

 Internal Audit Report  
 **Methodology of the Business Planning Process**  
 September 2020



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# 01 Introduction

As part of the agreed Internal Audit Plan for 2020/21, we have undertaken a review of the Information Commissioner's Office (ICO) methodology of the business planning arrangements. We have reviewed key controls to assess whether management arrangements and processes are designed and operating effectively. This included risks in the following areas:

- Business Planning Framework;
- Information Rights Strategic Plan;
- Risk and Opportunity;
- Assumptions;
- Performance Measures;
- Capacity and Capability; and,
- Budget Capability.

Full details of the risks covered are included in **Appendix A1**.

We are grateful to the Director of Corporate Affairs & Governance, the Head of Risk and Governance, the Director of Resources and other staff for their assistance during the audit.

The fieldwork for this audit was completed whilst government measures were in place in response to the coronavirus pandemic (Covid-19). Whilst we completed this audit remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work.

Due to the ICO's response to the impact of Covid-19 and development of new priorities, the 2020-21 business planning process was not finalised. Therefore, our review does not provide assurance of the ICO's 2020/21 business plans. Our review has focussed on the ICO's methodology in place to develop the business plans across the organisation.

# 02 Background

Business planning is an integral part of an organisation's internal control mechanisms. It is imperative that organisations have effective monitoring of their strategic and operational objectives, aims and projects, with robust

scrutiny of their financial position and performance, and regular reporting to management and Board.

The ICO review and update their business plans for each directorate across the organisation, on an annual basis. For the year 2020-21, ICO have developed a new business planning framework, which was rolled out to key staff (Directors) in October 2019 in preparation for March 2020 approval ahead of the financial year. The planning process is facilitated by the Risk and Governance Team, but ownership of development and approval of business plans sits with the Heads of Service and Directors for each directorate across the ICO (15 in total).

The new business planning framework also incorporates how each directorate should consider what desired projects they wish to delivery as part of the forthcoming years' objectives and aims. Each directorate and accompanying business plan must complete a business case for separate projects that require additional budget and resource.

Due to the unforeseen circumstances of Covid-19, with business disruption occurring in late February and early March 2020, the ICO were unable to successfully finalise any business plans for the 2020-21 financial year. However, in May 2020, the ICO's Management Board had re-prioritised the business to focus on a narrower set of objectives to help increase impact to continue to provide the advice to businesses, Government and the public as a regulator aiding business recovery.


The re-prioritisation, following agreement through the Executive Team (ET) and Senior Leadership Team (SLT), in response to business interruption, focused on responding to three regulatory areas where poor information rights can cause the greatest harms:

- Public harms,
- Data sharing harms; and,
- Intrusive and disruptive technology.

Whilst the Covid-19 pandemic still exists, the business planning framework moving forward will remain, supporting the Information Rights Strategic Plan (IRSP) but also the new priorities to focus on the harms outlined above.

Our review has not taken into consideration the planning processes of the new priorities and is limited to the new framework arrangements up to the end of February 2020.

## 03 Key Findings

Assurance on effectiveness of internal controls	
	<b>Adequate Assurance</b>
Rationale	
<p>For the internal audit work carried out (please see Appendix A1 for the detailed scope and definitions of the assurance ratings), we have provided <b>adequate assurance</b>.</p> <p>Our work has indicated that there are some risks that hinder the adequacy and effectiveness of the new business planning framework. This includes the need to improve issues across the following areas:</p> <ul style="list-style-type: none"> <li>▪ The identification of business plan risks and development of supporting mitigating controls;</li> <li>▪ Collaborative development of business plans alongside the annual financial budget;</li> <li>▪ The identification of business plan assumptions and provision of supporting rationale behind the assumptions made;</li> <li>▪ Identification of objective performance measures; and</li> <li>▪ The formalising and consideration of training of the new framework to ensure consistent and effective operation of planning for the future.</li> </ul> <p>More details in respect to the recommendations raised in relation to the above are detailed in <b>Section 04</b>.</p>	

Priority	Recommendations
1. (Fundamental)	-
2. (Significant)	5
3. (Housekeeping)	-
<b>TOTAL</b>	<b>5</b>

Examples of areas where controls are operating effectively
<ul style="list-style-type: none"> <li>▪ The ICO's newly developed business planning process was communicated to all key staff (Directors) via email in October 2019 to prepare for the financial year 2020-21 ahead of March 2020 year-end.</li> <li>▪ We were provided a copy of the email, and we were able to confirm that the new processes had been clearly outlined, with planning and business case templates attached to support the new process for consistency. We were also able to confirm that roles, responsibilities and expected timescales had been clearly set out in relation to preparedness for approval ahead of the new financial year.</li> <li>▪ The ICO's template business planning workbook requires all directorate business plans to reference the link between the directorate plans, objectives and aims and the Information Rights Strategic Plan (IRSP).</li> <li>▪ We sample tested eight of the ICO's directorate business plans and confirmed that each were able to demonstrate that the respective business plan objectives and aims could be traced to the IRSP, with specific reference outlined.</li> <li>▪ We further tested the same eight business plans and confirmed that the plans demonstrated a link to the ICO's corporate risks.</li> </ul>

### Risk Management

Our review of the ICO's Risk and Opportunity Register identified that ICO have not established a specific business planning risk. However, this is in-line with expectations from similar organisations. Our review did, however, confirm that the ICO use business planning as a mitigating control for a number of risks.

Based on the sample testing of business plans, we identified that ICO were able to demonstrate that corporate risks are considered when developing directorate plans. The plans tested referenced specific corporate risks from the risk and opportunity register. However, we identified the following issues:

- Three business plans had failed to populate the required business planning risks required, therefore had not appropriately identified plan specific risks and supporting mitigating actions, and;
- Three additional business plans had identified plan specific risks yet had failed to provide any mitigating actions to support the risks identified.

The ICO therefore have room for improvement when considering and managing risks as part of business planning. We have raised a recommendation in respect of this weakness in **Section 04, 4.2**.

We noted that Covid-19 has had a significant impact on the business planning process and ICO have been unable to finalise business plans for 2020/21. Whilst we have not provided assurance on business plans, it will be important that the ICO engage early with business leaders across the organisation to ensure business plans can be put in place for the start of 2021/22.

### Value for Money

At the ICO, the financial planning processes are manual, and require a number of staff resource to plan accordingly across each of the 15 directorates. On top of this, resource is required from the Risk and Governance Team to facilitate and quality review business plans ahead of the respective financial year. We have seen at peers that online planning tools are available when developing business plans, however a cost versus

benefit analysis and value for Monday exercise would need to be performed if ICO were to consider such a planning system.

In-line with recommendation 4.1, below, the ICO should also consider whether the development of training to support the business planning framework, will achieve value for money. For instance, does the Risk and Governance Team have the resource and do each of the Directors responsible for business planning in their directorate have sufficient capacity to be able to benefit from training and regular support.

### Sector Comparison

The Business Planning process is a critical area for all organisations and therefore it is imperative that adequate and effective controls are in place to ensure that directorate business plans are robust. A strong business plan (plans in the ICO's case) helps to ensure continuity and provide a foundation to achieve long term objectives.

Robust financial planning includes a clear link between financial and strategic planning and the setting and monitoring of critical success factors. This is to ensure that the strategic aims and objectives of the organisation can be supported and made achievable by the finances available, the financial controls operated, and that timely action can be taken as needed. Our review identified a key weakness in the ICO's processes, in that directorate business plans do not appropriately link to financial planning for the year. We have therefore raised a recommendation in this area in **Section 04, 4.4**.

It is best practice for organisations to undertake detailed scenario planning or stress testing as part of their planning processes, to demonstrate the stability of medium to long-term objectives of the organisation in the event of changes to their operating environments. At the ICO scenario planning and stress testing is not necessarily something that will benefit business planning arrangements. However, the ICO may wish to consider stress testing business plan assumptions that are made as part of business delivery. Whilst it is unlikely to have any material financial impact, assumptions made in business plans may lead to failure to meet strategic objectives or aims. This will be particularly important with the ICO having recently developed new priorities to address the potential harms from Covid-19.



## 04 Areas for Further Improvement and Action

Definitions for the levels of recommendations used within our reports are included in **Appendix A1**.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility
4.1	<p><b>Business planning</b></p> <p><i>Observation:</i> The ICO's business planning arrangements and business planning framework does not take into consideration the financial capacity to be able to deliver the business objectives and aims. The ICO's business planning framework incorporates what desired projects are to be delivered as part of each directorate's business plan.</p> <p>Our review identified that the actual budget availability for business projects, which form part of business planning arrangements was not confirmed until 24 February 2020 (£2,246,000) which would have significantly impacted business plans drafted, should planning not been interrupted by Covid-19.</p> <p>Additionally, when reviewing the eight business plans sample tested, we identified that two plans had not populated the staffing costs associated with the respective annual business plan, meaning we were unable to provide assurance of whether capacity and capability had been considered to deliver the business plan.</p> <p><i>Risk: Business planning arrangements do not take into account the ICOs annual budget availability.</i></p>	<p>The ICO should ensure that the business planning and annual financial planning arrangements are run in conjunction with each other, enabling directorates to appropriately plan for projects with budget capacity.</p> <p>The ICO should also ensure that business plans appropriately consider capacity and capability when populating the template plans. This should include both approved projects and staff costs assigned to business as usual.</p>	2	<p>The business planning process for 20/21 was run alongside the budgeting process as Finance held the budget meetings at the same time as Directors were forming their business plans, we accept however that this could be clearer when considering capacity and capability as the budget section of the business plans would not have been populated until after the budgets had been approved and allocated.</p> <p>For 21/22 in conjunction with finance we will ensure that plans take account of capacity so staffing levels and budgets are planned alongside activity, we will include draft budgets which will be approved as the business plans and the budget go through the approval process.</p>	<p>Joanne Butler March 2021</p>

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility
				We will ensure that the business planning process links up WFD to ensure that capability and training and development is also considered and fed into the WFD plan.	
4.2	<p><b>Business Planning Framework</b></p> <p><i>Observation:</i> The ICO established a new business planning framework for the financial year 2020-21, however this was not formally documented, rather had been communicated to key staff via email.</p> <p>We were provided a copy of the email from late October 2019, that confirmed the new processes had been outlined, with planning and business case templates attached to support the new process and consistency, along with expected timescales to finalisation at year-end. We identified that six business plans had not been populated at all from the 15 directorates across the ICO and the remaining plans had not been formally reviewed or signed off as at the planned February 2020 SLT meeting.</p> <p>We further reviewed the business planning template established to support the new framework, confirming that the template outlined the keys aspects we would expect to see as part of annual business plans: business risks; objectives and aims, performance measures and staff costs. However, as will be identified in more detail in the following recommendations, we identified significant issues in completion when developing business plans. This highlights a training need across ICO.</p>	<p>The ICO should formally document the new business planning framework and ensure that planning arrangements commence and are completed in a timely manner, such that plans are approved and agreed prior to the new financial year.</p> <p>Whilst we understand resource may not be wholly available, the ICO should also consider providing formal training to support the business planning framework to ensure that the new arrangements are consistently applied.</p>	2	<p>We will formally document the business planning framework during 21/22. We will provide training on the formalised process, once this has been approved by SLT to improve and strengthen the plans during the year (as business plans are living documents) and for 22/23.</p>	<p>Joanne Butler December 2021</p>

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility
	<p><i>Risk: The ICOs recently developed planning framework and arrangements have not been formally documented, leading to business plans not being agreed and authorised prior to the start of the year.</i></p>				
4.3	<p><b>Business Planning Risks</b></p> <p><i>Observation:</i> Following our sample review of the eight business plans, we identified the following issues in relation to plan risks:</p> <ul style="list-style-type: none"> <li>▪ Three business plans had failed to populate the required business planning risks required, therefore had not appropriately identified plan specific risks and supporting mitigating actions. These three plans had, however, outlined how the business plan links to corporate risks.</li> <li>▪ Three additional business plans had identified plan specific risks yet had failed to provide any mitigating actions to support the risks identified.</li> </ul> <p><i>Risk: When developing business plans, risks are not identified and mitigated with supporting controls/ actions.</i></p>	<p>The ICO should ensure that all business plans appropriately address risk and opportunity, per the corporate risk register, and identify risks related to the business plan, with mitigating controls or actions to support.</p>	2	<p>As the business planning process halted due to covid the versions sampled were still draft. For 21/22 the business plan process will include ongoing quality assurance to ensure that the business plans adequately address risk.</p>	<p>March 21 and 21/22 ongoing Joanne Butler</p>
4.4	<p><b>Business Planning Assumptions</b></p> <p><i>Observation:</i> The ICO's new template workbook requires that all business plans are to separate out objectives into more detail, such that in the detail assumptions are highlighted and clear, so that when</p>	<p>The ICO should ensure that all business plans appropriately outline where objective and planning assumptions have been</p>	2	<p>As the business planning process halted due to covid the versions sampled were still draft. For 21/22 the business</p>	<p>March 21 and 21/22 ongoing Joanne Butler</p>



	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility
	<p>the plans are approved, assumptions can be referred and reviewed appropriately.</p> <p>Following review of the eight sampled business plans, we identified that three of the eight did not clearly outline what assumptions had been made for the objectives outlined.</p> <p><i>Risk: The ICO do not identify and clearly set out what assumptions have been made in plans, leading to approval of unsuitable business objectives.</i></p>	<p>made. Assumptions should be clearly outlined to provide appropriate scrutiny and review prior to approval and throughout the financial year in context of objective achievement.</p>		<p>plan process will include ongoing quality assurance to ensure that the business plans adequately address objectives.</p>	
4.5	<p><b>Performance Measures</b></p> <p><i>Observation:</i> The ICO's new template workbook requires that all business plans are to separate out planned objectives such that detailed performance measures are established for each respective objective. The performance measures are also recorded in business plans to ensure that regular monitoring of plans outlines underperformance.</p> <p>Our review of the eight sampled business plans identified that three plans had not developed performance measures to support each objective. Without performance measures, the objectives failed to identify responsible persons and timescale for delivery, along with frequency of review.</p> <p><i>Risk: Business planning arrangements do not take into consideration how objectives and aims will be measured</i></p>	<p>The ICO should ensure that all future business plans establish performance measures to support objectives and aims where possible. Performance measures should be clear and outline responsible persons, timescales for delivery and details of how frequent the measure will be reviewed.</p>	2	<p>As the business planning process halted due to covid the versions sampled were still draft. For 21/22 the business plan process will include ongoing quality assurance to ensure that the business planning arrangements adequately address performance measures.</p>	<p>March 21 and ongoing during 21/22</p> <p>Joanne Butler</p>

# A1 Audit Information

Review Control Schedule	
<b>Client contacts:</b>	Louise Byers, Director of Corporate Affairs & Governance Joanne Butler, Head of Risk and Governance Andrew Hubert, Director of Resources
<b>Internal Audit Team:</b>	Peter Cudlip, Partner Darren Jones, Manager Chris Hogan, Senior Auditor
<b>Exit Meeting/ last information received:</b>	15 September 2020
<b>Draft report issued:</b>	5 October 2020
<b>Management responses:</b>	22 October 2020
<b>Final report issued:</b>	23 October 2020

Scope and Objectives
<p>Audit objective: to provide assurance over the design and effectiveness of the key controls operating in relation to methodology of business planning.</p> <p>Our audit considered the following risks relating to the area under review:</p> <ul style="list-style-type: none"> <li>▪ <b>Business Planning Framework</b> – The ICO’s recently developed planning framework and arrangements have not been formally documented or communicated to all key stakeholders, leading to an inconsistent planning approach.</li> <li>▪ <b>Information Rights Strategic Plan</b> – Business planning arrangements do not take into consideration the Information Rights Strategic Plan and the six strategic goals, nor any longer-term strategic plans.</li> </ul>

- **Risk and Opportunity** – When developing business plans the ICO do not consider related risks and opportunities and how Directorate plans will achieve and mitigate each, respectively.
  - **Assumptions** – The ICO do not identify and clearly set out what assumptions have been made when during the business planning processes.  
Assumptions are not appropriately reviewed and approved
  - **Performance Measures** – Business planning arrangements do not take into consideration how objectives and aims will be measured.
  - **Capacity and Capability** – The ICO do not have the appropriate capacity and capability to achieve Directorate Business Plans and objectives  
Specific plans and outcomes are not assigned a responsible owner  
Collaboration outside of Directorates are not considered to ensure that business plans can be delivered
  - **Budget Capacity** – Business planning arrangements do not take into account the ICOs annual budget availability, resulting in plans not being achievable  
The desired outcomes within business plans are not consistent with the ICO’s wider financial planning arrangements
- The scope for the audit is concerned with assessing whether the ICO has in place adequate and appropriate policies, procedures and controls to manage the above risks. We will review the design of controls in place and, where appropriate, undertake audit testing of these to confirm compliance with controls, with a view to forming an opinion on the design of, compliance with and effectiveness of internal controls.
- Testing will be performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
<b>Substantial Assurance:</b>	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.
<b>Adequate Assurance:</b>	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.
<b>Limited Assurance:</b>	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.

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

Statement of Responsibility
<p>We take responsibility to the Information Commissioner's Office (ICO) for this report which is prepared on the basis of the limitations set out below.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. 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 by any third party is entirely at their own risk.</p> <p>Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.</p>