

mazars



Internal Audit Progress Report
Audit Committee
13 November 2020

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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.

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01 Summary

The purpose of this report is to provide an update to the Audit Committee on the progress of the Internal Audit Strategy for the year ending 31 March 2021. In Section 02, we have provided a summary of our work to date with further detail in Appendix A1, including the status and timing of each audit. We would like to discuss our approach to the audit of business continuity during the Audit Committee. Appendix A2 provides information on the upcoming review of business continuity. Appendix A3 includes a summary of support information for the COVID-19 crisis.

02 Current Progress in 2020/21

We are on track with completion of our reviews, having completed four out of eight reviews included in the internal audit plan. Since the last meeting of the Audit Committee on 20 April 2020, the following progress has been made against the plan. The completed reviews have been provided at the Committee.

Work Completed

- Fees and income
- Business planning
- HR core controls
- Stakeholder management

Other Matters

- Business continuity and disaster recovery review; Our internal audit plan for 2020/21 included a review of business continuity and disaster recovery (BC & DR). We have discussed our approach to this review with management and have two options for the review – these are included in Appendix A2. We seek the Audit Committee's view on which option we should undertake as part of the 2020/21 internal audit plan.
- The COVID-19 crisis has had a significant impact on all types of organisations and businesses. At **Appendix A2** we have provided a useful web link to a webinar and information that may be useful.

A1 Plan Overview

Auditable Area	Target Review Start Date	Actual	Target Audit Committee	Status	Assurance Level	Recommendations		
						P1	P2	P3
Fees and Income	December 2020	6 July 2020	November 2020	Final report	Substantial	-	-	2
Methodology of the Business Planning Process	June 2020	10 August 2020	November 2020	Final report	Adequate	-	5	-
HR Core Controls	July 2020	3 August 2020	November 2020	Final report	Adequate	-	2	3
Stakeholder Management	September 2020	21 September 2020	November 2020	Final report	Limited	2	2	-
Business Continuity and Disaster Recovery	October 2020	25 January 2021	April 2021					
High Priority Cases	November 2020	9 November 2020	January 2021	Planning				
Information Governance	May 2020	2 December 2020	January 2021	Planning				
Investigations and Enforcement	January 2021	8 February 2021	April 2021					
Follow Up	January 2021	January 2021	April 2021	Fieldwork				
Management and Control	Throughout	N/A	N/A	N/A				
Total						2	9	5

A2 Providing assurance on ICO's crisis response capabilities

As the Covid-19 crisis continues, and we enter a second lockdown, it is a critical time for ICO evaluate their response to the crisis. Our internal audit plan for 2020/21 included a review of business continuity and disaster recovery (BC & DR). We have discussed our approach to this review with management and have two options for the review:

- An internal audit of BC & DR to assess the ICO's response to Covid-19 and current measures in place; or
- An advisory review, led by our Consulting Team, to understand the lessons learnt from the ICO's approach and use this bolster your crisis and continuity plans to enable you to respond more effectively to future critical incidents. We have provided more information on what this review would involve below.

We seek the Audit Committee's view on which option we should undertake as part of the 2020/21 internal audit plan.

Advisory review of business continuity including lessons learnt

The purpose of a business continuity plan is to ensure that your organisation can survive a critical incident. It facilitates an immediate response to crisis in order to shorten recover time and mitigate impact. We will work with you to develop/enhance your business continuity plan, providing stakeholders with the assurance that your organisation can prevent, adapt, respond to and recover from any future critical disruptions.

Our approach

Phase 1 – Reviewing your response to the crisis

- Facilitated virtual workshop(s) with the senior leadership team and other key stakeholders. Using a defined framework, we will gain a deep understanding of you responded and identify what was done well and areas for improvement;
- Interviews with key stakeholders and members of staff;
- Circulation of online questionnaire/survey;
- Review of your business continuity plan;
- Review of meeting minutes and other relevant documentation; and
- The output from phase 1 is a report to document our findings and a list of key lessons learnt and recommendations.

Phase 2 – Enhancing your business continuity plans

- Using the output from phase 1 we will develop focussed and actionable plans to cover areas such as governance and oversight, employee health & safety, risk management, supply chain resilience, internal & external communications, business systems, IT & security management, third party management, change management, organisational culture and training to ensure that the organisation is prepared for the future;
- Undertake scenario analysis and set impact tolerances from a stakeholder, business and financial stability perspective; and
- Provide management with a crisis framework/tool to allow them to self-assess on an ongoing basis to promote a culture of preparedness.

A3 Covid-19

Heads of Internal Audit 2.0

In October 2020, we hosted a further live Webinar in the latest series of our Heads of Internal Audit Forum in response to the COVID-19 crisis.

A recording of the Webinar, which is approximately 60 minutes, is available on our website [Webinar Link](#)

The event was hosted by Mazars' Partners and Directors across our Consulting and Risk Assurance Teams. Gavin Hayes, Head of Policy & External Affairs at the CIIA, also joined our panel as we discussed how you can adapt to these new trends and explore some of the challenges the industry expects to face over the coming year.

The Webinar covered the following topics:

- How does Internal Audit remain relevant and agile?
- Responding to increased expectations from stakeholders as business strategies change
- Applying the new private sector IA code – what can be learned from other sectors?
- 2021 planning – insight into latest hot topics e.g. digitalisation, new technology, ESG, cyber security and crisis management
- Q&A

Risk and Management Planning

As the COVID-19 crisis continues, it's clear that challenges facing businesses are going to last longer and have a greater impact than first anticipated.

Businesses will have to manage every aspect of their operations over several months, even years, in a way they have never needed to before.

Understanding the broader context of the pandemic on demand and supply during the various phases will help ensure you are well-positioned to survive and resume operations as and when the situation returns to normal - albeit a new normal.

There are four key phases to consider:

1. **Lead-in phase** - During the lead-in phase, priorities for businesses focused on caring for staff, customers and other stakeholders from a public health perspective; and to assess the short-term cashflow implications of the sudden drop in demand.
2. **Acute phase** - During this phase, you will need to streamline and review staffing levels, production and development, while ensuring your business remains agile, allowing you to slowly build through the suppression phase and into the recovery phase.
3. **Suppression phase** - Businesses in this phase will have limited reserves which need to last as long as possible to ensure survival until the recovery kicks in.

4. **Recovery phase** - The longer-term impact of the crisis could last two to three years as the global economy recovers.

As we know, the recovery phase is going to take a lot longer than initially expected, so businesses need to be agile and flexible to gradually increase operations over six months to a year.

To do so will require an unprecedented level of vigilance, planning and flexibility, with businesses developing comprehensive strategies to deal with a range of different scenarios – best case, likely case and worst case.

Revisions will need to be made too, on potentially a monthly basis as more information becomes available and circumstances become clearer.

BELOW ARE 5 KEY STEPS TO CONSIDER WHEN NAVIGATING YOUR WAY THROUGH THESE PHASES.

1. **A clear pre-crisis financial starting point.** Conduct a fair and honest assessment of your pre-crisis financials in terms of revenue, cost base profile, profit, cash flow and balance sheets.
2. **Pandemic revenue impact assessment.** Assess the likely duration of each pandemic phase and its associated revenue impact on your business, including metrics such as sales volume decline, supply problems and staffing availability.

Scenario analysis will help to identify the range of forecasted reduction in revenue vs. current operating models, budgets and cost base.

3. **Clarify crisis management priorities.** Set clear priorities for your business to help orient the response. Working on innovating the business model to better compete in the current environment and be prepared for the recovery phase may also be a necessary priority.
4. **Build an integrated 18-month crisis management plan.** Identify a realistic suite of tactics and actions to deliver on priorities and develop new operational and financial plans to support delivery.

These plans should be built around the most likely scenario, yet also identify additional contingency measures that may be needed in both the best and worst-case scenario.

5. **Execute plans and continuously monitor operational performance.** Closely track your operational performance each month against your crisis management plan. Reviewing revenue, profit, working capital, funding and cash flow position will ensure that key actions identified are being executed – all the while maintaining relationships and communicating with key stakeholders.

This step also requires ongoing reviews of the environment for key changes to make sure the planning assumptions are still relevant. At all times, operational plans and cost bases should remain consistent with the changing needs of your business.

Following these 5 key steps will help you to create a crisis management framework and KPIs that will enable ongoing performance review and implementation of the necessary tactics to deal with the specific challenges of each stage of the crisis, from now until the new normal returns.

A4 Statement of Responsibility

We take responsibility to The Information Commissioner's Office 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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