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1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes. The opinion should contribute to the organisation’s annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2018, the head of internal audit opinion for Northumberland National Park Authority is as follows:

Head of Internal Audit opinion 2017/18

The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Finance and Audit Group, our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the Authority takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
• it remains management’s responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not been seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinion

Based on the work we have undertaken on the systems of internal control, governance and risk management across the organisation, we do not consider that there are any issues that need to be flagged as significant internal control weaknesses.

Risk

In 2017 / 2018 we have obtained our risk management opinion through the completion of the following risk-based audit on the organisation’s approach to address the requirements of the General Data Protection Regulation (GDPR). Our review identified 10 areas that required addressing before the organisation would be GDPR compliant by 25th May.

In addition, we have considered the stock management / cash handling arrangements for the Sill Discovery Centre which is a key initiative of the organisation. Both these reviews attracted a positive assurance opinions.

Governance

As part of this year’s governance opinion we considered the reporting arrangements of cash handling and GDPR reporting through the organisation’s governance structure.

Control

The management and implementation of recommendations raised during the course of the year are an important contributing factor when assessing the assurance opinion on control. The Follow Up reviews concluded that reasonable and little progress had been made to implement recommendations (refer Section 2.2 below for more detail).

All of our assurance reports attracted a positive assurance opinion. We made no high recommendations during 2017/2018 and all of our medium and low recommendations were accepted by management.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.
2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2017/2018.

2.2 Implementation of internal audit management actions

Our follow up of the actions agreed to address previous years’ internal audit findings considered the following areas:

- Sill - New Ways of Working
- Key Financial Controls
- IT General Controls Health Check
- Follow Up of Previous Internal Audit Recommendations

The 10 management actions considered in the review from the Key Financial Controls, IT General Controls Health Check and the Follow Up audits were all medium priority management actions.

We confirmed the organisation had made reasonable progress implementing the management actions raised as part of the Key Financial Controls, IT General Controls Health Check and the Follow Up. We identified that three management actions for the IT General Controls Health Check had not been fully implemented.

The actions identified as part of the Sill – New Ways of Working review did not include categorised management actions. However, due to the importance of the Sill Discovery Centre these management actions were followed up. Our review confirmed little progress had been made to implement the raised management actions.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.
3 OUR PERFORMANCE

3.1 Conflicts of interest
RSM has not undertaken any work or activity during 2017/2018 that would lead us to declare any conflict of interest.

3.2 Conformance with internal auditing standards
RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in December 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.3 Quality assurance and continual improvement
To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.
### 3.4 Performance indicators

A number of performance indicators were agreed with the Finance and Audit Group. Our performance against those indicators is as follows:

<table>
<thead>
<tr>
<th>Delivery</th>
<th>Target</th>
<th>Actual</th>
<th>Quality</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Draft reports issued within 10 working days of debrief meeting</td>
<td>10 working days</td>
<td>6 working day (average)</td>
<td>Conformance with PSIAS</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Final report issued within 3 working days of management response</td>
<td>3 working days</td>
<td>1 day (average)</td>
<td>Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit.</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Medium actions followed up</td>
<td>Yes</td>
<td>Yes</td>
<td>% of staff with CCAB/CMIIA qualifications</td>
<td>&gt;50%</td>
</tr>
<tr>
<td></td>
<td>Respond to general enquiries for assistance within 2 working days</td>
<td>2 working days</td>
<td>1 working day (average)</td>
<td>Turnover rate of staff</td>
<td>&lt;10%</td>
</tr>
<tr>
<td></td>
<td>Respond to emergencies or notifications of potential fraud within 1 working day</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

<table>
<thead>
<tr>
<th>Annual opinions</th>
<th>Factors influencing our opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organisation has an adequate and effective framework for risk management, governance and internal control.</td>
<td>The factors which are considered when influencing our opinion are:</td>
</tr>
<tr>
<td>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</td>
<td>• inherent risk in the area being audited;</td>
</tr>
<tr>
<td>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</td>
<td>• limitations in the individual audit assignments;</td>
</tr>
<tr>
<td>The organisation does not have an adequate framework of risk management, governance or internal control.</td>
<td>• the adequacy and effectiveness of the risk management and/or governance control framework;</td>
</tr>
<tr>
<td></td>
<td>• the impact of weakness identified;</td>
</tr>
<tr>
<td></td>
<td>• the level of risk exposure; and</td>
</tr>
<tr>
<td></td>
<td>• the response to management actions raised and timeliness of actions taken.</td>
</tr>
</tbody>
</table>
### APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2017/2018

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Assurance level</th>
<th>Actions agreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow Up of Previous Internal Audit Management Actions</td>
<td>Key Financial Controls, IT General Controls Health Check, Follow Up of Previous Internal Audit Recommendations: <strong>Reasonable Progress</strong> The Sill – New Ways of Working: <strong>Little Progress</strong></td>
<td>0 5 0</td>
</tr>
<tr>
<td>Phase 2 – Cash Handling: The Sill</td>
<td></td>
<td>3 1 0</td>
</tr>
<tr>
<td>Stock Management</td>
<td></td>
<td>3 1 0</td>
</tr>
<tr>
<td>General Data Protection Regulation (GDPR) Governance</td>
<td>No formal opinion provided. We do not provide a formal opinion, or categorise our management actions, on our GDPR Governance reviews as all actions need to be completed by 25th May 2018.</td>
<td>10 uncategorised management actions</td>
</tr>
</tbody>
</table>

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the Authority can take:

Taking account of the issues identified, the Authority **cannot take assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk.

Taking account of the issues identified, the Authority can take **partial assurance** that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk.

Taking account of the issues identified, the Authority can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.

Taking account of the issues identified, the Authority can take **substantial assurance** that the controls upon which the organisation relies to manage the identified risk are suitably designed, consistently applied and operating effectively.
As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at http://www.icaew.com/en/members/regulations-standards-and-guidance.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management’s responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Northumberland National Park Authority, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person’s reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.