



Information Commissioner's Office
Internal Audit Annual Report
For the period ended 31 March 2021
May 2021

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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.

The Report was prepared solely for the use and benefit the ICO and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

Background

This Annual Report incorporating our Internal Audit Opinion covers the work we have undertaken in respect of the Internal Audit Plan (the Plan) for 2020/21.

Government Accounting standards require Accounting Officers to make provision for Internal Audit in accordance with UK Public Sector Internal Audit Standards (PSIAS) as produced by the Internal Audit Standards Advisory Board. Within ICO, the Information Commissioner is the Accounting Officer and has responsibility for maintaining a sound system of internal control.

The Coronavirus pandemic (Covid-19) and government restrictions have impacted on delivery of the internal audit service during the period. This included the Plan being conducted remotely. We noted within our review of the business planning methodology that the ICO had not completed 2020/21 business planning process due to Covid-19. This resulted in our review focussing only the methodology to develop the business plan. Further detail is provided in Section 02 and 03 of the report. The ICO retained a full scope internal audit service for 2020/21.

Scope and purpose of internal audit

The purpose of internal audit is to provide the ICO, through the Audit Committee (AC) and the Information Commissioner (as Accounting Officer) with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the ICO's agreed objectives.

This opinion forms part of the framework of assurances that is received by the ICO and should be used to help inform the Annual Governance Statement. 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 PSIAS.

Acknowledgements

We are grateful to the Information Commissioner, Deputy Chief Executive, Director of Corporate Affairs & Governance, Head of Finance, the Governance Team, and other staff throughout the ICO for the assistance provided to us during the year.

02 Internal Audit work undertaken in 2020/21

The Internal Audit Strategy and Plan was considered and approved at the 20 April 2020 AC meeting. In total the Plan was for 84 days, including 5 days of Follow Up and 10 days audit management.

At the time of the approval of the Plan by AC, Covid 19 and government restrictions were in place. Whilst there were some practical implications around approach to testing and evidence, overall, there was minimal impact on the scope and ability to conduct the work.

In addition to the above, we were in regular contact with the ICO to ensure the Plan and timings remained appropriate to the needs of the organisation. All planned reviews were delivered in accordance with the agreed Plan.

The audit findings in respect of each of our finalised reviews, together with our recommendations for action and the management response, were set out in our detailed reports, which have been presented to the AC over the course of the year. In addition, we have presented a summary of our reports and progress against the Plan within our Progress Reports to each AC.

A summary of the reports we have issued is included in Appendix A1. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

03 Annual opinion

Scope of the Internal Audit 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 the ICO is a reasonable assurance that there are no major weaknesses in governance, 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. We therefore reserve the right to revisit our report and overall opinion accordingly once this has been finalised.

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

- The impact on the internal audit plan as a result of Covid-19;
- The results of all internal audits undertaken during the year ended 31 March 2021;
- The results of follow up action in respect of previous internal audits;
- Whether or not any Priority 1 or 2 recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the AC and/or ICO management;
- 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 the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

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

Impact of Covid-19 on internal audit work during the year

During the year, we have continually consulted Management through regular liaison with the ICO governance team. We have completed all the internal audit work that was set out in the agreed internal audit plan. There was no significant impact on the scope and our ability to conduct internal audit reviews over the period.

Internal Audit 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. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

We highlighted weaknesses in the area of stakeholder management where two fundamental recommendations were made. We also noted good practice in other areas, including our audits of fees and income, information governance, and investigations and enforcement, which provided substantial assurance opinions.

All matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate governance

In order to provide an opinion on Corporate Governance we have considered this within our internal audit reviews, where appropriate. This work included reviewing areas of responsibility, reporting lines, decision making aspects and performance reporting within each internal audit review, where applicable.

For example, we noted good controls in place for reporting high priority investigations, and information governance and security matters through

our various reports provided to the AC.

Risk management

Our opinion in this area was informed through several activities during the year including, development of the plan itself, as well as implementing our risk based approach through each individual assignment including our 'Risk Management' thematic in each assignment report.

From our attendance at AC throughout the year, we are also able to observe that the Risk and Opportunity Register (ROR) continues to be regularly updated and reported to the AC, with appropriate oversight and scrutiny.

Internal control

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities. The internal control environment at the ICO has been assessed through the programme of audit reviews detailed in Appendix A1.

Of the seven audits undertaken in the year, where we provided a formal assurance, one received 'Limited' assurance, three received an 'Adequate' level of assurance and three received a 'Substantial' assurance rating.

From the seven reports, we made two 'Priority 1' recommendations, 13 'Priority 2' recommendations and 14 Priority 3 recommendations. All recommendations were accepted.

Follow up

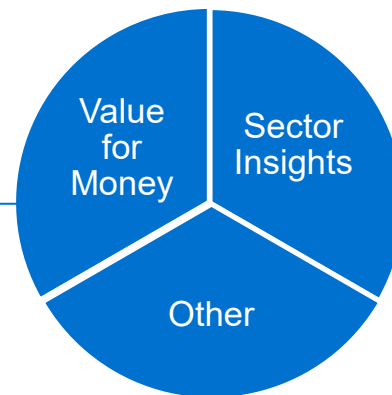
As part of the Plan, we undertook a Follow Up exercise during the year to verify progress in implementing outstanding audit recommendations. From the review we identified all 25 recommendations had been implemented. In addition, there were nine recommendations that were not due for implementation at the time of the review.

Recommendations implemented increased as a proportion of total recommendations from the previous year where (79%) of recommendations were implemented.

04 Added value

As part of our work during the year, we have completed several areas or activities which have added value beyond the assurance levels and recommendations raised in our reports. These can include presentations (both formal and informal) to the AC, additional pieces of specific work or analysis, or detail included in our Value for Money, Sector Comparison, or Appendices within our reports. Particular matters highlighted to the ICO through our work in the year include:

- We identified within our investigation and enforcement report that the ICO use dedicated software that as well as being secure provides functionality for recording, monitoring and investigations incidents to provide overall efficiency in the process.
- We noted a number of good areas related to value for money within our information governance review. These included ensuring robust controls are in place to facilitate smooth communication, prevention of data breaches, ensuring information rights are respected and compliance is met with data laws.
- We identified a number of value for money areas with our HR core controls review. These included recruitment, pre-employment checks and their Covid-19 response.



- In our high priority investigations report we noted that the ICO have a number of areas of good practice as seen at other regulators. These include a focus of resource on the greatest risks, a regime of continuous improvement and early identification and management of issues.
- We noted within our fees and income report that whilst data protection fees are unique to the ICO their collection process has a number of good processes in place similar to other organisations for the collection of debts.

- During Covid-19, we have engaged with the ICO and had regular contact to enable completion of the Plan. We have shared insights in respect of Covid-19 in our updates to the AC and ICO management team.
- We have also held Governance Forums and Covid-19 webinars, to which ICO representatives have been invited; and
- Our Consultancy Advisory team undertook a review of business continuity effectiveness review. This identified eight opportunities for the ICO to help improve in this area.
- We reviewed the ICO's new compliance reporting framework and provided feedback to help with improvement to this.

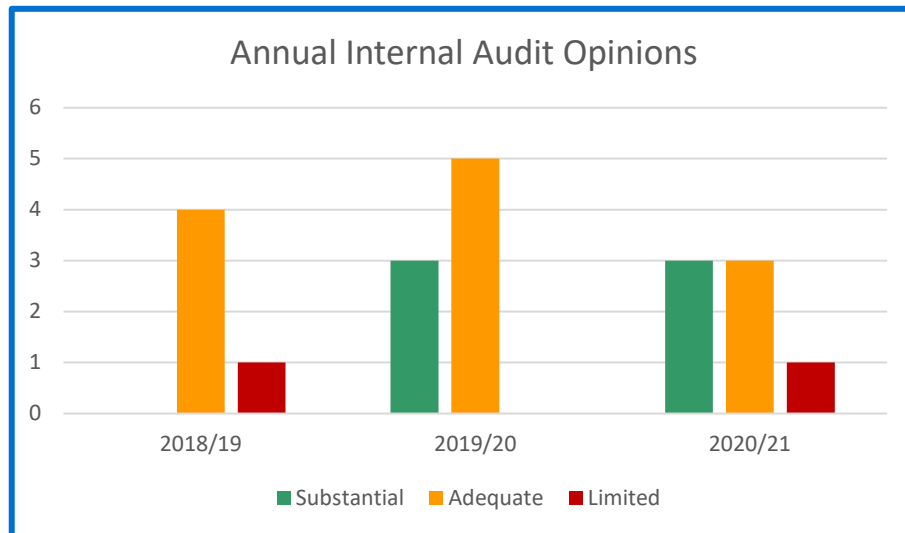
05 Benchmarking

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

Comparison of assurance levels (where given)

We have provided assurance opinions in seven reports this year, providing 'Substantial' assurance in three reports, 'Adequate' in three reports and 'Limited' in one report.

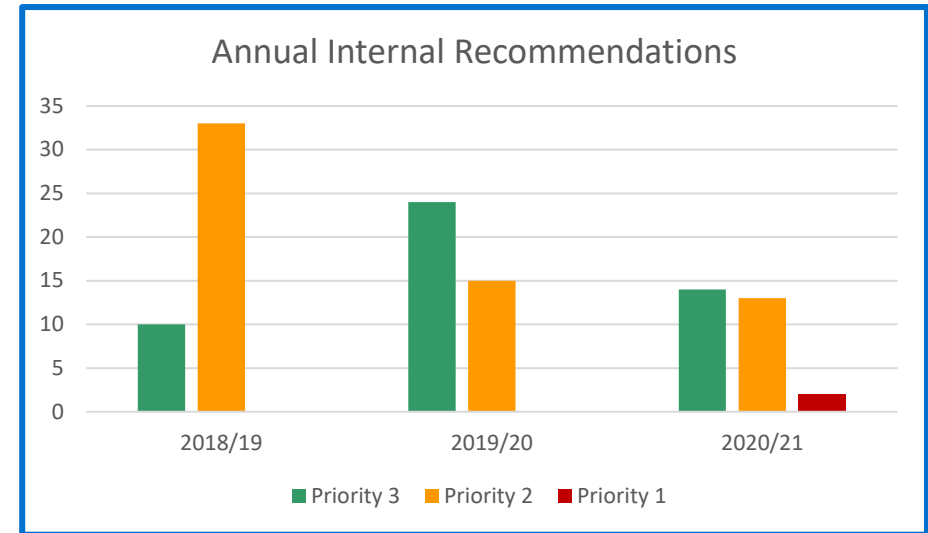
In comparison to the previous year, we have provided the same number of 'Substantial' assurance reports with two fewer 'Adequate' assurance reports and one 'Limited' Assurance report. Our benchmarking suggests that the ICO's overall control environment has remained similar to the previous year.



Comparison of recommendations by categorisation (where given)

Over the past year, we have made a total of 29 new recommendations (excluding advisory recommendations), which included two 'Priority 1', 13 'Priority 2' and 14 'Priority 3' recommendations.

Previously we have not reported any 'Priority 1' recommendations. However, the total number of recommendations, as well as the number of 'Priority 2' recommendations has fallen over the last two years.



06 Performance of Internal Audit

conducting our audit assignments. Our work has been performed in accordance with PSIAS.

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;
- The use of satisfaction surveys for each completed assignment;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Regular meetings of our Sector Strategy Groups, which issues technical guidance to inform staff and provide instruction with regard to technical issues; and
- The maintenance of the firm's Internal Audit Manual.

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.

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 AC. We have received positive feedback on our work from the AC and staff involved in the audits.

Compliance with professional standards

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

A1 Summary of Internal Audit work undertaken in 2020/21

The following reviews were undertaken during the 2020/21 audit year:

Auditable Area	Level of Assurance	Recommendations					
		Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (House-keeping)	Advisory	Total	Total agreed by Management
Business continuity planning	N/A (Advisory)	-	-	-	8	8	8
Methodology of the Business Planning Process	Adequate	-	5	-	-	5	5
Fees and income	Substantial	-	-	2	-	2	2
High priority investigations	Adequate	-	2	3	-	5	5
HR core controls	Adequate	-	2	3	-	5	5
Information governance	Substantial	-	1	4	-	5	5
Investigations and enforcement	Substantial	-	1	2	-	3	3
Stakeholder management	Limited	2	2	-	-	4	4
Follow up	N/A	N/A					
	Total	2	13	14	8	37	37

A2 Assurance rating, recommendation level, and annual opinion definitions

We use the following levels of assurance and recommendation classifications within our audit reports.

Levels of Opinion	Description
Substantial Assurance	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.
Adequate Assurance	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.
Limited Assurance	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.

Recommendation Classifications	Description
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the ICO to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the ICO 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.

For our annual opinion we use the following classifications for our annual internal audit report which will be provided as appropriate:

Definitions of Annual Opinion	Definition
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.

A3 Statement of Responsibility

We take responsibility to the 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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