



Budget Management - Covid Consequences
Peak District National Park Authority
Internal Audit Report 2021/22

Business Unit: Finance
 Responsible Officer: Chief Financial Officer
 Date Issued: 16th April 2021
 Status: Final
 Reference: 69125/005

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

Summary and Overall Conclusions

Introduction

The budget sets out the financial plans to support the delivery of the Authority's current and future programmes and activities. The annual budget is approved by the full authority. The budget is the basis for monitoring the financial performance of the authority.

The Peak District National Park Authority has recently undergone steps towards a restructure of the authority due to the impacts of the COVID-19 pandemic, which has resulted in several senior management staff leaving at the end of the 2020-21 financial year and some budgets switching to different Heads of Service. There has also been a change in the budget process, including how it is monitored, with greater emphasis on Heads of Service being more responsible for their own budget areas instead of it being the sole responsibility of the Head of Finance.

Objectives and Scope of the Audit

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

- An effective budget setting process was followed and received appropriate authorisation.
- The budget was based on realistic and prudent assumptions relating to the Covid-19 Pandemic.
- Budgets were managed effectively and consistently across the authority with suitable training being offered.

Key Findings

The process for setting the budget was found to be suitable and in line with the Authority's Financial Regulation policy. All budgets during the financial year 2020-21 were reported to the correct senior management and authorised and approved appropriately by the Chief Executive Officer and members of the Authority. Suitable commentary was provided so that members can clearly see any changes or reasons behind in year changes to the budget.

The Covid-19 pandemic had a significant impact on the initial budget which was approved in February 2020. Quarterly meetings were carried out with the members to discuss the ongoing changes to the budget due to the impact from loss of income and furloughed staff throughout the 20-21 financial year. The authority, with support from the Department for Environment, Food and Rural Affairs (DEFRA), set up a COVID-19 reserve which would offset losses created by the pandemic, which was discussed and agreed with the Members in May 2020. Worst case scenarios were presented to the Members at each quarterly meeting and the impact it would have on the Authority's budget and whether further reserves would need to be considered.

For the annual budget for 2021-22, the authority made suitable assumptions to manage the recent income limitations with a return to income road-mapped for July 2021. When the budget was formed, the authority had to make a number of realistic decisions based on government advice and historical grant funding information as DEFRA had yet provide the information relating to the National Park Grant and the biodiversity fund. Due to the uncertainty of the funding, the budget was created without the inclusion of the £335k biodiversity fund, however a secondary budget outcome was provided to include in the eventuality that the Authority received the fund, giving the Authority a surplus of £327k. Significant savings were also made based upon the impact of COVID-19, with over £609k of savings calculated through a staff restructure, budget reductions and the closure of operational

sites. The annual budget was presented to Members in February 2021 for approval and scrutiny, with suitable breakdowns and commentary to provide clear understanding of the decisions made to the budget.

The senior management restructure has placed more emphasis on budget managers being responsible for monitoring their own budget. All budget management staff have access to the FRED database via Exchequer and use the information provided to support the Chief Financial Officer in making necessary amendments to the budgets due to any in year expenditure or savings. Suitable training has been provided for staff who may need support in managing their budget with a session being provided in November 2020. The authority also has a legal and finance workshop which provides appropriate training on approach and reasoning to managing their individual budgets. Ongoing support is provided by the Chief Financial Officer (CFO) as part of the process for monitoring and managing the budget. Providing training and suitable guidance helps to provide the skills required to effectively manage budgets but does not ensure that service managers will manage budgets effectively. Plans are in place to take a tailored approach to the management of individual budgets, with meetings between the CFO and budget managers scheduled on a frequency based upon the budget risk of the individual service area.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 4 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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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