

INTERNAL AUDIT REPORT

Appendix 1

BUDGET SETTING, MONITORING AND REPORTING

PEAK DISTRICT NATIONAL PARK AUTHORITY

	Critical	Significant	Moderate	Opportunity
Findings	0	0	4	0
Overall audit opinion	Reasonable assurance			

Status: Final

Date Issued: 28 January 2025

Responsible Officer: Finance Manager

INTRODUCTION

It is a statutory requirement for the Peak District National Park Authority (the Authority) to approve a balanced budget in advance of the start of the financial year. This is done at the March Full Authority meeting. The Authority prepares a Medium Term Financial Plan (MTFP) each year. The MTFP is reviewed annually by the Senior Leadership Team before being approved by Members at the March Full Authority meeting.

It is each budget manager's responsibility to manage their budget, with assistance from the finance team. In 2023 the Authority switched their finance management system (FMS) to iplicit, with training provided to staff recently to support with budget monitoring throughout the year.

The budget for the 2024/25 financial year was approved on 2 February 2024 at just under £8m.

OBJECTIVES AND SCOPE

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

- ▲ There is a robust budget setting process in place with appropriate scrutiny and authorisation being carried out.
- ▲ Budgets are monitored regularly and effectively, and variances are investigated.
- ▲ Budget managers have received sufficient training and have access to appropriate information relating to budget management.
- ▲ Budget information is regularly produced and reported to the relevant stakeholders.

KEY FINDINGS

We confirmed that the Authority has implemented a robust budget-setting procedure which is aligned to the financial regulations. The Authority has a detailed budget timetable which provided a clear, structured process for ensuring the budget and medium-term financial plan (MTFP) was scrutinised and authorised on time by the Full Authority members. A formal mid-year review process has been introduced during 2024/25 with each budget manager being assigned a finance partner, to enable a smoother, more joined up process between Finance and the Departments and we understand that feedback has

been well received for both.

Discussions with budget managers indicated that budgets are generally being monitored regularly, however, we found no guidance to specify the timeliness of when budgets are expected to be reviewed to ensure a consistent process is followed by all. Some budget managers highlighted that they only carry out in-depth budget monitoring as part of the reports which Finance produce on a quarterly basis, including the mid-year review, but will carry out regular checks to ensure that no significant issues arise. It is noteworthy that some budget managers only have small non-pay budgets.

From the discussions with budget managers, we were able to ascertain that there was sufficient understanding that any budget variances should be identified and investigated. The vast majority all stated that variances had been identified during the 2024/25 financial year, and all had provided reasonable explanations for these variances. Variances with detailed explanations are also reported to the Audit, Budget and Project Risk Monitoring Group as part of the mid-year review to provide oversight to some of the Authority's members. Although we noticed that from the latest report in November 2024, there are a number which are due to unavoidable changes to project times, we also found some instances where variances had occurred as a result of inaccurate budget profiling.

Recently, the Authority has moved to a new financial management system, iplicit. Whilst mandatory training was provided shortly after implementation, further, non-mandatory training sessions have been facilitated and offered to all budget managers. These were well attended and will be held twice a year going forward. Training records confirmed that five of the six budget managers interviewed attended the last training session, with the remaining budget manager requiring to be booked onto a future session. We found that training materials and guidance are available within the shared drive, and all budget managers we spoke to confirmed they were aware and had reviewed this information. However, some budget managers advised us that they were still not confident when fully using iplicit and that further training would be necessary to ensure that their knowledge of the reporting and budget management side was effective.

We established that the Authority has two main budget reports, budget vs actual summary and budget vs actual committed which provide the key information to support budget setting, profiling and monitoring. All of the budget managers spoken to confirmed they were aware of these and that they were able to produce them, however, some advised their understanding could be improved.

We found that budget information with detailed summaries was regularly made available to the Audit, Budget and Project Risk Monitoring Group. However, despite the existence of a terms of reference outlining the group's purpose, no meeting minutes are recorded to demonstrate the discussion and any actions taken forward.

OVERALL CONCLUSIONS

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. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Budget monitoring

Moderate

Control weakness

Budget monitoring by budget managers is not carried out regularly or consistently throughout the Authority and there is no evidence of a higher level review by Heads of Service.

What is the risk?

The lack of regular and consistent budget monitoring can lead to financial instability, debt, missed opportunities and poor decision making.

Findings

All budget managers are expected to carry out budget monitoring on the budgets they are responsible for throughout the year, however, the Authority has not formally defined any expectations for how regularly budget monitoring should be carried out and the approach to be taken, aside from the quarterly review process. There is some structure, however, as the Authority does have a mid-year review which all budget managers are expected to provide feedback on any variances within their budgets and give some explanation for these. There is also quarterly monitoring that is carried out by Finance and meetings with key budget managers take place, particularly those that are income generating.

Discussions with budget managers highlighted an inconsistency with how often budget monitoring is undertaken, with some carried out monthly, and some on a more ad hoc basis. It is important that all budget managers regularly review their budget to ensure that any variances are identified and investigated in a timely manner. It is noteworthy that some budget managers only have small non-pay budgets.

Furthermore, it was highlighted that there is no standardised process for budget managers to provide feedback and updates to their Head of Service. Some staff stated that they only provide s budgeting feedback when requested but it is not part of their regular 1-2-1 agenda.

Agreed action

Evidence of Heads of Service review, at least quarterly, should be shared with Finance, to confirm they have had a formal budget discussion with budget managers, reviewed budget variances and highlighted any risks or opportunities.

Responsible officer: Finance Manager

Timescale: 01 April 2025

2 Budget profiling

Moderate

Control weakness

Budget profiling is not being completed accurately, resulting in variances which may also be misleading (as seen in the mid-year review provided to Authority members).

What is the risk?

If budget profiling is not carried out accurately, it can lead to uncertainties that can affect a budget's cost, revenue or scope.

Findings

Once the initial draft budget has been agreed by Finance, budget managers are expected to profile their budget across the year to predict when income and expenditure is expected. The budget profiles created should be used to monitor budgets throughout the year and, if set accurately, should see minimal variances.

Discussions with Finance and examination of the mid-year review report provided to the Audit, Budget and Project Risk Monitoring Group showed that variances and profiling issues are removed in order to show the most accurate forecast. Some of the variances are due to project delays such as those affected by the weather or contractor issues, although we also identified some instances of poor budget profiling. Budget managers should be using budget monitoring and year end processes to ensure that when setting the budget profile for the next year income and expenditure is distributed as accurately as possible.

Agreed action

As part of the 25/26 budget setting cycle, the Finance team have worked closely with budget managers to ensure profiling is more accurate than previous budgets. The accuracy of the new profiling structure will continue to be monitored. This will enable better use of the finance system for budget managers and Finance, as budget versus actuals will represent real time differences.

Responsible officer: Finance Manager

Timescale: 01 July 2025

3 Staff Training

Moderate**Control weakness**

Some budget managers indicated that further training was required on the new FMS (iplicit).

What is the risk?

Budget managers are not suitably trained leading to inefficient use of the new FMS and poor budget monitoring.

Findings

Since implementing iplicit, the Authority's new finance management system in late 2023, there has been two sets of training sessions provided to budget managers, to ensure familiarity with the system functionalities. Initial training was rolled out as part of the implementation phase; however, it was recognised by Finance that a number of budget managers were still nervous using the system which led to process notes becoming more enhanced and user friendly. Further refresher training was facilitated across the two sessions, to enable maximum attendance.

However, despite most budget managers interviewed stating that the training was useful some still felt that further training was necessary as they were still not overly confident on the reporting side and how this linked to budget monitoring processes.

Agreed action

Refresher training courses will be held twice a year, facilitated by Finance. Finance will also offer 121 training for new starters or those that require additional help.

Responsible officer: Financial Accountant**Timescale:** 01 July 2025

4 Audit, Budgeting and Risk Monitoring Group

Moderate

Control weakness

The Audit, Budget and Project Risk Monitoring Group do not currently record their discussion or action points.

What is the risk?

There is no audit trail to demonstrate the discussions held within the Group and any corresponding actions or escalations.

Findings

The Audit, Budget and Project Risk Monitoring Group has a terms of reference which includes the following in respect of budget monitoring;

- To be aware of all capital and revenue expenditure and income compared to the projected budget.
- To consider how any issues (under, overspend or income target issues) in the financial year are planned to be dealt with.
- To be aware of project budget expenditure that a committee approved and consider how any issues are planned to be dealt with.

Finance produce quarterly reports, which provide the Group with a position of the Authority against the approved budget. It provides explanations for any under or overspends which are provided by the budget managers as part of the internal processes of budget monitoring and reporting.

Discussion with Finance highlighted that the Group does not take and retain meeting minutes. The terms of reference does state that the Group does not make formal decisions, but it can make recommendations (which are agreed by a Group majority) to be considered by Authority members or the Programmes and Resources Committee. Without any meeting minutes there is no evidence to determine the discussions held by the Group or any actions taken (including escalation to Programme and Resources Committee). Furthermore, we cannot ascertain what scrutiny if any, is carried out by the Group such as in relation to quarterly reports.

Agreed action

Action points to be formally shared, via email, to members of the group and officers attending, to ensure recommendations are actioned and noted.

Responsible officer: Finance Manager

Timescale: 01 April 2025

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 four grades of opinion, as set out below.

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.

Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

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