

# INTERNAL AUDIT PROGRESS REPORT 2021/22

27 January 2022





## BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Service's Audit Charter. In accordance with the PSIAS, the Head of Internal Audit is required to report progress on the programme of internal work to the committee. This is support the annual internal audit opinion and to highlight any emerging significant risks and/or control issues we have become aware of.
- 2 The proposed 2021/22 areas of work for internal audit, and the approach to flexible audit planning, was summarised in the Internal Audit Plan, which was agreed by this committee in March 2021.
- 3 It is important that audit resources are used effectively and continue to focus on those areas which add the most value. The plan is therefore designed to be flexible so that as new risks are identified or priorities change the audit programme can be updated.



## INTERNAL AUDIT PROGRESS

- 4 Since the last committee in September 2021 we have finalised one audit on Payroll (Controls Review). A full copy of that report has been circulated separate to this progress report. Two draft reports have also been issued. Work is in progress on four other areas of work.
- 5 There are no significant risks and/or significant control issues which we have become aware of, that we need to highlight to the committee.
- 6 Further information on the areas of internal audit work are included in the appendices to this report. Appendix A provides details of the internal audits finished and/or currently in progress and the status of each audit. Appendix C provides further information on audit opinions and priorities for management actions.



## FOLLOW UP OF AGREED ACTIONS

- 7 It is important that agreed actions are followed up to ensure that they have been implemented. Veritau has followed up agreed actions during the year, taking account of the timescales previously agreed with management for implementation. Further information on follow up is included in Appendix B.

## APPENDIX A: 2021/22 INTERNAL AUDIT WORK

### Audits in progress

Audit	Status
Policies and procedures	Draft report issued
Bank Mandate procedures	Draft report issued
Health and Safety	In progress
Risk Management	In progress
ICT Asset Management	In progress
Procurement	In progress

### Final reports issued

Audit	Reported to Committee	Opinion
Payroll – controls review	January 2022	Reasonable Assurance
HR Discipline and Grievance	September 2021	Reasonable Assurance
Payroll – data changes	July 2021	No opinion
Tranman and AMS System	July 2021	Reasonable Assurance

## APPENDIX B: PROGRESS TO IMPLIMENT PREVIOUSLY AGREED ACTIONS

Area	Opinion and Actions	Area reviewed	Date issued	Areas for Improvement	Update on Management Actions
Control Room	Reasonable Assurance (4 actions, with 2 immediately completed and 2 with deadlines for end of June 2021. Both remaining actions were priority 3)	We reviewed arrangements to ensure: <ul style="list-style-type: none"> <li>Control Room service risks and priorities had been identified</li> <li>The Control and Mobilising Plan was being regularly reviewed</li> <li>The Control and Mobilising Plan was being tested to ensure any weaknesses were being identified and addressed.</li> </ul>	March 2021 (Presented to the March 2021 Committee)	It was unclear what the response times and expectations were, for the service being provided by IT to the Control Room, as these were not documented within the Control and Mobilisation Plan.  There was no document review log for the Control and Mobilisation Plan.	All relevant times and expectations have been updated in the Control and Mobilisation Plan. The plan has also been updated to include a review log and a copy provided to the Control Room.  Information has been shared to the ICT Service Delivery Manager to help ensure Business Continuity information remains accurate.  <b>All areas for improvement completed.</b>
ICT Infrastructure	Substantial Assurance (5 actions, to be completed by September 2021. All actions were priority 3)	Various aspects of the Service's infra-structure were reviewed, including <ul style="list-style-type: none"> <li>Logical access controls</li> <li>Network management and configuration</li> <li>Arrangements to minimise disruption to services and data loss following an IT failure, and</li> <li>The monitoring and management of vulnerabilities.</li> </ul>	March 2021 (Presented to the March 2021 Committee)	Additional monitoring activities of privileged user accounts were not being performed.  The service had not tested the incident management plan or with restoring systems since the changes in the ICT infrastructure had been made.  The service did not test the installation of patches in the corporate environment	Monitoring of accounts is now taking place.  Desk based work has been completed to help plan for an incident.  Critical patches for high risk areas are being tested before they are implemented. The patching procedure is being reviewed; following this review a new policy will be implemented.

Area	Opinion and Actions	Area reviewed	Date issued	Areas for Improvement	Update on Management Actions
				before they were implemented.	<b>Work addressing areas for improvement close to completion.</b>
Tranman and AMS system	Reasonable Assurance (4 actions, 3 Priority 2 and 1 Priority 3) with deadlines for end of September 2021	In 2020 the Service introduced AMS as the tool for management of stock, supplies and operational equipment. Prior to this the service had been using the Tranman system. Our work reviewed Tranman and AMS to ensure: <ul style="list-style-type: none"> <li>• Areas for improvement in the Tranman system identified in the previous internal audit report have been addressed</li> <li>• Appropriate project management arrangements were used to implement the new AMS system.</li> </ul>	March 2021 (Presented to the July 2021 Committee)	Work highlighted there was no collaborative working (leading to both systems being introduced in isolation) and that elements of the business change framework were not being followed. These findings reinforced the need for the Service to put in place effective project and programme support processes and capacity for all future projects.  A client brief was also not completed and agreed prior to the AMS system handover from Response & Resilience to Logistics when the system went 'live'.	We are awaiting an update from the Head of Assets to help assess the progress being made by the service to address the areas for improvement identified in the report.  Work linked to the wider project management findings and improvements is being taken forward with new arrangements by the Service and Enable which started in 2021, and significant further development is planned in 2022.  <b>Work is in progress addressing the areas for improvement identified in the audit.</b>
Payroll – data changes	No opinion  2 actions (1 Priority 2 and 1 Priority 3) with deadlines for end of June 2021.	We reviewed procedures to ensure: <ul style="list-style-type: none"> <li>• There was a documented and 'fit for purpose' process for changing employee bank account details</li> </ul>	May 2021 (Presented to July 2021 Committee)	Procedure notes needed to be updated in a number of areas.  Discussions and training needed to be completed with relevant staff on procedures and process to achieve full awareness.	Procedure notes have all been updated.  Relevant discussions and training have taken place.  <b>All areas for improvement completed.</b>

Area	Opinion and Actions	Area reviewed	Date issued	Areas for Improvement	Update on Management Actions
		<ul style="list-style-type: none"><li>• Appropriate controls are in place to prevent fraudulent bank account requests from being processed.</li></ul>		Some changes to logging information and the forms being used were also needed.	

## APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

### Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit. Our overall audit opinion is based on 4 grades of opinion.

Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control, to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

### Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.