

# **SHARED RESOURCE SERVICE**

## **Annual Internal Audit Report**

### **2022/23**

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## Executive Summary

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### Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2023.

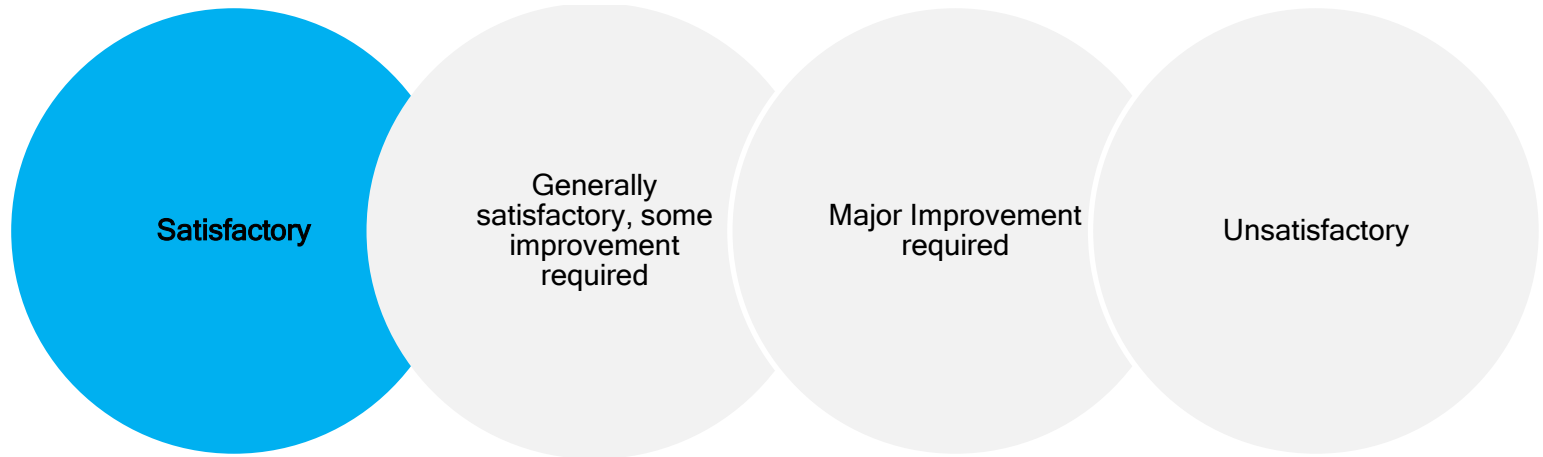
The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e., the organisation's system 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:

- 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.

**Implications:**

The 12 areas reviewed requiring an opinion generated 1 substantial and 10 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 challenging due to the need to flex the plan to accommodate operational issues within the Shared Resource Service with a disproportionate amount of effort shifted towards the latter part of the year. It is hoped

that the audits can happen as planned throughout the year for the 2023-24 plan. 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.

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## Summary of Findings

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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 **12** internal audit reviews (6 systems, **5** follow ups **and 1 special/consultancy**). This resulted in the identification of **4** findings (**2** medium, and **2** 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	Fieldwork Completed	Draft		Final	Num Tested	%age in place	No of Findings		
			Issued	Response	Issued			H	M	L
SRS – 22002	Change Management (System) <i>SUBSTANTIAL</i>	070622	130622	170622	170622	6	83.37		1	
SRS – 22003	SOC/SIEM (System) <i>FULL</i>	300323	300323	300323	300323	14	100			
SRS – 22004	Firewall (System) <i>FULL</i>	200323	240323	270323	270323	25	92		1	1
SRS – 22005	Virtualisation (System) <i>FULL</i>	220223	230223	230223	230223	15	100			
SRS - 22006	O365 (System) <i>FULL</i>	110123	170123	170123	230123	35	97.14			1
SRS - 22007	Financial Regulations (Special)	211222	211222	211222	211222					
SRS – 22008	Data Centre (System) <i>FULL</i>	280323	290323	290323	290323	83	100			
SRS – 22009	ISMS (Follow Up) <i>FULL</i>	140323	140323	140323	140323	14	100			
SRS – 22010	IT Governance (Follow Up) <i>FULL</i>	011222	021222	021222	021222	1	100			
SRS – 22011	ITSCM (Follow Up) <i>FULL</i>	230123	240123	020223	020223	1	100			
SRS – 22012	Mobile Computing (Follow Up) <i>FULL</i>	18112022	211122	211122	211122	1	100			



## Internal Audit Work Conducted

Ref	Review / Opinion	Fieldwork	Draft		Final	Num Tested	%age in place	No of Findings		
		Completed	Issued	Response	Issued			H	M	L
SRS – 22013	Performance Management (Follow Up) <i>FULL</i>	020323	020323	020323	020323	3	100			
<b>Totals</b>						<b>198</b>			<b>2</b>	<b>2</b>

### Implications for the 2023 – 24 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	HOURS
SRS - 23001			NID	SYS	P	Active Directory	4	89
SRS - 23002	25 Mar 2022	SUBSTANTIAL	NID	FUP	P	Application Support	2	52
SRS - 23003	26 Mar 2020	SUBSTANTIAL	NID	SYS	P	CCTV	1	89
SRS - 23004	12 Jun 2022	SUBSTANTIAL	NID	FUP	P	Change Management	3	37
SRS - 23005	25 Nov 2021		NID	FUP	P	EdTech	1	52
SRS - 23006	27 Mar 2023	FULL	NID	FUP	P	Firewall	4	37
SRS - 23007	04 Apr 2022	SUBSTANTIAL	NID	FUP	P	Identity and Access Management	4	52
SRS - 23008	02 Dec 2022	FULL	NID	SPL	P	IT Governance	3	89
SRS - 23009	23 Jan 23	FULL	NID	FUP	P	O365	2	37
SRS - 23010			NID	SPL	P	HALO	4	89
SRS - 23011			NID	SYS	P	Solarwinds	2	89
SRS - 23012			NID	SYS	P	Telephony VOIP	1	89
								<b>801</b>

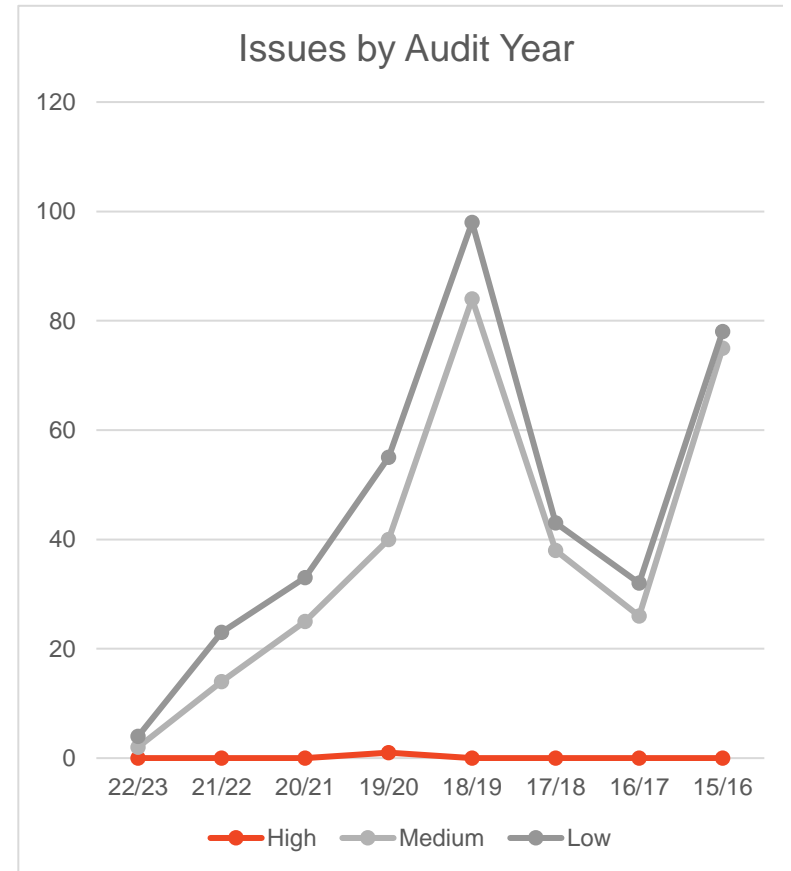
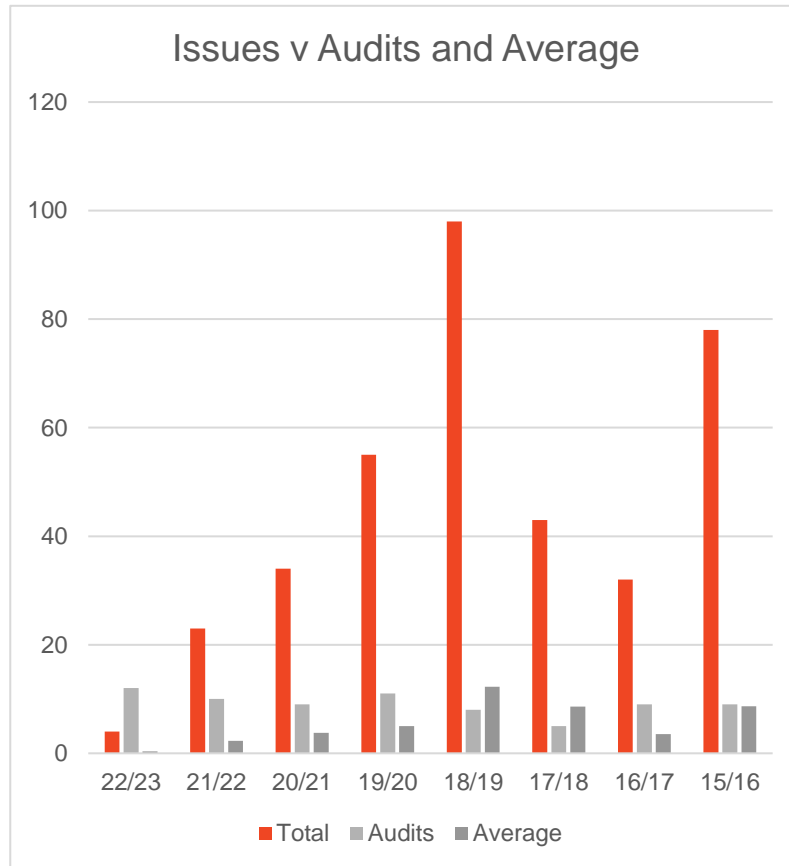
Individual audit opinion ratings:

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	22/23	21/22	20/21	19/20	18/19	17/18	16/17	15/16
Total Issues	4	23	34	55	98	43	32	78
Num Audits	12	10	9	11	8	5	9	9
High	0	0	0	1	0	0	0	0
Medium	2	14	25	39	84	38	26	75
Low	2	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 this year is one of a significant drop in the number of findings, with a position unnoticeable from 2015/16 whilst the number of audits performed is roughly constant.

## Comparison of planned and actual activity 2022/23

Ref	Stage	Type	Title	Quarter	
				Planned	Complete
SRS – 22002	COM	SYS	Change Management	1	1
SRS – 22003	COM	SYS	SOC / SIEM	4	4
SRS – 22004	COM	SYS	Firewall	3	4
SRS – 22005	COM	SYS	Virtualisation	3	4
SRS – 22006	COM	SYS	O365	1	4
SRS – 22007	COM	SPL	Financial Regulations	2	3
SRS – 22008	COM	SYS	Data Centre	3	4
SRS – 22009	COM	FUP	ISMS	4	4
SRS – 22010	COM	FUP	IT Governance	3	4
SRS – 22011	COM	FUP	ITSCM	4	4
SRS – 22012	COM	FUP	Mobile Computing	3	3
SRS – 22013	COM	FUP	Performance Management	4	4

## **Appendix 1: Limitations and responsibilities**

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### **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 2022 to 31 March 2023. 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
<b><i>Satisfactory</i></b>	<ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ None of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>
<b><i>Generally satisfactory with some improvements required</i></b>	<ul style="list-style-type: none"> <li>▪ Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or</li> <li>▪ High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and</li> <li>▪ None of the individual assignment reports have an overall classification of critical risk.</li> </ul>
<b><i>Major improvement required</i></b>	<ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ 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</li> <li>▪ Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and</li> <li>▪ A minority of the individual assignment reports may have an overall report classification of either high or critical risk.</li> </ul>

<b><i>Unsatisfactory</i></b>	<ul style="list-style-type: none"><li>▪ High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or</li><li>▪ Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or</li><li>▪ More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.</li></ul>
<b><i>None</i></b>	<ul style="list-style-type: none"><li>▪ 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"><li>□ 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</li><li>□ 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.</li></ul></li></ul>



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## Contact Information

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