

SHARED RESOURCE SERVICE Annual Internal Audit Report 2020/21

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Executive Summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2021.

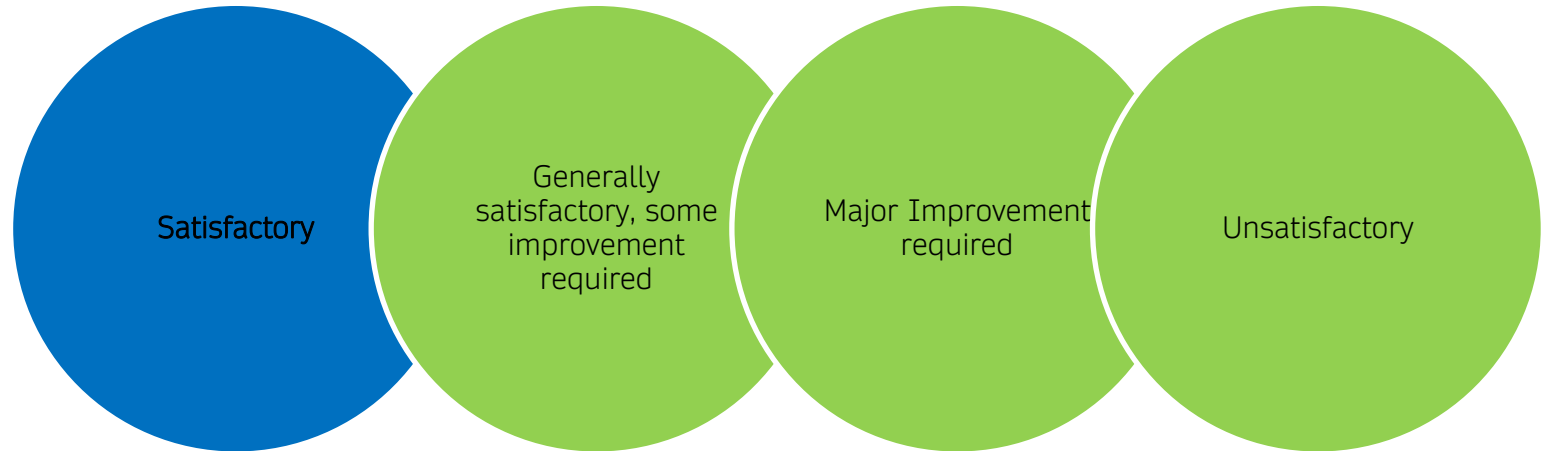
The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system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

Governance and control in relation to the 7 areas reviewed where an opinion was provided has shown further improvement with an opinion of SUBSTANTIAL or FULL in each case. The overall opinion is one of recognising a continuing consolidation of the improvement from previous years evidenced by follow up audits demonstrating an increase of at least one opinion level. There are and will always be areas where improvement is required as demonstrated by the consultancy audits for risk management and the information security management system. The expectation is that all agreed recommendations will be implemented and that all opinions are at least moderate if not substantial.

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 has been challenging due to the pandemic requiring a flex of the plan with efforts shifting towards the latter part of the year and I would like to take this opportunity to thank all SRS staff for their co-operation and assistance in ensuring completion of the audit plan.

The positive approach regarding how the way the audits are carried out with Senior management noted last year has continued and this approach will continue to be utilised in future audits.

Summary of Findings

The table starting on page 06 records a summary of the key findings from our programme of internal audit work for the year.

Overview

We completed **9** internal audit reviews (2 systems, 5 follow ups, 2 advisory). This resulted in the identification of **33** findings (25 medium, and 8 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 - 20001	Business Management (System) Key Dates: Fieldwork Completed 18 Jan 21 Draft Issued 26 Jan 21 Draft Response 05 Feb 21 Final Issued 05 Feb 21	SUBSTANTIAL	9	78.00			2
SRS - 20002	CCTV / Control Room (Follow Up) Key Dates: Fieldwork Completed 08 Mar 21 Draft Issued 09 Mar 21 Draft Response 22 Mar 21 Final Issued 22 Mar 21	Opinion level increased from MODERATE to SUBSTANTIAL	19/8	84.21		1	2
SRS - 20003	Cybersecurity (Follow Up) Key Dates: Fieldwork Completed 26 Mar 21 Draft Issued 30 Mar 21 Draft Response 06 Apr 21 Final Issued 06 Apr 21	Opinion level increased from MODERATE to FULL	97/42	95.88		3	1
SRS - 20004	Enterprise Architecture Management (Follow Up) Key Dates:	Opinion level increased from	10/7	70.00		1	2

Ref	Review	Opinion	Controls Tested	%age in place	No of Findings		
					H	M	L
	Fieldwork Completed 08 Mar 21 Draft Issued 09 Mar 21 Draft Response 25 Mar 21 Final Issued 25 Mar 21	LIMITED to SUBSTANTIAL					
SRS – 20005	Firewall (Follow Up) Key Dates: Fieldwork Completed 02 Feb 21 Draft Issued 02 Feb 21 Draft Response 03 Feb 21 Final Issued 03 Feb 21	Opinion level increased from SUBSTANTIAL to FULL.	26/7	100			
SRS - 20007	Software Asset Management (Follow Up) Key Dates: Fieldwork Completed 24 Feb 21 Draft Issued 01 Mar 21 Draft Response 22 Mar 21 Final Issued 22 Mar 21	Opinion level increased from MODERATE to SUBSTANTIAL	22/9	77.27		5	
SRS - 20008	Risk Management (Special) Key Dates: Fieldwork Completed 19 Nov 20 Draft Issued 24 Nov 20 Draft Response 30 Nov 20 Final Issued 30 Nov 20		14			9	
SRS - 20009	Information Security Management System (Special) Key Dates: Fieldwork Completed 25 Mar 21 Draft Issued 29 Mar 21 Draft Response 06 Apr 21 Final Issued 06 Apr 21		53			5	
SRS - 20010	Data Centre (System) Key Dates: Fieldwork Completed 15 Oct 20 Draft Issued 21 Oct 20 Draft Response 05 Nov 20 Final Issued 06 Nov 20	FULL	28	93.00		1	1

Ref	Review	Opinion	Controls Tested	%age in place	No of Findings		
					H	M	L
Totals			177			25	8

UNABLE TO START - MOVED TO 2021-22

SRS – 20006 IT Governance Systems

Implications for the 2021 – 22 audit plan

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

Audit Ref	RES	STAGE	TYPE	CAT	PROJECT_NAME	QTR	Team	Days
SRS - 21001	MA C	ISS	SYS	P	EdTech	1	2	12
SRS - 21002		NID	FUP	P	Business Management	2	2	5
SRS - 21003		NID	FUP	P	Data Centre	4	2	5
SRS - 21004		NID	SYS	P	IT Governance	2	2	12
SRS - 21005		NID	SYS	P	IT Service Continuity	4	2	12
SRS - 21006		NID	SYS	P	Application Support	3	2	12
SRS - 21007		NID	SYS	P	Identity & Access Management	4	2	12
SRS - 21008	ASR	ISS	FUP	P	IT Disposals	1	2	5
SRS - 21009		NID	SYS	P	Mobile Computing	3	2	12

SRS - 21010		NID	SYS	P	Performance Management	3	2	12
					10 Audits			99

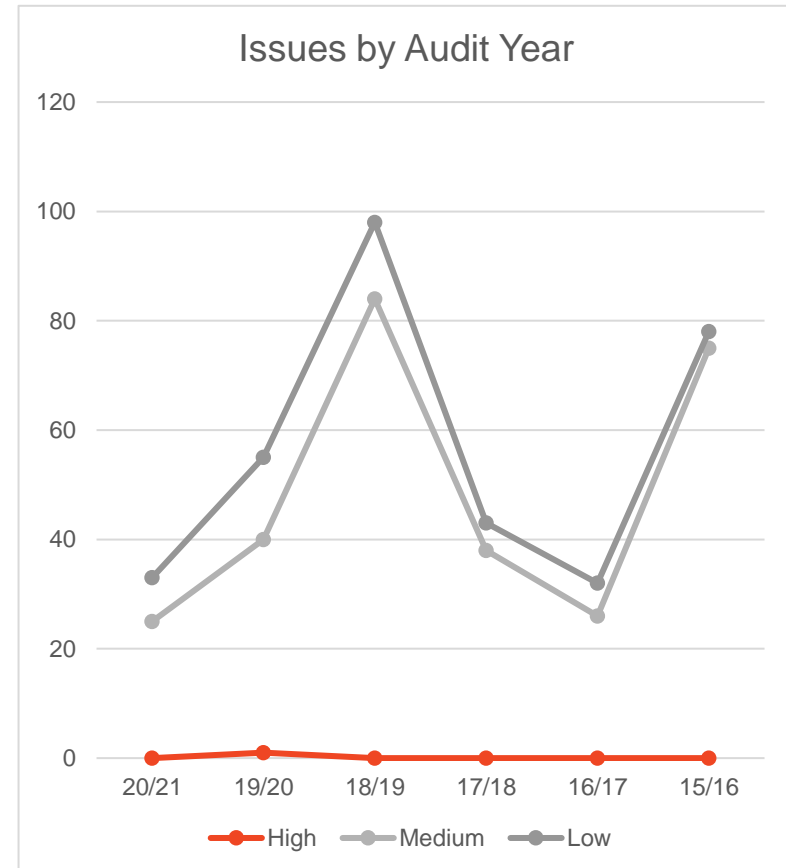
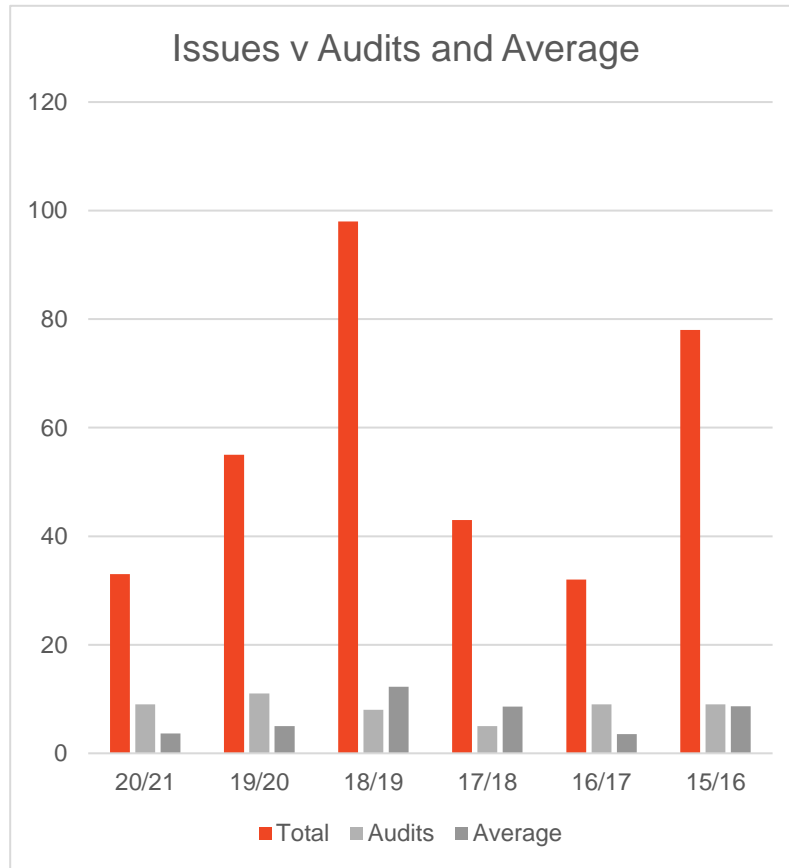
Individual audit opinion ratings:

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	20/21	19/20	18/19	17/18	16/17	15/16
Total Issues	34	55	98	43	32	78
Num Audits	9	11	8	5	9	9
High	0	1	0	0	0	0
Medium	25	39	84	38	26	75
Low	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 2020/21 whilst the number of audits performed around a constant number.

Comparison of planned and actual activity 2020/21

Ref	Stage	Type	Title	Quarter	
				Planned	Complete
SRS - 20001	COM	SYS	Business Management	3	4
SRS - 20002	COM	FUP	CCTV / Control Room	4	4
SRS - 20003	COM	FUP	Cybersecurity	4	4
SRS - 20004	COM	FUP	Enterprise Architecture	2	4
SRS - 20005	COM	FUP	Firewall	4	4
SRS - 20007	COM	FUP	Software Asset Management	4	4
SRS - 20008	COM	SPL	Risk Management	1	3
SRS - 20009	COM	SPL	Information Security Management System	3	4
SRS - 20010	COM	SYS	Data Centre	1	3

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 2019 to 31 March 2020. 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

	<ul style="list-style-type: none">▪ 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▪ 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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