

<b>SUBJECT:</b>	<b>SRS INTERNAL AUDIT ANNUAL REPORT – 2024/25</b>
<b>MEETING:</b>	<b>GOVERNANCE &amp; AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>JUNE 2025</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>ALL</b>

## NON-PUBLICATION

Not Applicable.

### 1. PURPOSE:

To outline the work carried out in respect of the Shared Resource Service (SRS) for the year ended March 31, 2025 which forms the basis of the annual opinion of the Head of Internal Audit and enables the provision of assurance to the Governance & Audit Committee.

### 2. RECOMMENDATIONS:

To note the overall opinion provided by the Torfaen Head of Internal Audit and the intended coverage for 2025/26.

### 3. KEY ISSUES:

The audit risk assessment determined that the programme of work for 2024/25 should comprise 11 separate reviews [10 SRS and 1 GPA] to allow an overall opinion to be given as to the adequacy and effectiveness of governance, risk management and control.

The resultant 8 'full', 2 'substantial' and 1 'moderate' audit opinion enables the determination of an overall opinion of "*generally satisfactory, some improvement required*". This recognises continued maintenance of the improvement achieved in previous years as the number of audits findings has again reduced and that areas for improvement will always exist as there was a small increase in the number of high risk issues/recommendations.

The expectation is that all agreed recommendations are implemented and that all opinions are at least 'moderate' if not 'substantial' which has been achieved.

The internal audit service can only ever provide reasonable assurance that there are no major weaknesses in the system of internal control.

The implications for the year 2025/26 is the requirement for 11 separate reviews and a similar resource requirement to that for 2024/25.

### 4. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

Not Applicable.

**5. OPTIONS APPRAISAL**

Not Applicable.

**6. EVALUATION CRITERIA**

The report relies upon several measures/milestones i.e.

- Risk Assessment to inform required coverage for the year ahead.
- Allocation of resource to assessed risk and required coverage.
- Engagement of the SRS and Finance & Governance Board.
- Completion of the proposed programme of work and the reporting of results.

**7. REASONS:**

Not Applicable.

**8. RESOURCE IMPLICATIONS:**

Not Applicable.

**9. CONSULTEES:**

This report compiles the results of the detailed progress reports presented to the SRS Finance & Governance Board on a quarterly basis. It is scheduled to be reported at its next meeting.

SRS Senior Management also receive the report, which they have accepted and acknowledged.

**10. BACKGROUND PAPERS:**

SRS Annual Internal Audit Report 2024-25

**11. AUTHOR:**

M Corcoran, Group Auditor, Torfaen County Borough Council Internal Audit

**12. CONTACT DETAILS:**

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# **SHARED RESOURCE SERVICE**

## **Annual Internal Audit Report**

### **2024/25**

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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 2025.

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).

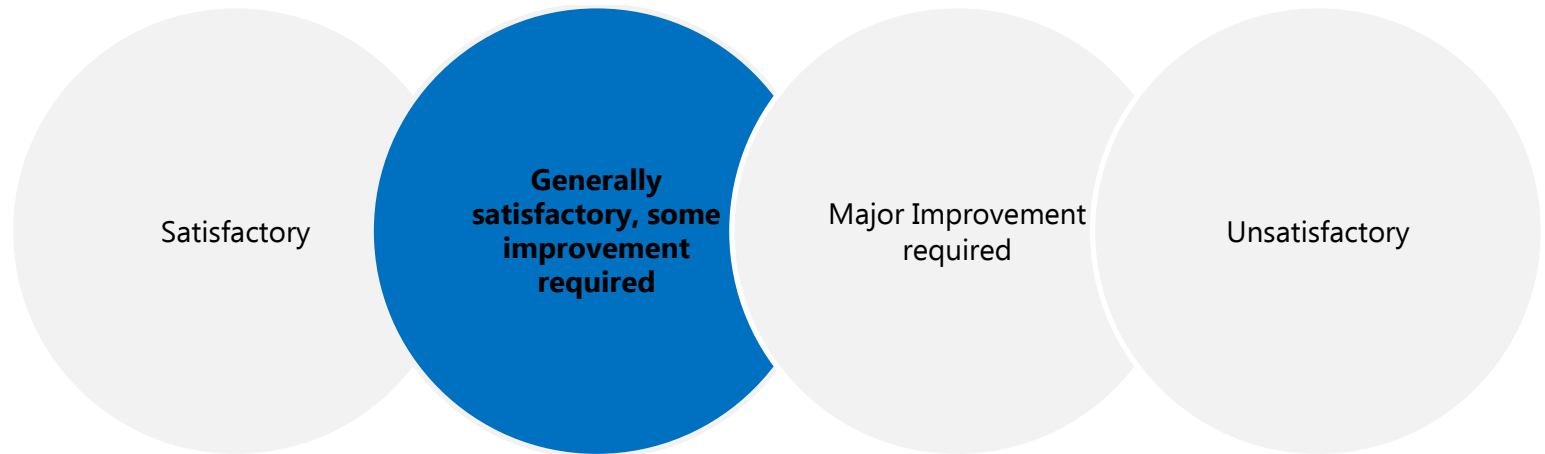
This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1.

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. 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 agreed audit plan contained 11 areas for review [10 SRS and 1 GPA], generating 8 'full', 2 'substantial' and 1 'moderate' audit opinion. The overall opinion (based on the 10 areas of the SRS) recognises the continued maintenance of the improvement achieved in previous years. Areas for improvement will always exist. 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**

The plan for this year was again 'flexed' to accommodate operational issues within the Shared Resource Service, all audits were completed within the year.

For 2025-26, it is hoped that all audits can happen as planned throughout the year.

Internal Audit would like to take this opportunity to thank all SRS staff for their co-operation and assistance in ensuring the completion of audits identified in the plan.



## 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

	SRS	GPA
Number of reviews	10	1
Audit Type - System	7	1
Audit Type - Follow Ups	3	
Risk Assessment – High	1	
Risk Assessment – Medium	7	1
Risk Assessment - Low	2	
Findings – High	2	3
Findings – Medium	7	6
Findings - Low	2	

- 20 findings to improve weaknesses in the design of controls and/or operating effectiveness (see Page 06) were identified.

All final reports issued during the year contained 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-24001	Active Directory, <b>Full</b>	27/11/24	27/11/24	27/11/24	27/11/24	8	100			
SRS-24002	Application Integration Service, <b>Full</b>	1/11/24	1/11/24	1/11/24	1/11/24	22	100			
SRS-24003	Business Management, <b>Full</b>	27/8/24	28/8/24	29/8/24	29/8/24	19	100			
SRS-24005	HALO, <b>Full</b>	20/11/24	20/11/24	20/11/24	20/11/24	1	100			
SRS-24006	Information Security Management System, <b>Full</b>	6/8/24	7/8/24	7/8/24	8/11/24	71	98		1	
SRS-24007	IT Disposals, <b>Substantial</b>	11/2/25	13/2/25	25/2/25	25/2/25	10	70		2	1
SRS-24008	IT Service Continuity Management, <b>Substantial</b>	11/3/25	13/3/25	17/3/25	17/3/25	27	78	2	4	
SRS-24009	Mobile Computing, <b>Full</b>	16/12/24	6/1/25	30/1/25	30/1/25	54	98			1
SRS-24010	Software Asset Management, <b>Full</b>	26/2/25	27/2/25	27/2/25	27/2/25	17	100			
SRS-24011	Solarwinds, <b>Full</b>	15/1/25	16/1/25	16/1/25	16/1/25	1	100			
Totals						230		2	7	2

Ref	Review / Opinion	Fieldwork Completed	Draft		Final	Num Tested	%age in place	No of Findings		
			Issued	Response	Issued			H	M	L
SRS-24004	Data Centre – GPA, <b>Moderate</b>	2/8/24	6/8/24	20/8/24	20/5/24	83	89	3	6	
Totals						83		3	6	-

**Implications for the 2025 – 26 audit plan**

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

Audit Ref	LAST SYSTEM AUDIT	LAST SYSTEM OPINION	TYPE	PROJECT_NAME	QTR	HOURS
SRS – 25001	17/6/22	SUBSTANTIAL	SYS	Change Management	2	89
SRS – 25002	30/3/23	FULL	SYS	Cybersecurity	4	89
SRS – 25004	27/3/23	FULL	SYS	Firewall	4	89
SRS – 25005	5/4/22	SUBSTANTIAL	SYS	Identity and Access Management	1	89
SRS – 25006	8/8/24	FULL	FUP	Information Security Management System	1	15
SRS – 25007	25/2/25	SUBSTANTIAL	FUP	IT Disposals	3	37
SRS – 25008	17/3/25	SUBSTANTIAL	FUP	IT Service Continuity Management	3	52
SRS – 25009	30/1/25	FULL	FUP	Mobile Computing	2	15
SRS – 25010	23/1/23	FULL	SYS	O365	4	89
SRS – 25011	23/2/23	FULL	SYS	Virtualisation	4	89
<b>SRS TOTAL</b>						<b>653</b>
SRS – 25003	20/8/24	MODERATE	FUP	Data Centre – GPA	2	52
<b>GPA TOTAL</b>						<b>52</b>

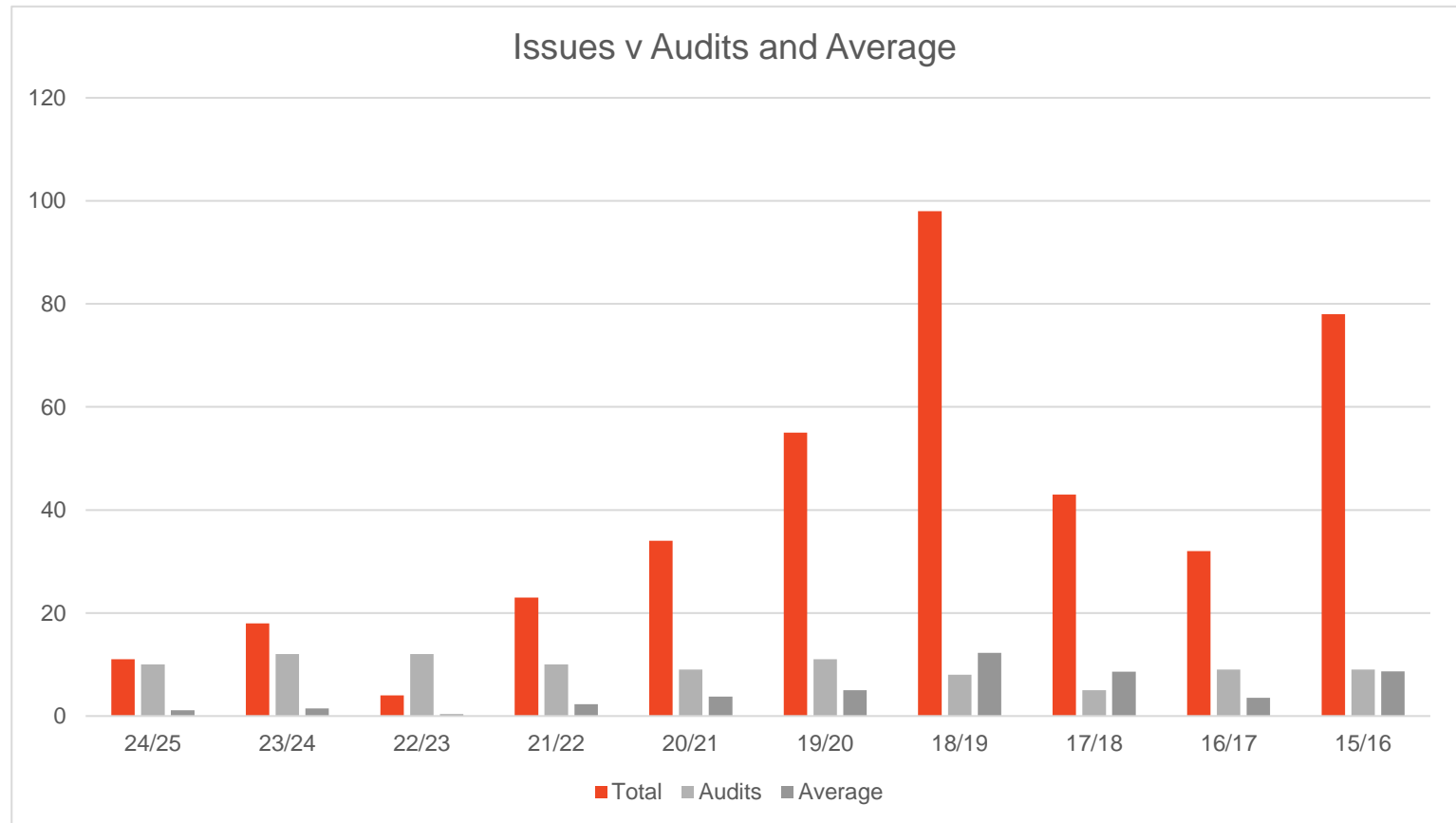
**Individual audit opinion ratings:**

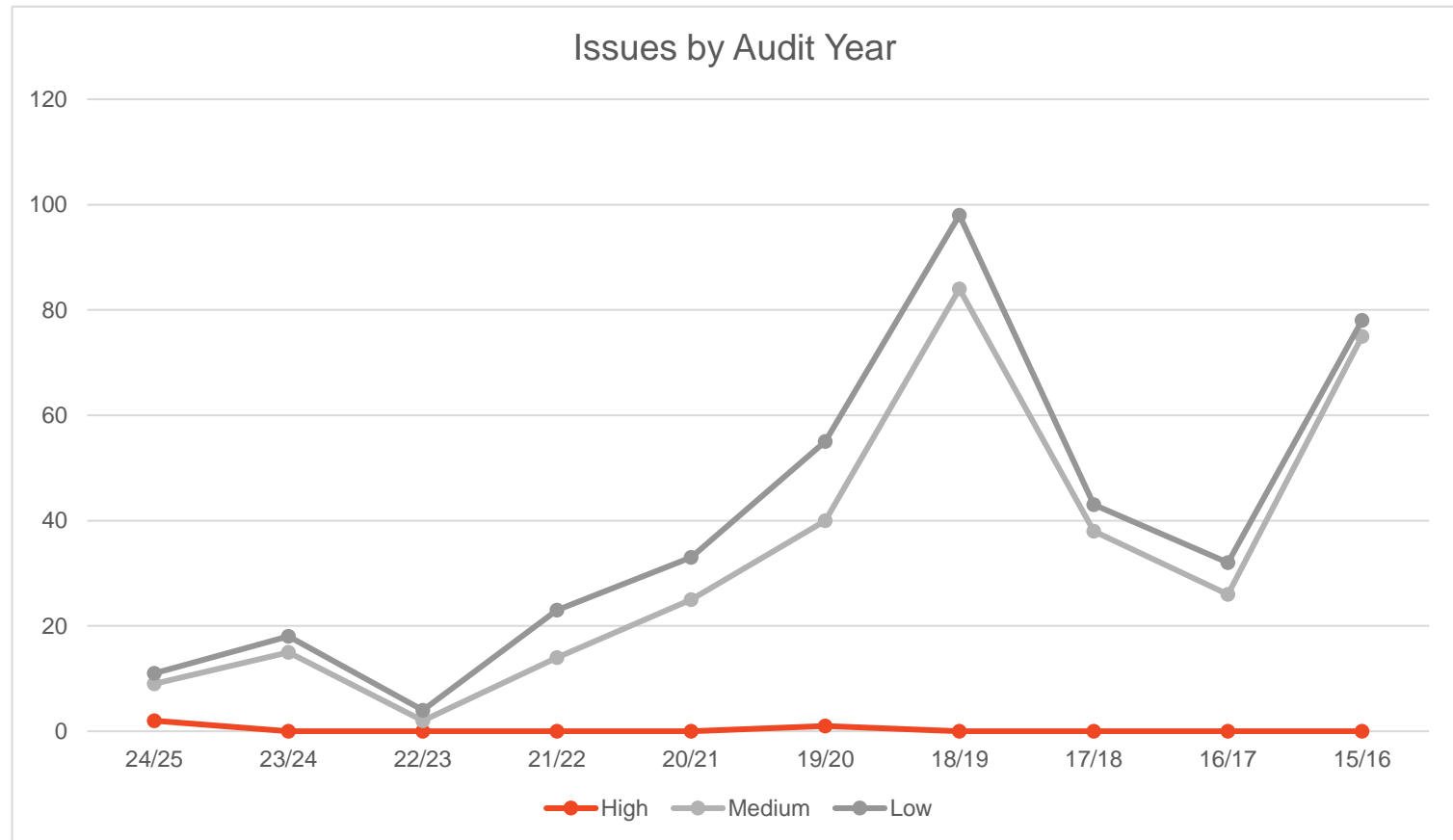
The ratings below are now used for both systems and follow up audit reviews, confirmation of at least the existing review control environment for a follow up.

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

## Direction of Control Travel

Metric	24/25	23/24	22/23	21/22	20/21	19/20	18/19	17/18	16/17	15/16
Total Issues	11	18	4	23	34	55	98	43	32	78
Num Audits	10	12	12	10	9	11	8	5	9	9
High	2	0	0	0	0	1	0	0	0	0
Medium	7	15	2	14	25	39	84	38	26	75
Low	2	3	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. This year has seen an increase in the number of high-risk findings, and comparable numbers of medium and low risk findings based on 2023/24. This is primarily due to the audit of the GPA Data Centre, outside the direct control of the SRS. The number of audits performed has remained roughly constant.

## Comparison of planned and actual activity 2024/25

Ref	Stage	Type	Title	Quarter	
				Planned	Complete
SRS-24001	COM	FUP	Active Directory	3	3
SRS-24002	COM	SYS	Application Integration Service	2	3
SRS-24003	COM	SYS	Business Management	2	2
SRS-24004	COM	SYS	Data Centre - GPA	1	2
SRS-24005	COM	FUP	HALO	3	3
SRS-24006	COM	SYS	Information Security Management System	1	2
SRS-24007	COM	SYS	IT Disposals	4	4
SRS-24008	COM	SYS	IT Service Continuity Management	4	4
SRS-24009	COM	SYS	Mobile Computing	2	4
SRS-24010	COM	SYS	Software Asset Management	3	4
SRS-24011	COM	FUP	SolarWinds	3	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 2024 to 31 March 2025. 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.

<b>Opinion</b>	<b>Factors contributing to this opinion</b>
<b>Satisfactory</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>Generally satisfactory with some improvements required</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>Major improvement required</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>

<i>Unsatisfactory</i>	<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>
<i>None</i>	<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>

## Contact Information

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