Information Commissioner's Office

Internal Audit Review 2014-15: Corporate and Financial Planning

Last updated 18 March 2015

Distribution		Timetable	
For action	Peter Bloomfield, Corporate Governance	Fieldwork completed	16 January 2015
	David Smith, Deputy Commissioner	Draft report issued	30 January 2015
For information	Audit Committee	Management comments	25 February 2015
		Final report issued	27 February 2015

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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

The Information Commissioner's Office (ICO) has an established corporate planning process whereby the three year rolling plan (currently 2014-17) is updated annually. The process starts with a Management Board Strategy Day in October. The Plan is then developed with a draft Plan (and budget for the first year of the Plan) going to the Ministry of Justice by Christmas for consultation. Management Board formally review the Plan in January prior to a short external consultation. The Plan is then finalised by 1 April.

For 2015-16, to help provide input from the Heads of Department, the ICO's Leadership Group has been more formally involved (for example in undertaking SWOT/PESTLE analysis). Alongside this the budget is being developed by the newly formed Finance Steering Group which will also monitor expenditure against budget.

Our review has examined how the 2015-18 plan was arrived at, including an assessment of the delivery to date of the 2014-17 Plan. The review also examined the alignment of the business planning process to the financial planning arrangements, including how the Finance Steering Group fits within the process and how it is used to drive out the preparation, monitoring and governance of the budget.

1.2 Scope

Our review involved an assessment of the following risks:

- The changes to made to the Corporate and Financial Planning process (through the use of the Leadership Group and the Finance Steering Group) may not delivery the required outcomes of a more robust and inclusive planning process that can effectively challenge and prioritise spending in the pursuit of organisation-wide objectives.
- Processes may not be agile enough to deal with changes that arise during the year, resulting in challenges not being suitably addressed or opportunities being missed.
- The ICO may not have appropriate mechanisms in place to monitor and report on the delivery of its Plan alongside financial performance, resulting in an inability to quickly identify and respond to poor financial performance or delivery.

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	
We have identified matters which, if resolved, will help management fulfil their responsibility to maintain a robust system of internal control.	Green

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
The Corporate Planning Process	-	-	1	2
Development and Management of Objectives and Outcomes	-	-	1	-
Measuring Performance	-	1	-	1
Total	**-**	**1**	**2**	**3**

There is one Medium rated finding arising out of our review relating to the assessment of activity measures. As part of the Corporate Planning process, sets of measures are linked to the activities to enable progress to be reported on. Our work identified that, whilst each activity has been associated with a measure, those measures are not always SMART (Specific, Measurable, Achievable, Relevant and Timely).

As such, when reviewing performance it is not clear whether performance exceeds, meets or falls short of requirements; for example, it is reported that on average 29 hours training per member of staff were provided during the 2013/14 year, but no target was available for comparison. Whilst our fieldwork confirmed that the ICO is on track to achieve the objectives set out in the 2014-17 plan, without these clear targets, the Green, Amber and Red assessment must be considered purely subjective. While not all of the ICO's objectives can be measured in a SMART way, those which can should be.

Further details of our findings and recommendations are provided in Section 2.

1.5 Areas of control in line with expectations

- There is an established corporate planning process (documented in the ICO Planning procedure). The overall business planning process is overseen by the Corporate Governance team who have a responsibility to set deadlines for the process that match the broad timetable, facilitate the drafting of the corporate plan, circulating the draft plans for comments and public consultation and publish final versions. Ultimately, the Executive team are responsible for ensuring that completed contributions for the ICO plan are delivered by the required deadlines.
- The Corporate and Financial Planning process has evolved over recent years to reflect changes to the ICO in order to align with the scale and nature of its operation. This includes the setting up on the Finance Steering Group, which has a key role in the Planning process.
- The Executive team keep the ICO plan under constant review and the three year plan is updated every year by means of a Leadership Group Planning Day and a Management Board Strategy Day, from which the outputs (for example, SWOT and PESTLE analyses) are developed into the initial draft plans. Dependencies introduced from other Government Departments are considered by the Executive Team and Leadership Group.
- Executive Team and quarterly Management Board meetings take place where both financial and corporate progress and performance are standing agenda items, discussed and variances addressed.
- Attendance at the Management Board meetings is of an appropriately senior level, supporting the Information Commissioner and allowing decision making to be effective.

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

2.1 The Corporate Planning Process

1.	Improvement	Development of the Corporate Plan

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
As part of our review we examined a selection of other Executive Non-Departmental Public Bodies with coherent corporate plans (the Pension's Regulator, NICE and the Environment Agency) to understand on how they presented their strategies in comparison to the ICO's. The ICO faces a great deal of challenge in the coming years (reducing grant in aid, uncertainty over the EU data protection regulation, the Triennial Review, and a new Government). Whilst a large amount of information on horizon scanning, the needs and requirements of the general public and organisations and executive knowledge is incorporated into the ICO's Plan, in comparison to these other bodies, it is not clear how it has been factored into developing the future strategy. There is a risk that without clear enunciation on 'Who we are', 'Where we want to be' and 'What are the challenges that face the ICO getting there' that the Corporate Plan justifies actions already under way rather than drives forward delivery and change.	The Corporate Plan should be reviewed and consideration be given to updating the format and contents. For example; • Foreword - History of the ICO • Executive Summary - Horizon scanning, issues and risks and what stakeholders have been found to want from the ICO • The ICO's Regulatory Approach and enforcement • The three-year strategic plan - the ten information outcomes and how they map to the six Corporate Objectives, detail on how the six Objectives will be achieved and measured. Other areas that should also be considered for inclusion are; • Funding -how the ICO is funded and how those funds are apportioned • Governance structure - description of a Corporation Sole and how the management boards support the IC.	*Agreed action: To be cleared in part.* *Details of the ICO's regulatory approach, history, finances and governance structure are detailed elsewhere on the ICO website and it is felt that including this information in the ICO Plan risks duplication. The Commissioner's foreword to the Plan also provides context and as such covers issues such as horizon scanning, risks and stakeholder views where relevant. So whilst not all of the information suggested is included in the Plan it is readily available on the website.* *The ten strategic outcomes detailed in the Plan are taken from the Information Rights Strategy and map across to the six corporate objectives. (see action 4 below)**.** In terms of the six corporate objectives the actions detailed in the plan should demonstrate how the objectives are to be met.* ***The final version of the ICO Plan 2015-2018 will be checked to ensure that these points are clear.*** *Date Effective: 31 March 2015* *Owner: Peter Bloomfield, Corporate Governance*

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2.	Low	Outputs from Management Strategy Meetings

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
The three year plan is updated every year by means of a Leadership Group Planning Day and a Management Board Strategy Day, the outputs of which are used to form the basis for the detailed 'How to' actions. As part of our fieldwork, we reviewed the outputs from the Leadership Planning day on 9/9/14 and the Management Board strategy day on 7/10/14. From these outputs, we were unable to ascertain whether all Management Board comments from the meeting were transferred through to the 2015-18 plan, as a formal set of minutes/outputs was not produced. However, our review of the minutes from the Leadership Planning Group noted that all comments related to the Corporate Objectives transferred over to the plan with one exception (regarding the ICO's accommodation).	Key outputs from both the Leadership Group Planning Day and Management Board Strategy Day should be formally documented. Prior to the release of the first draft of the Corporate Plan, these key points should be reconciled to the ICO corporate outcomes, objectives and activities to ensure that they have been included (or excluded with an appropriate rationale). Issues, challenges or objectives related to the changes in Accommodation strategy driven by the need to re-negotiate the ICO accommodation contract during 2015 should be reviewed and if necessary, included in the 2015-18 ICO Plan.	*Agreed action: Cleared.* *The Leadership Planning Day and the Management Board Strategy Day are not formally minuted but notes are taken of the outputs and are used to inform the development of the ICO Plan. No electronic note of the Management Board meeting was available at the time of the audit.* ***One is now available****.* *Outputs from these meetings are reconciled informally against what goes in the ICO Plan.* ***The need for a brief formal exercise has been included in the ICO Plan procedure.*** *But it is worth noting that the Planning and Strategy days provide a steer for the Plan rather than specific actions to be included. An assessment of what is taken forward and why will therefore always be subjective.* *In respect of accommodation the position remains unclear. If a decision is made that the ICO will move from Wilmslow then any project to do so and the cost implications would be included in a Corporate Plan and budget. However until this is decided (if it is) there is nothing concrete to include in the ICO Plan.* *Date Effective: 4 February 2015* *Owner: Peter Bloomfield, Corporate Governance*

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3.	Improvement	Integration of Financial and Operational Planning

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
The ICO's planning process sets out the timetable, process and roles and responsibilities for the development of detailed actions that support the six overall corporate objectives for the following three years. Revised in July 2014, the process covers areas for consideration (Risk and Dependencies), the need for regular reporting and plan distribution, but currently does not include the budgetary development process undertaken by the Financial Steering Group. By not integrating the budget setting process into the planning process, there is a risk that the plans that the ICO develops may not clearly align with the financial resources that are required to realistically deliver the plans. Integrating budgeting into business planning supports the formulation of realistic goals and objectives. This enables decisions regarding the strategy to be influenced by the resources that are available to deliver it, as well as identifying areas where additional funding may be required. This also promotes better understanding among managers of how they should deliver their activities in accordance with the budget.	Developing both Corporate objectives (that support the Strategic Aims) and annual budgets in parallel enables financial constraints or objectives that do not make use of finances in the most effective manner to be identified and changes made during drafting. The ICO planning process should integrate the timetable for budgetary development and submission into the development of the Corporate Plan and include financial issues/considerations into the dependencies listed in the Planning Process documentation. Both timetables should take into account the need for both management and external review by the Ministry of Justice and ensure that sufficient time is built in to them for this to take place.	*Agreed action: Cleared.* *The time table for development of the budget has been included in the ICO Planning Process.* *Date Effective: 4 February 2015* *Owner: Peter Bloomfield, Corporate Governance*

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2.2 Development and Management of Objectives and Outcomes

4.	Low	Strategic Outcomes

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
The ICO's Information Rights Strategy, published in December 2011, sets out its goal, mission and vision and, as well as detailing in more depth how the organisation sets about information rights work, lists ten detailed strategic outcomes. In reviewing the 2015-18 Corporate Plan, there are three main findings relating to these strategic outcomes; • Despite a large number of challenges and changes in the external environment in which the ICO exists (including high profile data losses, the publication of the Leveson Report and its associated recommendations, new and developing legislation in the areas of Freedom of Information, Data Protection, Surveillance, etc.), they have remained unchanged since 2011. • The strategic outcomes are not referenced in the Annual Report and achievement against them is not formally reported. • They are not formally linked in any document to the six Corporate Objectives that form the basis of the detailed business plans.	The ICO should review its Information Rights Strategy to confirm that the ten Strategic Outcomes remain relevant and aligned to environment in which it operates in 2015 and beyond. The ICO should also formally map the Strategic Outcomes to its Corporate Objectives to provide clarity as to how delivery of the Corporate Objectives will support the delivery of the Strategy. Consideration of the current relevance of the outcomes should also be included in the Leadership Planning Day and Management Strategy Day agendas.	*Agreed action: Cleared in respect of the mapping of the Strategic Outcomes against the Corporate Objectives.* *The Information Rights Strategy has not been reviewed since 2011, and whilst it is not felt to be substantially out of date it ought to be reviewed at some stage. However the ICO will have a new Deputy Commissioner for Data Protection and a new Commissioner in Summer 2016 and (importantly) should know more about the impact of the new EU data protection regulation (possibly by early 2016). All three of these factors mean that the strategy will not be reviewed until late 2016 at the earliest.* *The Strategic Outcomes have been mapped against the Corporate Objectives with the results being incorporated into the ICO Planning Procedure. As such the relevance of the Strategic Outcomes and the Corporate Objectives will be reviewed annually as part of the planning process.* *Date Effective: 4 February 2015 in respect of the mapping. The end of 2016 in respect of the Information Rights Strategy review.* *Owner: David Smith, Deputy Commissioner (iro the Information Rights Strategy.*

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2.3 Measuring Performance

5.	Medium	Development of SMART Objectives

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
As part of the Corporate Planning process, sets of measures are linked to the activities to enable progress to be reported on. Our work identified that, whilst each activity has been associated with a measure, those measures are not always SMART (that is Specific, Measurable, Attainable, Relevant and Time-bonded). Of the 22 measures reviewed from the 2015-18 Corporate Plan: • one was not considered to be Specific (with the measures not supporting the objective), • 12 could not be easily quantified using the metrics that were provided (and therefore the attainability of the objective could not be ascertained) and • the draft version reviewed did not yet have management ownership assigned. Associated to this finding, when reviewing the results in the Quarterly or Annual Report, it is not clear whether performance exceeds, meets or falls short of requirements (e.g. it is reported that on average 29 hours training per member of staff were provided during the 2013/14 year, but no target is available for comparison). Whilst our fieldwork therefore confirmed that the ICO is monitoring how it considers it is achieving the objectives set out in the 2014-17 plan, without clear targets that measure the impact that the ICO is having on each of its Strategic Outcomes, the Green, Amber and Red assessment must be considered purely subjective.	As part of the Corporate Planning process when developing the measures that support objective delivery, attention must be given to; • Making each of them SMART; • Assigning a management owner to each; and • Ensuring that each has a target that can be clearly reported against. When reporting against these measures on a quarterly basis, it would be beneficial (and make reporting clearer) if each achievement of each corporate objective was summarised and rated on a 'one page' document with further detail provided in a supporting section or Appendix.	*Agreed action: Cleared* *The ICO Planning Procedure already states that measures should be as SMART as possible. It does have to be recognised however that not all of the measures can be SMART and reporting against some will be subjective.* *ET responsibility is assigned for each action in the ICO Plan for reporting purposes; this is not included in the published plan. The assigning of responsibilities against actions will be completed shortly.* *Date Effective:31 March 2015* *Owner: Peter Bloomfield Corporate Governance*

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6.	Improvement	Reporting of Results

Finding and Implication	Proposed action	Agreed action *(Date / Ownership)*
In reviewing the Corporate Planning process, we also considered the process by which objective achievement is formally reported on a quarterly and annual basis through Operational and Financial reports presented to the Leadership and Management Boards. It was noted that the number of reported cases closed as part of objective 3.1 was reported incorrectly (608 cases were reported as closed as opposed to the 3,608 cases that were actually closed due to a typographical error). This may be linked to the fact that data is presented using a large number of graphs aligned to the individual areas' objectives (e.g. a total of 55 tables and graphs across Enforcement, Advice, Caseload, PECR, DP and FOI), but with little accompanying commentary. It is noted, however, that the commentary that was provided in the sample reports that we reviewed was insightful and provides an effective overview of performance.	As part of formal reporting procedures, to enable clear communication of information to stakeholders; • The data provided to the Management and Leadership Boards should be reviewed and streamlined (reducing the number of graphs and tables from 55) • An executive summary commentary, that clearly identifies trends, issues and results that are aligned with the delivery of the ICO's strategic outcomes should be added to each area in the operational MI.	*Agreed action: Reporting to Management Board had evolved over time and will continue to do so given feedback from members, changes to operational procedures and as ideas about what is important change. Balanced scorecards have also been tried previously as a form of executive summary for Management Board papers but with little success. The Commissioner's top ten along with oral commentary on individual reports currently provides the executive summary.* *Given this, no specific action will be taken but the recommendation is noted and is helpful in highlighting possible ways forward.* *Date Effective: NA* *Owner: Christopher Graham*

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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 our 2014-15 Audit Plan, we agreed with the Audit Committee and management that we should carry out a review of the ICO's corporate and financial planning process, looking at how the 2015-18 plan was arrived at, including an assessment of the delivery to date of the 2014-17 plan.

Our aim in completing this audit was to ensure that the ICO has a robust business planning process in place that is aligned to financial planning and appropriate arrangements in place to identify and report on business and financial objectives.

We achieved our audit objectives by:

- meeting with key staff to gain an understanding of the arrangements to ensure the 2015-18 plan and 2015-16 budgets were arrived at and how the assessment of delivery of the 2104-17 plan is reported;
- identifying the key risks to these arrangements and evaluating the management controls that mitigate these risks; and
- reviewing key documents that support the above processes.

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.

Responsibilities

The Information Commissioner acts through his 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 involved an assessment of the following risks:

- The Changes made to the corporate and financial planning process may not deliver the required outcomes of a more robust and inclusive planning process.
- Processes may not be agile enough to deal with changes that arise during the year.
- The ICO may not have appropriate mechanisms in place to monitor and report on the delivery of its plan alongside financial performance.

Additional information

Client staff

The following staff were consulted as part of this review:

- Simon Entwistle – Deputy Chief Executive Officer
- Andrew Hind – Non-Executive Director
- Heather Dove – Head of Finance
- Louise Byers – Head of Good Practice
- Peter Bloomfield – Senior Corporate Governance Manager

Documents received

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

- Draft 6a of the ICO Corporate Plan 2015-2018
- ICO Performance Report for Q2 (2014-2017)
- The ICO Corporate Planning Process
- ICO Leadership Group Planning Day Agenda, Strategy Papers and Minutes
- ICO Management Board Strategy Day Agenda and Strategy Papers
- ICO Management Board packs from July and October 2014
- ICO Executive Team meeting minutes from November 2014
- Ministry of Justice Liaison meeting minutes from October 2014 and December 2014
- ICO Strategic Outcomes
- ICO Finance Steering Group Terms of Reference
- ICO Finance Steering Group Agenda and Action Points from September 2014 to December 2014
- ICO Annual Report 2013/2014
- National Audit Office Comments on the ICO Annual Report 2013/2014

Locations

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

B Overall assessment and audit issues 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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