Budget Management 2018-19

Peak District National Park Authority

Internal Audit Report

Responsible Officer: Director of Corporate Strategy and Development
Service Manager: Head of Finance
Date Issued: 26 April 2019
Status: Final
Reference: 69125/003

	P1	P2	P3
Actions	0	1	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Budget Management system is one of the key internal control systems operated by the Authority. Effective budget preparation and monitoring will enable the Authority to be assured the financial position is being robustly and properly managed and is linked to the Authority's objectives. Good budget management also assists in identifying errors or unusual transactions.

Effective budget management is particularly important in light of budgetary pressures in the current financial climate and the Authority's reliance on Defra grant for funding.

Objectives and Scope of the Audit

The purpose of this audit is to provide assurance to management that procedures and controls within the system will ensure that:

- Budget preparation procedures are in place and working effectively.

- Budget monitoring, review and reporting procedures are in place and working effectively.

- Variances and unusual amounts are investigated and action is taken to address overspends.

Key Findings

Budget preparation procedures are sound and the annual budget was formally approved by the National Park Authority. The budget is accurately entered onto the system used to monitor the budgets during the year and good support and guidance is provided to budget managers. Budget managers have a good understanding of their budgets and monitor their budgets at an appropriate frequency and level of detail.

Budget Managers are aware of variances within their area and understand the internal processes and their responsibilities for reporting on these and taking mitigating actions. There is a mid-year budget review process which enables corrective action to be taken and this is working well.

The Audit, Resources and Performance (ARP) committee receive annual outturn reports but no budget monitoring reports during the year. There is a budget management group consisting of the senior leadership team and key members of the Authority, including the ARP committee Chair and Vice Chair. Variances are reported to this budget management group on a quarterly basis. Whilst this system seems practical and effective, there should be some in year reporting to ARP. Reports are produced for the budget management group and therefore could be provided to ARP with little additional work requirements.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

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1 Budget Monitoring Reporting to ARP

Issue/Control Weakness	Risk
There is no regular budget monitoring reporting to the full ARP within the financial year.	Lack of transparency of budget position during the year.

Findings

A small number of key members of the Authority receive quarterly budget monitoring information through a budget monitoring group but the only formal reporting to Audit, Resource and Performance committee members is the annual outturn.

Key members of the ARP committee (Chair and Vice Chair) are members of this budget monitoring group and the group itself is appointed by ARP. It is accepted that the budget monitoring group meetings seem like a practical and effective way to involve members and is a long standing arrangement within the Authority.

The ARP committee has responsibility for exercising the duties of the Authority in relation to the operational financial affairs of the Authority so they should review these budget monitoring reporting arrangements and confirm that they are satisfied with them.

Agreed Action 1.1

ARP members will review the current budget reporting arrangements, as part of the presentation of this report. They should decide if they are happy with the current process or wish to make any changes to receive any budget monitoring reports through the year.	Priority	2
	Responsible Officer	Head of Finance
	Timescale	May 2019

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Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

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.

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