

<b>SUBJECT:</b>	<b>SRS INTERNAL AUDIT ANNUAL REPORT – 2023/24</b>
<b>MEETING:</b>	<b>GOVERNANCE &amp; AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>JULY 17, 2024</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>ALL</b>

## **NON-PUBLICATION**

Not Applicable.

### **1. PURPOSE:**

To outline the work carried out by Torfaen Internal Audit in respect of the Shared Resource Service (SRS) for the year ended March 31, 2024 upon which the audit opinion is based 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.

### **3. KEY ISSUES:**

I am 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.

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

Not Applicable.

### **5. OPTIONS APPRAISAL**

Not Applicable.

### **6. EVALUATION CRITERIA**

Not Applicable.

### **7. REASONS:**

Not Applicable.

**8. RESOURCE IMPLICATIONS:**

Not Applicable.

**9. CONSULTEES:**

All elements of the Internal Audit process from risk assessment through to audit performance and reporting are communicated to and discussed with SRS Senior Management and representatives of the SRS Finance & Governance Board.

**10. BACKGROUND PAPERS:**

SRS Annual Internal Audit Report 2023 – 24 FINAL



SRS Annual Internal  
Audit Report 2023\_2

**11. AUTHOR:**

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# **SHARED RESOURCE SERVICE**

## **Annual Internal Audit Report**

### **2023/24**

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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 2024.

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).

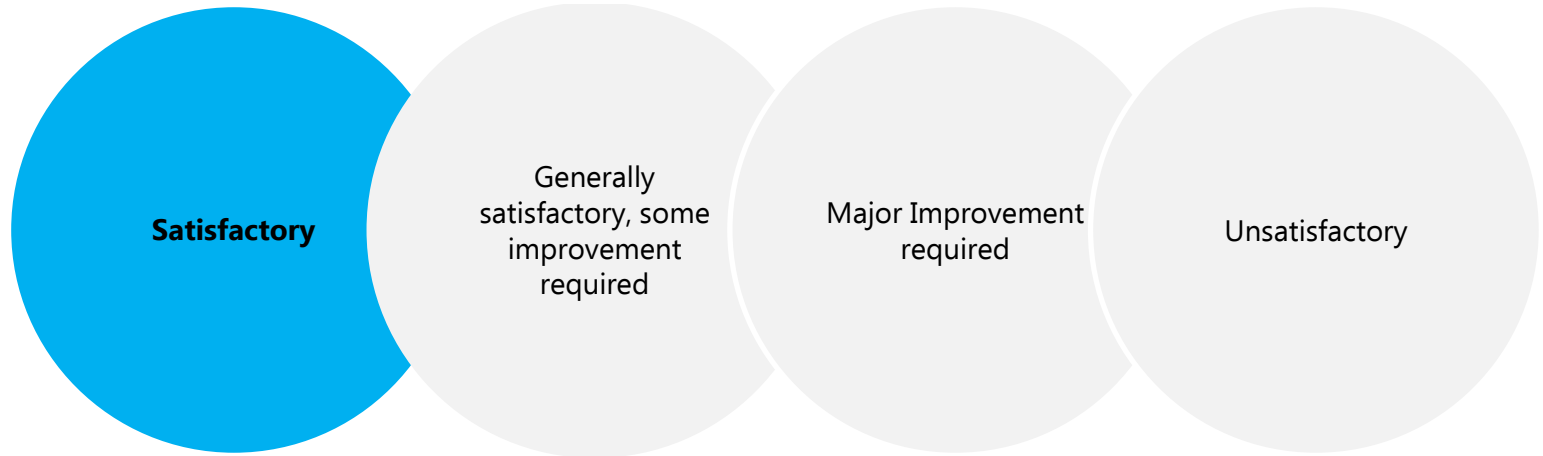
This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1.

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:

- 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 agreed audit plan contained 12 areas for review, generating 3 'substantial' and 9 'full' audit opinions. The overall opinion recognises continued consolidation of improvement again this year. 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 had to be 'flexed' again to accommodate operational issues within the Shared Resource Service, a disproportionate amount of effort shifted towards the latter part of the year and for the first time, one audit was not completed within the year due to staff availability issues.

For 2024-25, 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.



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## Summary of Findings

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

### Overview

The **12** internal audit reviews completed:

- were a blend of
  - type (systems (4), follow ups (6), special/consultancy (2)) and
  - risk (High (2), Medium (2) and Low (8)).
- resulted in the identification of 18 findings (15 medium, and 3 low) to improve weaknesses in the design of controls and/or operating effectiveness (see Page 06).

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-23001	Active Directory, <b>Substantial</b>	Apr 5, 24	Apr 8, 24	Apr 15, 24	Apr 17, 24	38	79		5	3
SRS-23002	Application Integration Service, <b>Full</b>	Jun 19, 23	Jun 26, 23	Jun 26, 23	Jun 26, 23	2	100			
SRS-23003	CCTV Control Centre, <b>Full</b>	Jun 19, 23	Jun 26, 23	Jun 26, 23	Jun 26, 23	24	100			
SRS-23004	Change Management, <b>Full</b>	Aug 7, 23	Aug 8, 23	Aug 8, 23	Aug 8, 23	1	100			
SRS-23005	EdTech, <b>Full</b>	May 26, 23	May 31, 23	Jun 1, 23	Jun 1, 23	4	25		3	
SRS-23006	Firewall, <b>Full</b>	Mar 1, 24	Mar 4, 24	Mar 4, 24	Mar 4, 24	2	100			
SRS-23007	Identity and Access Management, <b>Full</b>	Mar 6, 24	Mar 6, 24	Mar 12, 24	Mar 12, 24	5	80			
SRS-23008	IT Governance, <b>Substantial</b>	Feb 5, 24	Feb 7, 24	Feb 7, 24	Feb 7, 24	18	89		2	
SRS-23009	O365, <b>Full</b>	May 3, 23	May 4, 23	May 4, 23	May 4, 23	1	100			
SRS-23010	HALO, <b>Full</b>	Mar 26, 24	Mar 27, 24	Mar 27, 24	Mar 27, 24	42	98		1	
SRS-23011	SolarWinds, <b>Substantial</b>	May 3, 24	May 21, 24			5	80		1	
SRS-23012	Telephony (VOIP), <b>Full</b>	Oct 17, 23	Oct 19, 23	Oct 25, 23	Oct 26, 23	72	96		3	
<b>Totals</b>						<b>214</b>			<b>15</b>	<b>3</b>

**Implications for the 2024 – 25 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 – 24001	Apr 17, 24	SUBSTANTIAL	NID	FUP	P	Active Directory	3	52
SRS – 24002	Mar 25, 22	FULL	NID	SYS	P	Application Integration Service	2	89
SRS – 24003	Jan 26, 21	SUBSTANTIAL	NID	SYS	P	Business Management	2	89
SRS – 24004			ISS	SYS	P	Data Centre – GPA	1	89
SRS – 24005	Mar 27, 24	FULL	NID	FUP	P	HALO	3	52
SRS – 24006	Mar 29, 21	FULL	ISS	SYS	P	Information Security Management System	1	89
SRS – 24007	May 7, 19	LIMITED	NID	SYS	P	IT Disposals	4	89
SRS – 24008	Mar 8, 22	FULL	NID	SYS	P	IT Service Continuity Management	4	89
SRS – 24009	Feb 15, 22	SUBSTANTIAL	NID	SYS	P	Mobile Computing	2	89
SRS – 24010	May6, 20	MODERATE	NID	SYS	P	Software Asset Management	3	89
SRS – 24011			NID	FUP	P	Solarwinds	3	52
								<b>868</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.

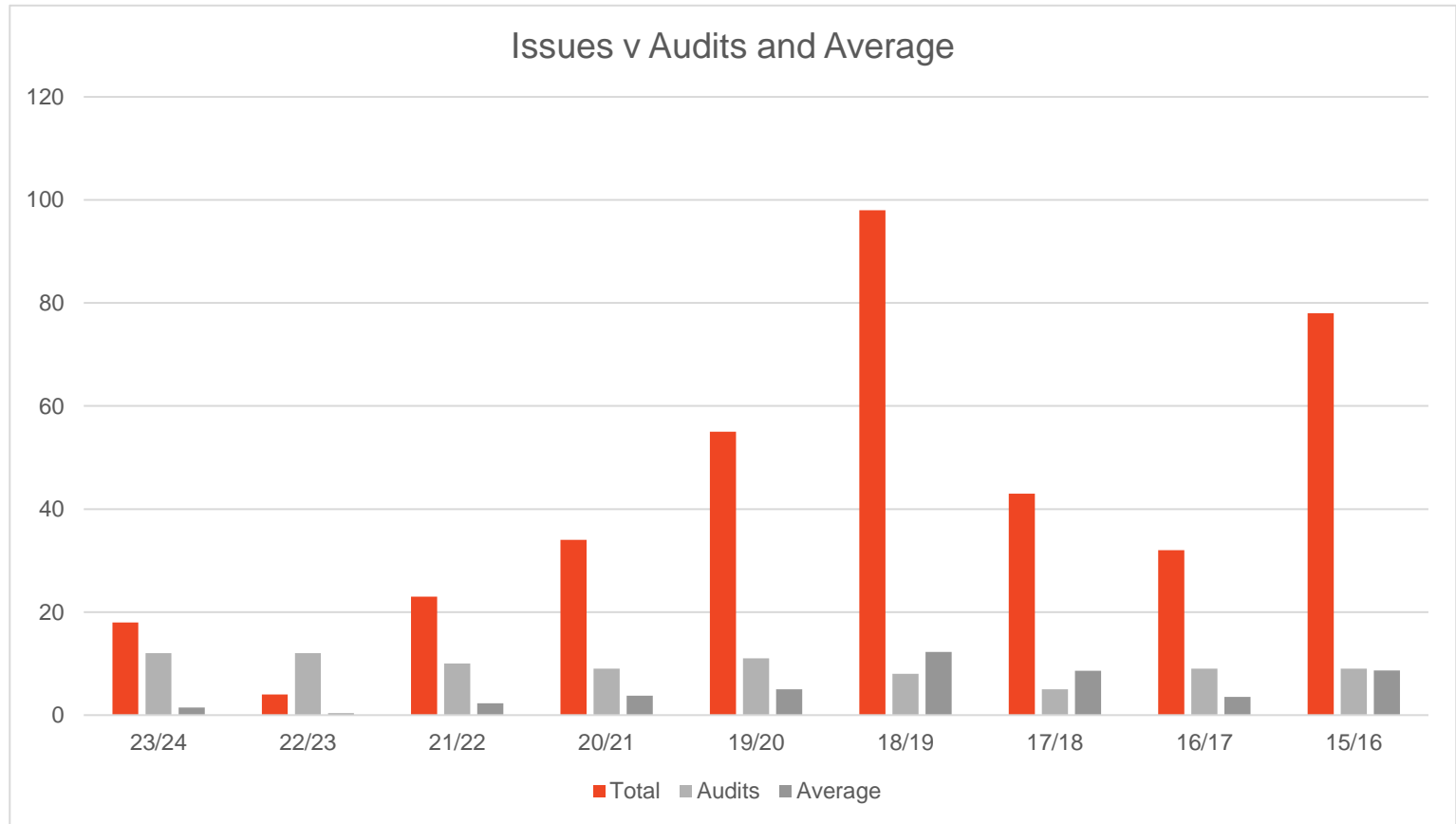
Rating	% controls tested deemed operating
NIL	0 – 10%
LIMITED	11 – 49%.
MODERATE	50 – 69%
SUBSTANTIAL	70 – 89%

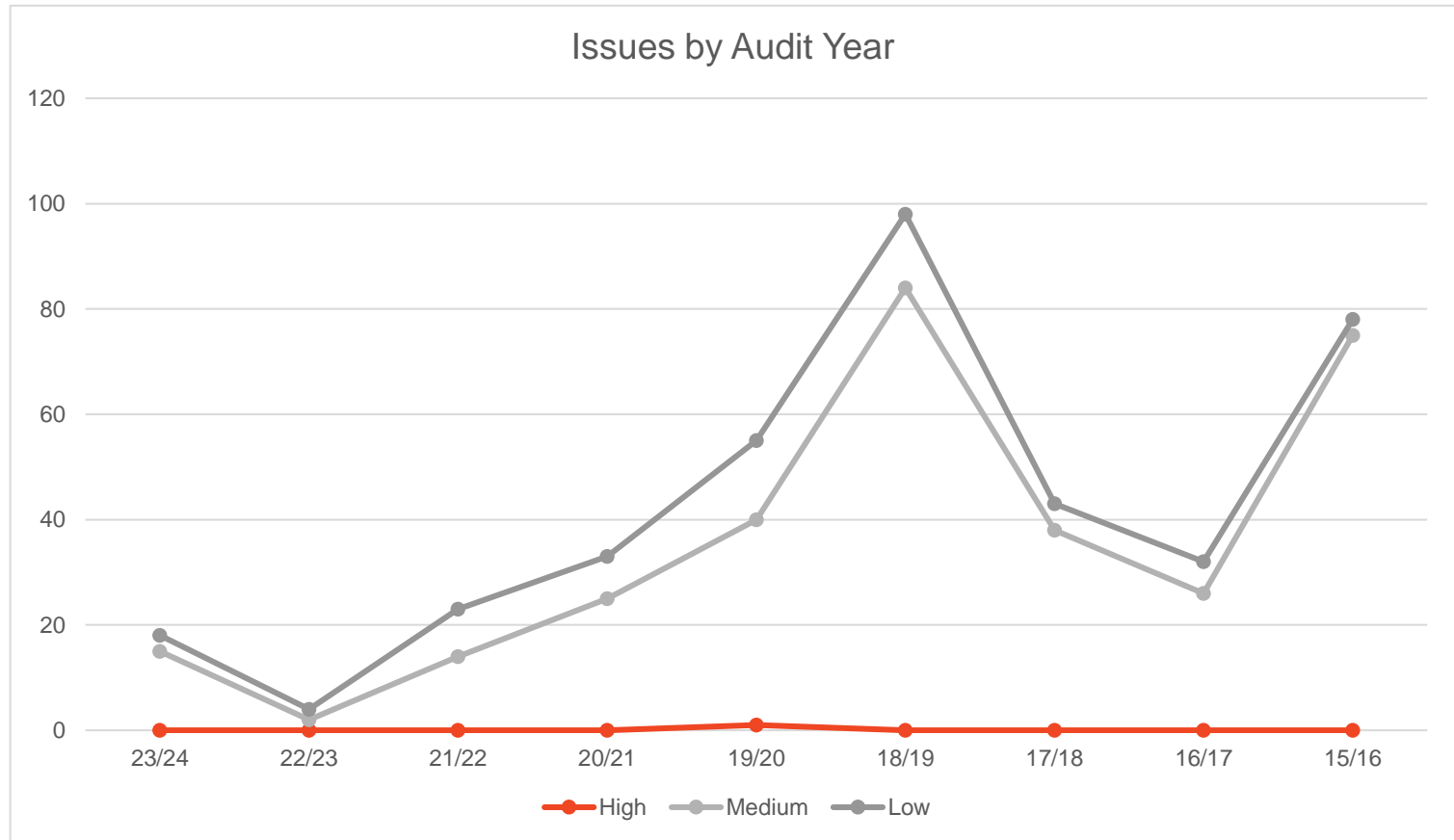
FULL

90 – 100%

**Direction of Control Travel**

<b>Metric</b>	<b>23/24</b>	<b>22/23</b>	<b>21/22</b>	<b>20/21</b>	<b>19/20</b>	<b>18/19</b>	<b>17/18</b>	<b>16/17</b>	<b>15/16</b>
Total Issues	18	4	23	34	55	98	43	32	78
Num Audits	12	12	10	9	11	8	5	9	9
High	0	0	0	0	1	0	0	0	0
Medium	15	2	14	25	39	84	38	26	75
Low	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 there has been an increase in the number of medium risk findings, based on 2022/23 whilst the number of audits performed is roughly constant.

## Comparison of planned and actual activity 2023/24

Ref	Stage	Type	Title	Quarter	
				Planned	Complete
SRS-23001	COM	SYS	Active Directory	4	4
SRS-23002	COM	FUP	Application Integration Service	2	1
SRS-23003	COM	SYS	CCTV Control Centre	1	1
SRS-23004	COM	FUP	Change Management	2	2
SRS-23005	COM	FUP	EdTech	1	1
SRS-23006	COM	FUP	Firewall	4	4
SRS-23007	COM	FUP	Identity and Access Management	4	4
SRS-23008	COM	SPL	IT Governance	2	4
SRS-23009	COM	FUP	O365	1	1
SRS-23010	COM	SPL	HALO	4	4
SRS-23011	COM	SYS	SolarWinds	3	1 24/25
SRS-23012	COM	SYS	Telephony (VOIP)	1	3

## **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 2023 to 31 March 2024. 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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