Information Commissioner's Office

Internal Audit 2016-17: People Strategy Review

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Distribution		Timetable	
For action	Head of Organisational Development	Fieldwork completed	15 November 2016
		Draft report issued	30 November 2016
For information	Senior Corporate Governance Manager	Management comments	6 February 2017
	Audit Committee	Final report issued	27 February 2017

Contents

Glossary

The following terms are used in this report:

GDPR	General Data Protection Regulation
DCMS	Department for Culture, Media and Sport
HMT	Her Majesty's Treasury

1 Executive Summary

1.1 Background

As part of the 2016-17 Internal Audit Plan, we have agreed with management and the Audit Committee to undertake a review to provide assurance over the People Strategy that is currently being put in place.

The Information Commissioner's Office (ICO) is facing a period of significant change and uncertainty. The decision to leave the European Union has introduced uncertainty both to the economy and political landscape as well as to decisions on the legislation which will be implemented to meet the requirements of the General Data Protection Regulation (GDPR) which will come into effect in May 2018 but it is not clear how the UK will amend data protection law and therefore the impact that will have on the UK's data protection regulator, the ICO. One of the uncertainties relates to the ICO operations to provide ongoing support to enforce UK data protection law and the people (both numbers and skills) required to deliver those operational services.

The People Strategy sets out the ICO's objectives and plans to attract the right people to the organisation, retain people and ensure staff welfare makes the ICO a place people want to work. This review has considered what the ICO is planning, and identifies what controls are to be introduced or changed to provide assurance that the related risks to the organisational growth will be effectively managed.

1.2 Scope

Our review involved a high-level assessment of the following risks:

Leadership
- The ICO has not defined the future demand for its services and therefore cannot set the requirements for the skills and staff resources required (for example the impact of GDPR).
- The strategy has insufficient planning flexibility, leaving the ICO unable to meet future demands that could be placed on the UK data protection regulator.
- The People Strategy does not set out the organisational changes that may be needed to manage significantly more staff.
- There is no clear roadmap or action plan of how to execute the strategy.

Communications
- Staff communication/engagement at the ICO is poor leading to staff performance that does not meet requirements, high turnover of staff or staff becoming disengaged leading to disruption of core operations.
- ICO management team is not able to engage with staff and motivate them to meet the organisation's objectives.
- There are no measures of success in place that allow the ICO management team to establish the extent to which the People Strategy is being delivered.

Staff recruitment, retention, development and deployment

- The ICO is not able to recruit the skills or the quantity of resources required to meet is regulatory obligations.
- The ICO loses key staff as the demand for experienced data protection officers increases and the ICO is not able to match employment terms and conditions on offer elsewhere in the market.
- Staff management practices fail to ensure staff performance is managed appropriately, or are unable to cope with significant increases in staff numbers.
- Staff are not provided with appropriate development and training opportunities, leading to skills gaps and/or loss of morale.
- ICO cannot meet the demand for its services, taking into account limited resources such as the number of people and the limitation of current accommodation.
- Deployment of staff resources is inefficient or ineffective, leading to ICO functions not having appropriate staff (either in quality/skills or quantity) or staff who are under-utilised.

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	
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.	**Amber**

Please refer to Appendix B for further information regarding our overall assessment and audit finding ratings.

1.4   Key findings

Risk / Process	High	Medium	Low	Imp
Defining the future demand for services	-	1	-	-
Measuring Success	-	-	1	-
Recruiting sufficiently skilled staff	-	**1**	-	-
Market rate equivalence	-	-	1	-
Total	**-**	**2**	**2**	**-**

The following findings were assessed as Medium:

- Although detailed budgets were not available from Her Majesty's Treasury (HMT) or the Department for Culture, Media and Sport (DCMS), Organisational Development has not completed as detailed a delivery plan as we would expect at this stage. The plan should take into account and set out the preparations for the structural changes required to deliver future GDPR requirements and meet increased demand from both the general public and external organisations for ICO services. The plan should make provision for a limited set of scenarios, no more than three, in order to establish resources required, timescales for delivery, internal resourcing estimates, recruitment strategies (and likely timescales to meet recruitment demand), potential management structures, accommodation requirements / amendments, agile working and additional measures to ensure staff retention continues to meet ICO requirements going forward.
  Note: Budgets are expected to be available by the end of 2016.
- The ICO has developed a recruitment strategy that recognises that there are challenges in being able to recruit skilled individuals in the current economic environment and details at a high level a number of areas where the ICO should develop. It has not though completed detailed planning to develop the most efficient and effective model to recruit potentially large numbers of quality staff in a timely manner to meet developing business needs. Contingency plans to recruit and train generalist staff, should subject experts not be available, need to

be put in place. The announcement that the government will recommend that GDPR will be fully implemented has not yet translated into pressure in the recruitment market for data protection experts. However, we would expect that the ICO to complete this work as soon as possible to manage the risk that recruitment in this area will become more difficult as GPPR implementation approaches.

1.5 Basis of preparation
We identified the following controls in place during our audit:

- The ICO has published a People Strategy that sets out a clear single vision, to make the ICO a 'Great place to work and develop'. This vision is underpinned by six aims; 'Recruit the best people'; 'Involve and empower our people'; 'Develop people to deliver first class services'; 'Lead our people and achieve high performance'; 'Recognise and reward people' and 'Support and care about our people'.
- Supporting the People Strategy, Organisational Development has developed a Recruitment Strategy that sets out the overall strategy for filling vacant posts identified in the business by making the most effective use of development and promotion opportunities for existing staff, and the recruitment and selection of new staff.
- Corporate Affairs have developed a communications strategy to support the people strategy and provide assurance that senior management (led by the Information Commissioner) communicate regularly and effectively with staff.
- The ICO completes an annual staff survey (the last was run in April 2016) to judge the success of strategic plans such as the People Strategy, Transformation projects, Training and Development. Results from this survey have fed into the People Strategy 2016-17 and have driven the development of the Strategy Communication plan by Corporate Affairs.
- The ICO has an embedded performance reporting and staff development processes in place. Line managers are responsible for assessing individual staff performance through in-year reviews, annual

appraisal reviews and informal monitoring (i.e. through day-to-day interaction, communication and feedback).

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

2   Detailed Findings

1.	**Medium**	**Defining the future demand for services**

Risk: Leadership - The ICO has not defined the future demand for its services and therefore cannot set the requirements for the skills and staff resources required (for example the impact of GDPR).

Finding and Implication	**Proposed Action**
To define the future demand for services, the Department for Culture, Media and Sport (DCMS) has been working on developing a capacity impact analysis in relation to GDPR implementation. This forecast is however still in draft, with both impact, resourcing and budgetary discussions are ongoing between DCMS and Her Majesty's Treasury (HMT). Whilst awaiting the completion of this work, internal forecasts based upon the development of business structures to support Data Protection and Privacy and Electronic Communication legislation within the ICO in the past was used. As a result, the ICO has been working on an informal internal estimate of an increase in the region of 100 staff in areas such as Human Resources, Policy Development, Enforcement and Business Improvement. Actions to deliver this increase in staff and the organisational changes required to support a larger ICO are detailed in the People Strategy 2016-17 and the Recruitment Strategy 2016-19 and are being implemented through the 'People' strand of the ICO Change Programme. To support delivery of the 'People' strand, Organisational Development has not completed detailed planning that clearly sets out the timetable and any dependencies on recruitment activities that covers: • A draft budget and recruitment delivery scenario (or budgets and scenarios if required) based upon the ICO's knowledge of GDPR requirements and the expected impact on internal resourcing estimates; • Proposed management structures within business areas that will be	Pending confirmation of final budgets or staffing increases from the DCMS, using the ICO's own internal forecast, Organisational Development should develop: • Model operating structures for each area that will require increased capacity, taking into account: • Operational delivery requirements; • Accommodation capacity; and • The maximum number of staff that can be effectively managed by reporting managers. • A formal delivery project plan, including resource requirements and lead times for each delivery stage for the model structure that includes: • A plan and delivery date for the completion of the recruitment process review and implementation of the updated processes; • Recruitment lead times, induction and training (including the availability of induction and training resources); • Plans for effective accommodation and utilisation of new and existing staff (including the effective management of shift patterns or agile working).

1.	**Medium**	**Defining the future demand for services**

most affected by staff increases, providing detail such as structural organograms and maximum numbers of team members that can be effectively allocated to a reporting manager in a functional area;

- Plans for induction and training (which include the availability of training rooms and training resources) for increased cohort intakes;
- Accommodation of increased numbers of staff and effective staff utilisation through effective management of shift patterns or agile working;
- A clear project plan or roadmap for delivery, listing each action that is to be delivered, resource and timescales required for delivery and assignment of a delivery owner.

Without detailed plans and a timetable that support increased staffing requirements, there is a risk that the ICO will not be able recruit, train or manage sufficient resources to deliver the increased capability required by legislative change and increases in general demand for services.

Management Response (Date / Ownership)

Directorate structures are being finalised in liaison with the Commissioner and recruitment to Senior Leadership Team positions are currently live. Appointment to these positions is scheduled to be completed in March 2017. In addition, a post for a General Legal Counsel is being established. An appointment to this position is expected to take place in April or May after the post has been graded. The overall structure of the SLT will then be in place.

An exercise to assess the usage of accommodation is being procured. This will feed into an agile working project which will be delivered in partnership between OD, IT and Business Development. This work will be scheduled for February/March 2017.

The OD team will add to its capacity with dedicated project staff to plan and implement a review of HR processes. This will include the procurement and implementation of an Applicant Tracking System which has been agreed with Business Development. This will take place during the 2017/18 business year.

Date Effective: November 2017 *Owner:* Michael Collins

2.	**Low**	**Measuring Success**

Risk: Communications - There are no measures of success in place that allow ICO management to establish the extent to which the People Strategy is being delivered.

Finding and Implication	Proposed Action
Organisational Development produce a presentation for the Senior Leadership Team that reports on: • Current headcount and staff distribution; • Staff equality and diversity; • Staff turnover, starters and leavers; • Sick absence rates; • Training (Learning and Development) undertaken; and • Actions completed in supporting the business and delivering services. Review of this reporting noted that, of the thirty outcomes documented by the People Strategy 2016-19 that are a result of the delivery actions being achieved, there are no measures of success and there is no reporting to SLT or management on the achievement of four that are directly related to recruitment. In addition, the case of diversity reporting is only partially complete. In not effectively measuring or reporting on the actions under way to deliver increased capability, there is a risk that implementation may not be successful or actions may not deliver the outcomes expected by senior management.	As part of the overall ICO Change Programme reporting, Organisational Development should agree measures of success and include the status of each planned 'People' deliverable or action, paying particular attention to those actions that are not currently on track. In cases where delivery has slipped, the impact (including the effect on dependant actions) should be reported and the action owner should develop a mitigation plan to address the slippage.

Management Response (Date / Ownership)

Reports to the Management Board and new Resources Steering Group will be formatted to report progress on each strand of the People Strategy. This will include more expansive diversity reporting to include analysis of recruitment exercises.

Actions and achievements in relation to the People Strategy are already reported to Change Board on a monthly basis.

Date Effective: Management Board 08/05/17 ***Owner:*** Michael Collins

3.	**Medium**	**Effective recruitment processes**

Risk: Recruitment, retention, development and deployment - The ICO is not able to recruit the skills or the quantity of resources required to meet is regulatory obligations.

Finding and Implication	Proposed Action
The ICO recognises the challenges in being able to recruit skilled individuals in the current economic environment. To manage this challenge, Organisational Development has devised a Recruitment Strategy which will run until 2019 that considers at a high-level: • Key areas for recruitment; • Potential routes to market that can be utilised to identify candidates; • Information to be included in role advertising; • The need to review recruitment and selection processes and applicant tracking. As already noted, the ICO has not yet formally completed detailed scenario planning to develop the most effective model to recruit potentially large numbers of additional staff. In addition, whilst set out at a high-level, beyond the identification of a variety of routes to market, there is no detailed strategy to satisfy the need to attract high quality candidates or to report on (and respond to) issues such as insufficient or low quality applications being received. There are also no contingency plans in place to train existing staff or recruit and train personnel with generalist skills should suitable experts not be available in the marketplace. Whilst the government announcement that GDPR will be fully implemented has not yet translated into pressure in the recruitment market for data protection experts, there is a risk that, in not having effective recruitment process in place, the ICO will find recruiting high quality staff in a timely manner more difficult in the future.	As part of the initial stage of the 'People' project change plan, Organisational Development should complete their review of recruitment processes and identify models that could be used to recruit a variety of roles and numbers of staff as soon as possible. Consideration should be made to use assessment centres, look to alternative partners to head hunt candidates and explore connections with other public sector bodies on recruitment strategies). Processes should also be developed to train and upskill generalist staff should subject matter experts not be available in sufficient numbers.

3.	**Medium**	**Effective recruitment processes**

Management Response (Date / Ownership)

OD will appoint dedicated project staff in February/March 2017. One of their key projects will be to review recruitment processes to ensure the methods used are efficient and cost effective. The ICO will purchase an Applicant Tracking System to be implemented in the 2017/18 business year. Work is expected to start on Q1 for implementation in Q2 (ie by October 2017)

The ICO has already awarded a contract for a retained Executive Search supplier to support recruitment to senior positions, which includes 'head hunting' services, which became live in December 2016.

Date Effective: 31/10/17 ***Owner:*** Michael Collins

| 4. | **Low** | **Staff retention** |

Risk: Recruitment, retention, development and deployment - The ICO loses key staff as the demand for experienced data protection officers increases and the ICO is not able to match employment terms and conditions on offer elsewhere in the market.

Finding and Implication	Proposed Action
The staff survey shows that the majority of ICO staff find their work interesting (84% positive), feel that the organisation respects and values individual differences (71% positive), feel committed to ICO goals (76% positive) and they are able to strike the right balance between my work and home life (83% positive). However, staff have issues with reward and effective leadership, with 71% of staff feeling that their pay is not fair in comparison to other organisations, and 71% of staff stating that the Senior Management Team does not provide effective leadership. Although Organisational Development have developed and implemented a reward process to recognise excellent work, the department is constrained by civil service pay caps. To aid retention management has therefore chosen to concentrate on staff development, involving and empowering staff and ensuring roles are interesting and rewarding. Review of the People Strategy confirmed that, in response to the staff survey, it contains plans to enhance staff development and provide staff with more responsibility. However, actions do not have a specific owner or delivery date, and their implementation has not been integrated into an overall project plan (or similar document); it is therefore difficult to identify if there are any resource constraints on those delivering the plan, or even whether delivery is possible in the timescales required. Without a plan in place that identifies the detailed actions required to enhance roles within the ICO, the resource and timescales required to complete this work and reporting on achievement, there is a risk that the ICO may not deliver the required change, increase staff satisfaction and be able to manage staff retention levels effectively.	To address issues of staff retention or the inability to recruit new staff, as part of the initial stages of the 'People' project change plan Organisational Development should include work packages running in parallel to the review of recruitment processes, with the aims of enhancing staff development and improving the overall quality of ICO job roles. In addition, in order to monitor progress, delivery owners and delivery resources with start and end dates need to be identified and agreed.

4.	**Low**	**Staff retention**

Management Response (Date / Ownership)

Turnover rates remain low at the ICO at around 8%. We will continue to provide development opportunities for staff as part of our planned growth, which has seen 150 promotions in the last two years.

Training and development opportunities will be available for staff, with work underway for qualifications in Customer Service and Complaint Handling. These projects are being developed between L&D and the relevant business areas.

We have also provided, and will continue to provide, training for specialists in IT. The provision of extensive training will help to retain people but also produces a risk that staff are better equipped to move on from the ICO. This is a risk that has been acknowledged and accepted, providing that staff perform effectively whilst benefitting from the learning experience whilst at the ICO.

The potential to address salary rates across the board will be explored, though the pay cap will place restrictions on our capacity to achieve this. In tandem we will consider our capacity to recruit to specialist and technical roles providing the required skills set.

Date Effective: We will agree a plan detailing the specific work we intend to do in the area of staff retention by [date to be confirmed].

Owner: Michael Collins

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 Internal Audit Standards (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 agreed with the Audit Committee and management to undertake a review to provide assurance over the People Strategy that is currently being put in place.

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:

- Meeting with the individuals responsible for the design and delivery of the People Strategy and its associated policies to identify the control structure in place;
- Seeking evidence to confirm the operation of understood controls;
- Reviewing the actions completed to date to deliver the strategy and recruitment objectives to evaluate delivery to date.

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

Responsibilities

The Information Commissioner acts through her Board of Management and the Information Commissioner's Office ("ICO") discharges her 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 involved an assessment of the following risks:

Leadership
- ICO has not defined the future demand for its services and therefore cannot set the requirements for the skills and staff resources required (for example the impact of GDPR)
- The strategy has insufficient planning flexibility, leaving the ICO unable to quickly put into action its plans to respond to the future requirements placed on the UK data protection regulator
- The People Strategy does not set out the organisational changes that may be needed, to manage potentially significantly more staff
- There is no clear roadmap or action plan of how to execute the strategy.

Communications
- Staff communication/engagement at the ICO is poor leading to performance that does not meet requirements, or results in high turnover of staff, disrupting core operations
- ICO management team is not able to engage with staff and motivate them to meet the organisation's objectives

- There are no measures of success in place that allow the ICO management team to establish the extent to which the People Strategy is being delivered
- Staff recruitment, retention, development and deployment
- The ICO is not able to recruit the skills or the quantity of resources required to meet is regulatory obligations
- The ICO loses key staff as the demand for experienced data protection officers increases and the ICO is not able to match employment terms and conditions on offer elsewhere in the market
- Staff management practices fail to ensure staff performance is managed appropriately, or are unable to cope with significant increases in staff numbers
- Staff are not provided with appropriate development and training opportunities, leading to skills gaps and/or loss of morale
  ICO cannot meet the demand for its services, taking into account that there are physical building constraints
- Deployment of staff resources is inefficient or ineffective, leading to ICO functions not having appropriate staff (either in quality/skills or quantity) or too many that remain under-utilised

Additional Information
Client staff
The following staff were consulted as part of this review:

- Mike Collins – Head of Organisational Development;
- Robert Parker – Head of Corporate Affairs
- Rachael Cragg – Group Manager – Change Programme

Documents received

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

- People Strategy 2016-17
- Recruitment Strategy 2016-19
- Communication Objectives for the People Strategy
- Information Commissioner communication to staff (November 2016)
- Organisational Development reporting – January 2016, April 2016, July 2016, October 2016
- Pay Benchmarking data
- Homeworking policy (December 2014)
- Staff Survey results 2016

Locations

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

B   Overall assessment and audit issues rating

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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