation's appetite for those risks;
- Insufficient evidence is retained to confirm the conclusion that the action is in place, leading to a duplication of work to confirm implementation, an inefficient use of ICO resources; and,
- Senior Management Team are misinformed of internal controls leading to poor management oversight of controls and potentially an Internal Audit plan that does not focus on the key risks.

Additional information

Client staff

The following staff were consulted as part of this review:

- Peter Bloomfield – Senior Corporate Governance Manager
- Sally Hanson – Head of Finance (Interim).

Documents received

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

- Audit recommendation log
- Evidence to support the sample of recommendations reported to the Audit Committee as implemented
- Progress of audit findings provided by Senior Corporate Governance Manager.

Locations

We visited The Information Commissioner's Office, Wilmslow for this review.

B Definition of overall assessment internal audit ratings

Overall assessment

Rating	Description
Red	Following agreement of the nature and significance of individual issues with management, in our view this report contains matters which should be raised with Senior Management and the Audit Committee at the earliest opportunity.
Amber	Following agreement of the nature and significance of individual issues with management, in our view this report contains matters which require the attention of management to resolve and report on progress in line with current follow up processes.
Green	We have identified matters which, if resolved, will help management fulfil their responsibility to maintain a robust system of internal control.

Audit issue rating

Within each report, every audit issue is given a rating. This is 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	• 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.	• 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.	• 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	• Information for department management • Control operating but not necessarily in accordance with best practice

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