

# Northumberland National Park Authority

Internal Audit Strategy 2014/2015 - 2016/2017

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# 1 Developing the Internal Audit Strategy

This document sets out the approach we have taken to develop your internal audit strategy for 2014/2015 – 2016/2017 and the annual plan for 2014/2015.

## 1.1 Role of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

*Definition of Internal Audit: Public Sector Internal Audit Standards.*

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Northumberland National Park Authority has in place, focusing in particular on how these arrangements help the organisation to achieve its objectives. This is achieved through a risk-based plan of work, agreed with management and approved by the Authority. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Authority to support its Annual Governance Statement.

## 1.2 Factors influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of the audit strategy.

Appendix A reflects the range of potential issues that may affect the organisation, some of which are included on your risk register. These were used to focus our discussions with management regarding assurance priorities and to determine where internal audit input would be most beneficial.

In preparing the strategy and the annual internal audit plan, we met with:

- Head of Corporate Services;
- Finance Manager; and
- Chair of Review.

The key areas / factors are summarised below.

| Key areas discussed and their impact on the 2014/2015 internal audit plan |   |
|---|---|
| 1   | National policies and programme disadvantages Northumberland National Park – strategic risk two is driven by Government Policy and as a result the organisation reacts as and when they arise. Due to its reactive nature the internal audit programme will not cover this risk but it will be discussed annually with the Head of Corporate Services and Finance Manager as part of the planning cycle.                          |
| 2   | Relations with Key Partners planned for 2014/15 has been replaced with Capacity: Corporate Priorities to reflect the organisation's ability to meet its corporate objectives through diminished resources.  |
| 3   | Carbon Reduction Programme was planned for 2014/15 and would focus on strategic risk eight: The effects of climate change reduce the resilience of national park business and communities. This has been deferred to 2015/16. This is due to the realisation of 'quick win' carbon reductions being achieved in 2014/15 with further focus in 2015/16 required to determine how the organisation will achieve its carbon targets. |
| 4   | General Ledger and Treasury Management has been deferred from 2014/15 to 2016/17 and replaced with Once Brewed Visitor Centre: Sales and Income. This is due to the organisation having greater focus on income generation and limited cash reserves.   |
| 5   | Strategic risk nine – The National Park Authority lacks the capacity to complete major parts of the Business Plan has been identified as new risk for 2014/15. This key risk will be covered as part of Capability: Corporate Priorities & Performance Management audits.   |

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6 Development Management has been deferred to 2015/16 to reflect the work being undertaken by North York Moors National Park Authority.

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The strategy is set out at Appendix A, with the detailed internal audit plan for 2014/2015 set out at Appendix B.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- Planned assurance on core areas of activity;
- Time to follow up previous recommendations and actions to provide the Authority with assurance on the actions taken by management to address previous internal audit recommendations; and
- Audit management, which is used at Head of Internal Audit and Manager level for quality control, client and external audit liaison, preparation of the annual opinion, and attendance at Authority meeting.

## 2 Assurance Resources

### 2.1 Your Internal Audit Team

Your internal audit team is led by Patrick Green as Head of Internal Audit.

Your Client Manager is Philip Church.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

### 2.2 Internal Audit Fees

The fee for your internal audit service for 2014/2015 is £8,493.

### 2.3 Working with other assurance providers

We intend to meet with the External Auditor to avoid duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

The Authority is reminded that internal audit is only one source of assurance. Through our plan we do not seek to cover all risks and processes. We will however, seek to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance obtained.

### 2.4 Considerations for the Authority

- Does the Internal Audit Strategy (Appendix A) cover the organisation's key risks as they are recognised by the Authority?
- Does the internal audit plan for 2014/2015 (Appendix B) reflect the areas that the Authority believes should be covered as priority?
- Is the Authority satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging key risks (Appendix A) not included in the strategy or annual plan?

## Appendix A: Internal Audit Strategy 2014/15 – 2016/17

| Auditable Area                           | Risks  | 2014/2015 | 2015/2016 | 2016/2017 |
|--|--|-----------|-----------|-----------|
| <b>Risk based reviews</b>                |  |           |           |           |
| Financial Planning and Budgetary Control | 10% or more loss of core DEFRA funding.  |           | ✓         |           |
| Development Management                   | Planning reforms which result in more threats to the special qualities of the national park.   |           | ✓         |           |
| Actions Areas                            | De-prioritising the local and bottom-up approach to rural development in the next Rural Development Programme for England.                   |           |           | ✓         |
| Income Generation                        | An inability to realise a step change increase in income generation resulting in the Authority being too exposed to declining DEFRA funding. |           | ✓         |           |
| Corporate Communication                  | National Parks become less relevant to society and as a result less valued by national policy decision makers.                               |           |           | ✓         |
| Carbon Management                        | The effects of climate change damage the environment and reduce the resilience of National Park businesses and communities.                  |           | ✓         |           |
| Capability: Corporate Priorities         | The National Park Authority lacks the capacity to complete major parts of the Business Plan.   | ✓         |           |           |
| Performance Management                   | The National Park Authority lacks the capacity to complete major parts of the Business Plan.   | ✓         |           |           |
| Relationship with Key Partners           | Community infrastructure in the National Park fails to provide adequate support for businesses and residents.                                |           | ✓         |           |

| Auditable Area  | Outline Scope  | 2014/2015 | 2015/2016 | 2016/2017 |
|---|--|-----------|-----------|-----------|
| <b>Core assurance. Including areas where external audit will place reliance on our work</b> |  |           |           |           |
| General Ledger and Treasury Management  | External audit want to place reliance on testing undertaken by internal audit and the organisation needs to ensure it has robust systems in place to support the key financial process.          |           |           | ✓         |
| Procurement, Purchasing and Payments  |  |           | ✓         |           |
| Once Brewed Visitor Centre: Sales and Income  |  | ✓         |           |           |
| Payroll and Expenses  |  |           | ✓         |           |
| <b>Other Internal Audit Activity</b>  |  |           |           |           |
| Risk Management   | Risk Management is a core component of the organisation's internal control system and as a means of addressing and monitoring the key risks that threaten the attainment of business objectives. |           |           | ✓         |

| Auditable Area    | Outline Scope  | 2014/2015 | 2015/2016 | 2016/2017 |
|-------------------|--|-----------|-----------|-----------|
| Operational Audit | Operational audits have been completed previously. The allocation for 2014/15 has been included at the request of the Authority and the scope will be determined in consultation with Authority members.   | ✓         | ✓         | ✓         |
| Follow up         | To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.  | ✓         | ✓         | ✓         |
| Management        | This will include: <ul style="list-style-type: none"> <li>• Annual planning;</li> <li>• Preparation for, and attendance at, Authority meeting;</li> <li>• Regular liaison and progress updates;</li> <li>• Liaison with external audit and other assurance providers; and</li> <li>• Preparation of the annual opinion.</li> </ul> | ✓         | ✓         | ✓         |

## Appendix B: Internal Audit Plan 2014/2015

| Audit  | Internal Audit Coverage   | Assurance / Advisory | Days | Proposed Authority meeting |
|--|---|----------------------|------|----------------------------|
| <b>Reviews relating to specific risks</b>    |   |                      |      |                            |
| Performance Management                       | This high level review will consider performance management from a strategic view point and how key targets are agreed and monitored by the organisation. The specifics of the review will be agreed with the Head of Corporate Services through a formal planning meeting.   | Assurance            | 3    | July 2015                  |
| Capability: Corporate Priorities             | This high level review will consider the organisation's ability to deliver its corporate objectives in light of diminished resources.   | Assurance            | 5    | July 2015                  |
| <b>Core assurance</b>                        |   |                      |      |                            |
| Once Brewed Visitor Centre: Sales and Income | To address the organisation's increased commercial awareness to minimise the impact of reduced DEFRA funding we will review the sales and stock control activities at Once Brewed Visitor Centre. The audit will consider the identification of stock lines, the establishment of sales margins, the target setting and monitoring of staff sales targets and how stock is managed to minimise waste. | Assurance            | 3    | July 2015                  |
| Operational Audit                            | Operational audits have been completed previously. The allocation for 2014/15 has been included at the request of the Authority and the scope will be determined in consultation with Authority members.  | Assurance            | 4    | July 2015                  |
| <b>Other Internal Audit Activity</b>         |   |                      |      |                            |
| Follow up                                    | To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.   | Assurance            | 1    | July 2015                  |
| Management                                   | This will include: <ul style="list-style-type: none"> <li>• Annual planning;</li> <li>• Preparation for, and attendance at, Authority meeting;</li> <li>• Regular liaison and progress updates;</li> <li>• Liaison with external audit and other assurance providers; and</li> <li>• Preparation of the annual opinion.</li> </ul>  | -                    | 3    | On-going through year      |
| Total:                                       |   |                      | 19   |                            |