

SHARED RESOURCE SERVICE Annual Internal Audit Report

2021/22

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Executive Summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2022.

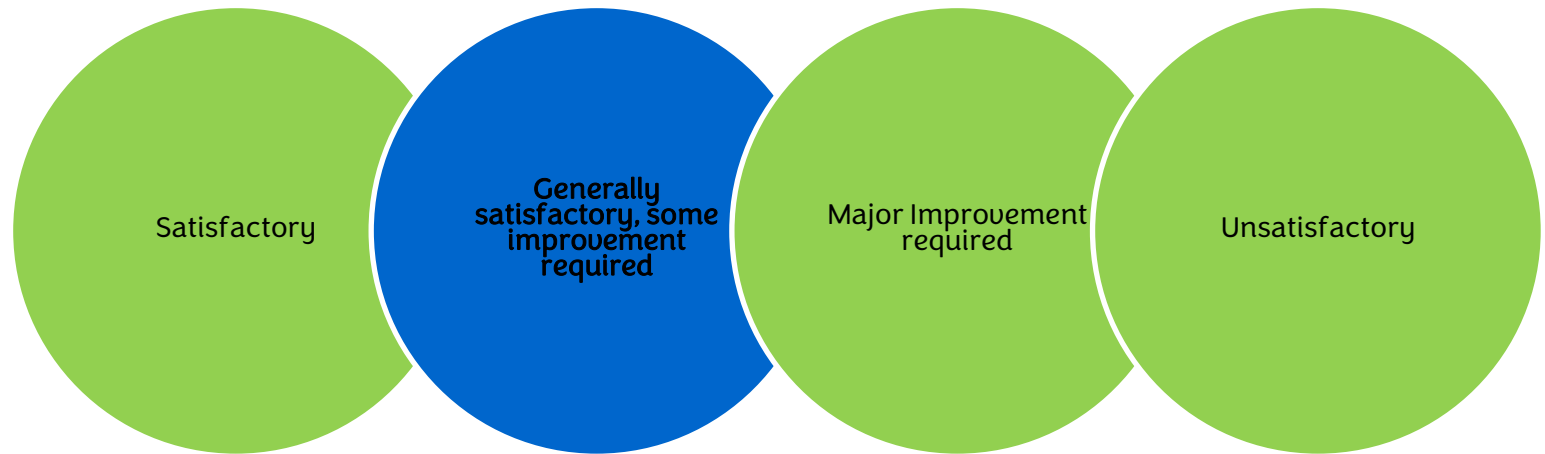
The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1.

The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Head of Internal Audit Overall Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow an overall opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Our opinion is as follows:



Defined as:

- Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or
- High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and
- None of the individual assignment reports have an overall classification of critical risk.

Implications:

The 9 areas reviewed generated 1 moderate, 4 substantial and 4 full audit opinions. The overall opinion recognises continued consolidation of improvement again this year. There are and probably will always be areas where improvement is required. The expectation is that all agreed recommendations will be implemented and that all opinions are at least moderate if not substantial which has been achieved.

Improvement (see Pages 06 - 08) is required in those areas identified to enhance the adequacy and effectiveness of the internal control framework.

An explanation of all the types of opinion can be found in Appendix 2.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- Any reliance that is placed upon third party assurances.

Acknowledgement

This year was again challenging with the emergence from the pandemic requiring another flex of the plan and effort shifted towards the latter part of the year. Internal Audit would like to take this opportunity to thank all SRS staff for their co-operation and assistance in ensuring completion of the audit plan.

A 'real' positive approach regarding the conduct of audits was again in evidence this year from SRS Senior management and its staff.

Summary of Findings

The table starting on page 05 records a summary of the key findings from our programme of internal audit work for the year.

Overview

We completed 10 internal audit reviews (7 systems, 3 follow ups). This resulted in the identification of 23 findings (14 medium, and 9 low) to improve weaknesses in the design of controls and/or operating effectiveness (see Page 06). All final reports have agreed action plans, dates and responsible officers for improving the internal control environment.

Internal Audit Work Conducted

Introduction

The table below sets out the results of our internal audit work and the system opinion for each individual audit assignment plus any implications for next year's plan. We also include a comparison between planned internal audit activity and actual activity.

Results of individual assignments

Ref	Review	Opinion	Controls Tested	%age in place	No of Findings		
					H	M	L
SRS - 21001	EdTech (System) Key Dates: Fieldwork Completed 11 Nov 21 Draft Issued 12 Nov 21 Draft Response 25 Nov 21 Final Issued 25 Nov 21		70	94.29		4	
SRS - 21002	Business Management (Follow Up) Key Dates: Fieldwork Completed 10 Aug 21 Draft Issued 12 Aug 21 Draft Response 12 Aug 21 Final Issued 12 Aug 21	Opinion level increased from SUBSTANTIAL to FULL.	9	100.00			
SRS - 21003	Data Centre (Follow Up) Key Dates: Fieldwork Completed 04 Feb 22 Draft Issued 07 Feb 22 Draft Response 15 Feb 22 Final Issued 15 Feb 22	Opinion remained FULL	28/2	100.00			
SRS - 21004	IT Governance (System) Key Dates: Fieldwork Completed 10 Jan 22 Draft Issued 12 Jan 22 Draft Response 12 Jan 22 Final Issued 12 Jan 22	FULL	44	97.73			1

Ref	Review	Opinion	Controls Tested	%age in place	No of Findings		
					H	M	L
SRS - 21005	IT Service Continuity (System) Key Dates: Fieldwork Completed 07 Mar 22 Draft Issued 08 Mar 22 Draft Response 10 Mar 22 Final Issued 10 Mar 22	FULL	23	95.65			1
SRS - 21006	Application Integration Service (System) Key Dates: Fieldwork Completed 23 Mar 22 Draft Issued 25 Mar 22 Draft Response 25 Mar 22 Final Issued 28 Mar 22	SUBSTANTIAL	23	86.96		1	2
SRS - 21007	Identity & Access Management (System) Key Dates: Fieldwork Completed 30 Mar 22 Draft Issued 31 Mar 22 Draft Response 31 Mar 22 Final Issued 05 Apr 22	SUBSTANTIAL	43	88.37		5	
SRS - 21008	IT Disposals (Follow Up) Key Dates: Fieldwork Completed 06 Jul 21 Draft Issued 09 Jul 21 Draft Response 27 Jul 21 Final Issued 12 Aug 21	MODERATE	10 (8)	50.00		3	2
SRS - 21009	Mobile Computing (System) Key Dates: Fieldwork Completed 11 Feb 22 Draft Issued 15 Feb 22 Draft Response 17 Feb 22 Final Issued 18 Feb 22	SUBSTANTIAL	9	88.89			1
SRS - 21010	Performance Management (System) Key Dates: Fieldwork Completed 03 Feb 22 Draft Issued 07 Feb 22 Draft Response 17 Feb 22 Final Issued 18 Feb 22	SUBSTANTIAL	13	76.92		1	2
Totals			244			14	9

Implications for the 2022 – 23 audit plan

The internal audit plan detailed below has been agreed with management.

Audit Ref	LAST SYSTEM AUDIT	LAST SYSTEM OPINION	STAGE	TYPE	CAT	PROJECT_NAME	QTR
SRS – 22002	25 Feb 2016	LIMITED	NID	SYS	P	Change Management	1
SRS – 22003	02 Jan 2019	MODERATE	NID	SYS	P	Cybersecurity SIEM SOC	3
SRS – 22004	22 Oct 2019	SUBSTANTIAL	NID	SYS	P	Firewall	3
SRS – 22005	27 May 2019	MODERATE	NID	SYS	P	Virtualisation	1
SRS – 22006	05 May 2017	SUBSTANTIAL	NID	SYS	P	O365	1
SRS – 22007			NID	SPEC	P	Financial Regulations	2
SRS – 22008			NID	SPEC	P	Data Centre - Vantage	3
SRS – 22009	06 Apr 2021	N/A	NID	FUP	P	Information Security Management System	4
SRS – 22010	12 Jan 2022	FULL	NID	FUP	P	IT Governance	4
SRS – 22011	10 Mar 2022	FULL	NID	FUP	P	IT Service Continuity Management	4
SRS – 22012	18 Feb 2022	SUBSTANTIAL	NID	FUP	P	Mobile Computing	4
SRS – 22013	07 Feb 2022	SUBSTANTIAL	NID	FUP	P	Performance Management	3

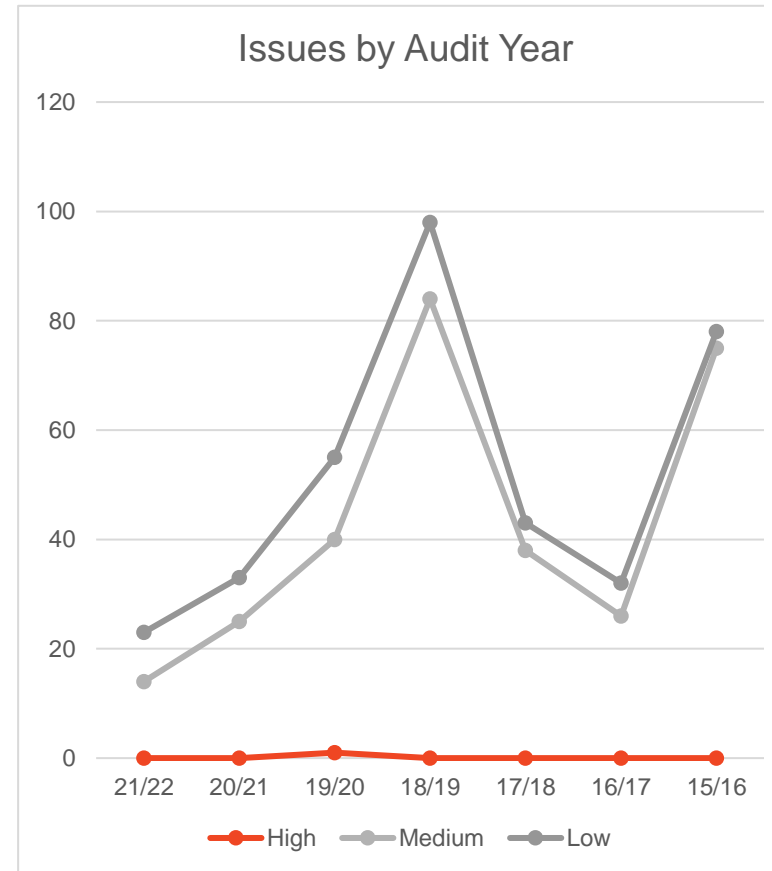
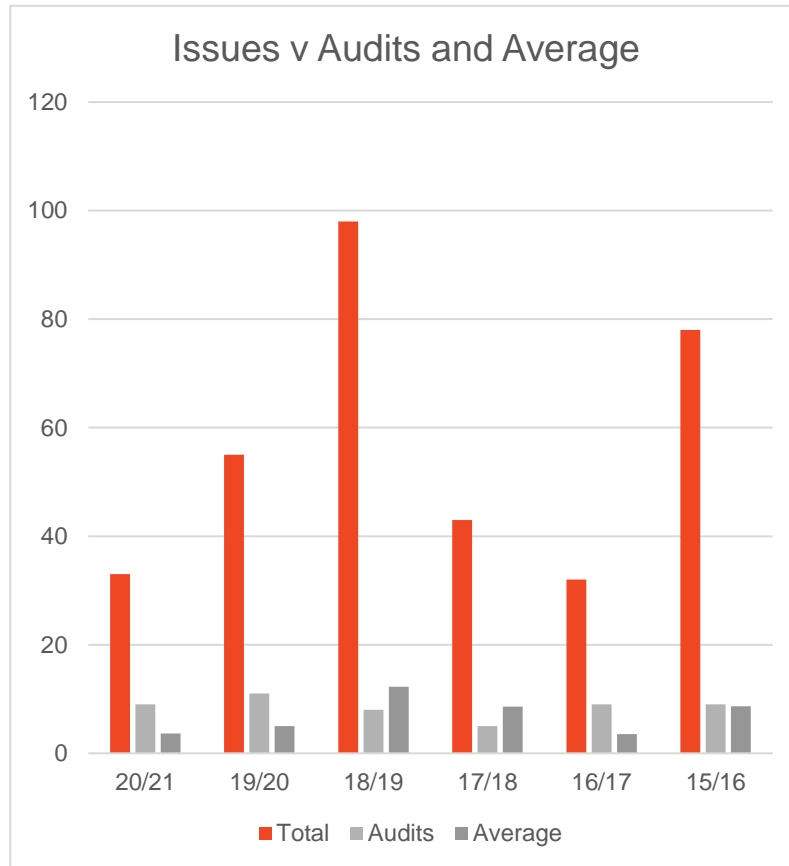
Individual audit opinion ratings:

The ratings below are now used for both systems and follow up audit reviews, confirmation of at least the existing review control environment for a follow up.

<i>Rating</i>	<i>% controls tested deemed operating</i>
<i>NIL</i>	<i>0 – 10%</i>
<i>LIMITED</i>	<i>11 – 49%</i>
<i>MODERATE</i>	<i>50 – 69%</i>
<i>SUBSTANTIAL</i>	<i>70 – 89%</i>
<i>FULL</i>	<i>90 – 100%</i>

Direction of Control Travel

Metric	21/22	20/21	19/20	18/19	17/18	16/17	15/16
Total Issues	23	34	55	98	43	32	78
Num Audits	10	9	11	8	5	9	9
High	0	0	1	0	0	0	0
Medium	14	25	39	84	38	26	75
Low	9	8	15	14	5	6	3



Implications for Management

The mix and focus of our internal audit plans differs between years so the above results are indicative and not directly comparable. The overall message is still one of findings being primarily medium risk in nature, with a decreasing level of total audit findings from 2018/19 to 2021/22 whilst the number of audits performed around a constant number.

Comparison of planned and actual activity 2021/22

Ref	Stage	Type	Title	Quarter	
				Planned	Complete
SRS - 21001	COM	SYS	EdTech	1	3
SRS - 21002	COM	FUP	Business Management	2	2
SRS - 21003	COM	FUP	Data Centre	4	4
SRS - 21004	COM	SYS	IT Governance	2	4
SRS - 21005	COM	SYS	IT Service Continuity	4	4
SRS - 21006	COM	SYS	Application Support	3	4
SRS - 21007	COM	SYS	Identity & Access Management	4	4
SRS - 21008	COM	FUP	IT Disposals	1	2
SRS - 21009	COM	SYS	Mobile Computing	3	4
SRS - 21010	COM	SYS	Performance Management	3	4

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Overall Opinion based on all work carried out

The overall opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our agreed annual programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the Shared Resource Service is for the period 1 April 2021 to 31 March 2022. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that the:

- design of controls may become inadequate because of changes in operating environment, law, regulation or other; or

- degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Overall Opinion Types

Limitations inherent to the internal auditor's work

The table below sets out the five types of overall opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Opinion	Factors contributing to this opinion
<i>Satisfactory</i>	<ul style="list-style-type: none"> ▪ A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and ▪ None of the individual assignment reports have an overall report classification of either high or critical risk.
<i>Generally satisfactory with some improvements required</i>	<ul style="list-style-type: none"> ▪ Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or ▪ High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and ▪ None of the individual assignment reports have an overall classification of critical risk.
<i>Major improvement required</i>	<ul style="list-style-type: none"> ▪ Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or ▪ High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or ▪ Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and ▪ A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
<i>Unsatisfactory</i>	<ul style="list-style-type: none"> ▪ High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or

	<ul style="list-style-type: none">▪ Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or▪ More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
<i>None</i>	<ul style="list-style-type: none">▪ An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:<ul style="list-style-type: none">□ Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or□ We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

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