Annex 7

British Transport Police Authority

Management Statement

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- Financial memorandum

I. Introduction

This document

1. This management statement and its associated financial memorandum have been drawn up by the Department for Transport in consultation with the British Transport Police, 15 Tavistock Place, London, WC1H 9SJ. The document is based on a model prepared by the Treasury.

2. In this management statement, unless otherwise stated:

"the Accounts" are the accounts provided for in paragraph 17(a) of Schedule 4 to the Act;

"the Act" is the Railways and Transport Safety Act 2003;

"the Annual Report" is the report provided for in section 57 of the Act;

"the Authority" means the British Transport Police Authority provided by section 18 of the Act;

"BTP" means the British Transport Police;

"the C&AG" means the Comptroller and Auditor General;

"the Chair" means the member who is appointed as chairman of the Authority, provided for in paragraph 4(1) of Schedule 4 of the Act;

"the Chief Constable" means the person appointed as chief constable of the BTP by the Authority in accordance with section 21(1) of the Act;

"the Department" is the Department for Transport;

"the Deputy Chair" means the member who is appointed as deputy chairman of the Authority, provided for in paragraph 5(1) of Schedule 4 of the Act

"D&G" means the Directions and Guidance issued to the Authority by the Secretary of State, and any subsequent revisions;

"the Government" is the UK Government;

"the Members" means the members of the Authority appointed in accordance with paragraph 1 of Schedule 4 of the Act;

"NDPB" is a Non-Departmental Public Body;

"Parliament" is the UK Parliament;

"PSA" means a Police Services Agreement;

"PSNB" means the Public Sector Net Borrowing Requirement;

"public funds" means funds granted to the Authority by Parliament, or borrowed with the consent of the Secretary of State, and any other funds generated by approved activities or falling within the stewardship of the Authority;

"the Secretary of State" is the Secretary of State for Transport;

3. Subject to the legislation noted below, the management statement sets out the broad framework within which the Authority will operate, in particular:

- The Authority's overall aim, objectives and targets in support of the sponsor Department's wider strategic aims and current Public Service Agreement;
- The rules and guidelines relevant to the exercise of the Authority's functions, duties and powers;
- The conditions under which any public funds are paid to the Authority; and
- How the Authority is to be held to account for its performance.

4. However, the management statement and financial memorandum do not convey any legal powers or responsibilities.

5. The associated financial memorandum sets out in greater detail certain aspects of the financial provisions which the Authority shall observe.

6. The document shall be periodically reviewed by the Department in accordance with the timetable referred to in Section VII below.

7. The Authority, or the Secretary of State in consultation with the Scottish Executive and the National Assembly for Wales, may propose amendments to this document at any time. Any such proposals by the Authority shall be considered in the light of evolving departmental policy aims, operational factors and the track record of the Authority itself. The guiding principle shall be that the extent of flexibility and freedom given to the Authority shall reflect both the quality of its internal controls and its operational needs. The Secretary of State shall agree what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with the Treasury or Cabinet Office as appropriate. (The definition of "significant" will be determined by the Department in consultation with the Treasury/Cabinet Office.)

8. The combined document is to be signed and dated by the Department and the Authority.

9. Any question regarding the interpretation of the document shall be resolved by the Department after consultation with the Authority and, as necessary, with the Treasury and/or the Cabinet Office.

10. Copies of this document and any subsequent substantive amendments shall be placed in the Libraries of both Houses of Parliament. Copies shall also be made available to members of the public on the Authority's website.

Founding legislation; status

11. The Authority is established under the Railways and Transport Safety Act 2003. The constitution of the Authority is set out in Section 18 of the Act. The Authority does not carry out its functions on behalf of the Crown.

12. The Authority shall exercise its functions in accordance with Section 19 of the Act.

Classification

13. For policy/administrative purposes the Authority is classified as an executive non-departmental public body.

14. For national accounts purposes the Authority is classified to the central government sector.

15. References to this Authority include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the Authority (paragraphs 86-87 of the financial memorandum).

II. Aim, Objectives and Targets

Overall aim

16. Within the founding legislation the Secretary of State has defined the overall aim for the Authority as follows:

- To ensure the efficient and effective policing of the railways.

Objectives and key targets

17. The Authority's objectives and key targets shall be defined within the Authority's strategic and business planning process (Section IV below), and in accordance with Sections 50, 51 and 53 of the Act. The objectives and targets should address any specific directions made by the Secretary of State, and the Authority should also have regard to any policing objectives set for the year by the Home Office.

III. Responsibilities and Accountability

The Secretary of State

18. The Secretary of State is accountable to Parliament for the activities and performance of the Authority. His/Her responsibilities include:

- Issuing directions to the Authority in relation to strategic objectives under Section 51 of the Act;
- Keeping Parliament informed about the Authority's performance;
- Approving the amount of any grant-in-aid or grant to be paid to the Authority, and securing Parliamentary approval where required by this management statement and financial memorandum;
- Carrying out responsibilities specified in the founding legislation including appointments to the Authority, approving the terms and conditions of Authority members, issuing rules and principles in relation to the terms and conditions of employment, and laying of the annual report and accounts before Parliament and before the Devolved Assemblies, where required.

19. The Secretary of State shall meet with the Chairman of the Authority at least annually, and ensure that the Chairman has right of access to other Ministers where necessary.

The Accounting Officer of the Department

20. The Permanent Secretary, as the Department's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the Department and for ensuring that there is a high standard of financial management in the Department as a whole. The principal Accounting Officer is accountable to Parliament for the issue of any grant-in-aid to the Authority. The principal Accounting Officer designates the Chief Constable as the Authority's Accounting Officer, and may withdraw the accounting officer designation if he/she believes that the incumbent is no longer suitable for the role.

21. In particular the principal Accounting Officer of the Department shall ensure that:

- The Authority's strategic aim and objectives support the Department's wider strategic aims and current Public Services Agreement;
- The financial and other management controls applied by the Department to the Authority are appropriate and sufficient to safeguard public funds and for

ensuring that the Authority's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the Authority by Parliament but also any other funds generated by approved activities or falling within the stewardship of the Authority);

- The internal controls applied by the Authority conform to the requirements of regularity, propriety and good financial management; and

- Any grant-in-aid to the Authority is within the ambit and the amount of the Request for Resources and that Parliamentary authority has been sought and given.

22. The responsibilities of a departmental Accounting Officer are set out in more detail in the annex to Chapter 4 of *Government Accounting*.

The sponsoring team in the Department

23. Within the Department, Railways Policing Branch is the sponsoring team for the Authority. The Team, in consultation as necessary with the departmental Accounting Officer, is the primary source of advice to the Secretary of State on the discharge of his/her responsibilities in respect of the Authority, and the primary point of contact for the Authority in dealing with the Department. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of the Authority.

24. The sponsoring team shall advise the Secretary of State on:

- Whether the Secretary of State should issue specific directions relating to objectives and performance targets as per Section 51, 53 and 54 of the Act, taking into account the Department's wider strategic aims and current PSA; and

- From a review of the annual policing plan, how well the Authority is achieving its strategic objectives and whether it is delivering value for money to determine if further specific directions need to be issued.

25. In support of the departmental Accounting Officer the sponsoring team shall:

- **on performance and risk management:**

  - Monitor the Authority's activities on a continuing basis through an adequate and timely flow of information from the Authority on performance, budgeting, control and risk management, including early sight of the Authority's Statement on Internal Control.

Address in a timely manner any significant problems arising in the Authority, whether financial or otherwise, making such interventions in the affairs of the Authority as the Department judges necessary; and

- Periodically carry out a risk assessment of the Authority's activities to inform the Department's oversight of the Authority; strengthen these arrangements if necessary; and amend the management statement accordingly. The risk assessment shall take into account the nature of the Authority's activities; the public monies at stake; the body's corporate governance arrangements; its financial performance; internal and external auditors' reports, the openness of communications between the Authority and the Department; and any other relevant matters;

- **on communication with the Authority:**

  - Inform the Authority of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the Authority as necessary; and

  - Bring concerns about the activities of the Authority to the attention of the Authority, and require explanations and assurances from the Authority that appropriate action has been taken.

The Chairman of the Authority

26. The Chairman is appointed under paragraph 4 of Schedule 4 to the Act by the Secretary of State, in line with the Code of Practice issued by the Commissioner for Public Appointments.

27. The Chairman is responsible to the Secretary of State. The Chairman shall aim to ensure that the Authority's policies and actions support the wider strategic policies of the Secretary of State; and that the Authority's affairs are conducted with probity. The Chairman shares with other Authority members the corporate responsibilities set out in paragraph 34, and in particular for ensuring that the Authority fulfils the aim and objectives set by the Secretary of State.

28. The Chairman has a particular leadership responsibility on the following matters:

- The Authority's overall strategy for discharging its aims and functions and ensuring that this is reflected in its corporate and business plans;

- Ensuring that the Authority, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the Department;

- Ensuring that high standards of propriety and probity are maintained and promoting efficient and effective use of staff and other resources;

- Taking a lead in representing the Authority in communications with partner agencies, Government, and other stakeholders;

- Representing the views of the Authority to the general public;

- Providing an assessment of performance of individual Authority Members on request;

- In conjunction with the Clerk, Treasurer and Chief Constable, ensuring that the business of the Authority runs smoothly and to hold regular strategic meetings with the Chief Constable;

- Undertaking a performance review of the Chief Constable with the Deputy Chairman and other members of the Authority, as appropriate, assisted by the Clerk; and

- Discharging the general responsibility as a Member of the Authority.

29. The Chairman shall also:

- Ensure that all members of the Authority, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;

- Advise the Secretary of State of the needs of the Authority when vacancies for members arise, with a view to ensuring a proper balance of professional and financial expertise and that the make-up of the Authority meets the requirements of the Act;

- On request, assess the performance of individual Authority members when they are being considered for re-appointment to the Authority; and

- Meet with the Secretary of State annually and with other Ministers where necessary.

30. The Chairman shall also ensure that a Code of Practice for Authority Members is in place, based on the Cabinet Office's model Code of Practice for Board Members of Public Bodies, that makes provision similar to that of the model code issued by the

Secretary of State under section 50 of the Local Government Act 2000. The Authority should observe any directions and guidance issued in accordance with Sections 47,65 and 66 of the Act, and ensure that the Authority puts into effect any relevant recommendation (accepted by the Government) of Parliamentary Select Committees or Parliamentary authorities which relates to the policy or strategy of the Authority.

31. The Code of Practice shall commit the Chairman and other Members to the Nolan seven principles of public life, and shall include a requirement for a comprehensive and publicly available register of Members' interests.

32. Communications between the Authority and the Secretary of State shall normally be through the Chairman. The Chairman shall ensure that the other Board members are kept informed of such communications.

The Authority's Members

33. The Authority's Members are appointed under paragraph 4 of Schedule 4 to the Act.

34. The Members have corporate responsibility for ensuring that the Authority fulfils the aim and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources by the Authority. To this end, and in pursuit of its wider corporate responsibilities, the Members shall:

- Establish the overall strategic direction of the Authority within the policy and resources framework agreed with the Secretary of State;

- Ensure that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the Authority or on the attainability of its targets, and determine the steps needed to deal with such changes;

- Ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Authority operates within the limits of its statutory authority , and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Authority takes into account guidance issued by the sponsor Department;

- Ensure that it receives and reviews regular financial information concerning the management of the Authority; is informed in a timely manner about any concerns about the activities of the Authority; and provide positive assurance to the Department that appropriate action has been taken on such concerns;

- Demonstrate high standards of corporate governance at all times, including establishing an audit committee to help the Authority to address the key financial and other risks facing the Authority;

- Appoint, with the Secretary of State's approval, a Chief Constable, Deputy Chief Constable and Assistant Chief Constables of the BTP and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Chief Constable, Deputy Chief Constable and Assistant Chief Constable which give due weight to the proper management and use of public monies; and

- Appoint a Clerk and a Treasurer.

35. Individual Members shall act in accordance with their wider responsibility as Members of the Authority – namely to:

- comply at all times with the Code of Practice (paragraph 30 above) that is adopted by the Authority and with the rules relating to the use of public funds and to conflicts of interest;

- not misuse information gained in the course of their public service for personal gain, the advantage of any organisation by which they are employed or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;

- comply with the Authority's rules on the acceptance of gifts and hospitality, and of business appointments; and

- act in good faith and in the best interests of the Authority.

The Chief Constable's Responsibilities

36. The Chief Constable has the direction and control of all Constables and police staff for the provision of policing services. The Common Law gives the Chief Constable sole responsibility for operational matters, and he may not be given instructions about this by either the Authority or any Minister of the Crown. Subject to this, he is accountable to the Authority for delivering efficient and effective policing of the railways, and for ensuring that an efficient and effective Police Force is maintained.

37. In carrying out his functions, the Chief Constable must have regard to any Code of Practice that has been issued in relation to the performance of any of his functions. Under Section 48 of the Act, he is required to submit to the Authority a draft

Railways Policing Plan each year, and is required to submit an Annual Report to the Authority about the policing of the railways at the end of each financial year.

38. On taking up appointment, the Chief Constable is designated by the Accounting Officer of the Department as the Accounting Officer for the BTPA. As Accounting Officer, the Chief Constable is personally responsible for ensuring regularity, propriety and good value for money in the management of public funds and all other resources for which he/she has charge; and for the day to day operations and management of the BTP. He/she should act in accordance with the terms of his/her designation as Accounting Officer, this Framework Document, the Accounts Direction and with instructions and guidance issued from time to time by the Government – in particular, the Treasury documents "The Responsibility of an NDPB Accounting Officer" and "Regularity & Propriety".

39. The Chief Constable as Accounting Officer is responsible to Parliament for all the resources under his/her control. He/she is also responsible for the BTP's compliance with this Statement.

40. As Accounting Officer he shall exercise the following responsibilities in particular:

- on planning and monitoring:
  - establishing a Strategic Plan, annual Policing Plan, corporate and business plans, taking into account any specific directions from the Department;
  - inform the Department of any significant issues relating to the delivery of the Department's policy objectives and any resources that are being used to achieve those objectives;
  - ensure that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Authority in a timely fashion (where they might prove significant to the Department or material to the Authority);
  - take all relevant financial considerations into account at all stages in the making and executing of decisions, including any issues of propriety, efficiency and effectiveness, following standard appraisal techniques;
- on advising the Authority:
  - on BTP's and the Authority's performance compared with its aim and objectives;

- ensure that financial considerations are taken fully into account by the Authority at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical;

- take action as set out in paragraphs 13-14 of the Accounting Officer Memorandum if the Authority is contemplating a course of action involving a transaction he/she considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

- on managing risk and resources:

  - maintain systems of risk management to inform decisions on financial and operational planning and to assist in achieving objectives and targets;

  - maintain an effective system of programme and project management and contract management;

  - ensure that all public funds made available to the Authority (including any approved income or other receipts) are used for the purpose intended by Parliament, and that such moneys, together with the Authority's assets, equipment and staff, are used economically, efficiently and effectively;

  - maintain adequate internal management and financial controls, including effective measures against fraud and theft;

  - maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;

  - develop and maintain effective personnel management policies;

- on accounting for the Authority's activities:

  - sign the accounts and ensure that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;

  - sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;

  - sign a Statement on Internal Control regarding the Authority's system of internal control, for inclusion in the annual report and accounts;

- ensure that effective procedures for handling complaints about BTP are established and made widely known within the Authority;

- act in accordance with the terms of this document and with the instructions and guidance in *Government Accounting* and other instructions and guidance issued from time to time by the Department, the Home Office, the Treasury and the Cabinet Office – in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety*, both of which the he/she shall receive on appointment. Section IX of the attached financial memorandum refers to other key guidance;

- ensure that the Authority publish a report annually about the policing of the railways in that year, as per Section 57 of the Act, and send a copy of this report to the Department; and

- Give evidence, normally with the Accounting Officer of the Department, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the Authority.

The Clerk's role

41. The Act assigns to the Clerk responsibilities similar to those of the Head of a Local Authority's paid service. In particular this includes:

- The duty where he considers it appropriate to do so, to report to the Members of the Authority on the following matters:

  The manner in which the discharge by the Authority of its different functions is co-ordinated;

  The number and grades of staff required to support the Chairman and Members in the discharge of their functions; and

  The appointment, organisation, and proper management of such staff

42. In discharging his responsibility, the Clerk will work closely with the Chairman of the Authority.

43. The principal accountabilities of the Clerk of the Authority are as follows:

- To support the functions of the Chair and Members by:

managing and co-ordinating the administrative processes in order to facilitate effective and proper decision-making and the keeping of records; and

keep these processes under review so as to ensure that a culture of continuous improvement is embedded into the work of the Authority;

- To manage the Authority Secretariat to provide a pro-active and professional support service to the Chair and Members and an informed point of contact to Members, partners and members of the public;

- To provide independent, timely, accurate and high-quality advice and guidance to Members on:

  The duties, powers and procedures of the Authority as set down in the Act;

  The issues that require an Authority decision, discussion or action, together with potential solutions and/or actions required;

  Support to individual Members of the Authority in performing their various roles;

  The strategic development of the Authority including the BTP; the role of the Chair and Members in relation to Chief Officers of the BTP, including recruitment, renewal and termination of fixed-term contracts, complaints, and matters of discipline; and

  - the discharge of their responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;

- To support the Chair and Members in the drafting, continued development and delivery of strategy and plans as required by the Act;

- To ensure that the Chair and Members:

  Scrutinise the performance of BTP;

  Hold the Chief Constable to account for the delivery of the Three Year Strategy and Annual Policing Plan;

  Hold the Chief Constable to account for spend against the Annual Revenue Budget, the delivery of value for money services and for making best use of limited resources;

Are satisfied that BTP maintains a skilled, motivated workforce and that the right people are deployed to the right place at the right time and with the right skills;

Scrutinise the quality of service delivered by BTP; and

Monitor the performance of the Authority and BTP to ensure they meet legislative requirements and good practice in regard to equality;

- To develop effective working relationships and strategic partnerships between the BTP, train operators and other major stakeholders; and

- To negotiate and keep under review all PSAs with the BTP's customers and ensure that income due to the Authority in respect of the Police fund is allocated and maintained.

The Treasurer's Role

The Act requires the Authority to appoint a Treasurer. The Treasurer will:

- Develop a medium term financial strategy with the Chair and Members of the Authority;
- Provide strategic financial guidance to the Chair and Members of the Authority;
- Give financial advice to the Chair and Members of the Authority on all aspects of its activity including, in particular, strategic planning and policy making;
- Lead and advise the Chair and Members of the Authority on the development of budget policies, linking them to decisions on policing priorities; and
- Work with the Clerk in advising and supporting the Chair and members of the Authority in the discharge of their statutory functions.

The Chief Constable's role as Consolidation Officer

44. For the purposes of Whole of Government Accounts the Chief Constable will be appointed by the Treasury as the Authority's Consolidation Officer.

45. As the Authority's Consolidation Officer he/she shall be personally responsible for preparing the consolidation information that sets out the financial results and position of the Authority, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.

46. As Consolidation Officer he/she shall comply with the requirements of the Consolidation Officer Memorandum and shall, in particular:

- Ensure that the Authority has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process; and

- Prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions ["Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters] issued by the Treasury on the form, manner and timetable for the delivery of such information.

Sub-delegation of duties

47. The Chief Constable may sub-delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in the Authority, including the sub-delegation of certain resource management responsibilities to the Clerk. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

IV. Planning, Budgeting and Control

The strategic plan

48. Consistent with the timetable for public spending reviews, and Section 55 of the Act, the Authority shall submit annually to the Department the Authority's updated strategic plan covering three years ahead. The Authority shall take into account any directions issued by the Department or the Home Office in preparing the plan.

49. The plan shall reflect the Authority's statutory duties for policing the railways and, within those duties, the priorities set from time to time by the Secretary of State. In particular, the plan shall demonstrate how the Authority contributes to the achievement of the Department's Public Service Agreement targets and the Home Office's National Policing Plan.

50. The strategic plan shall set out:

- the Authority's key objectives and associated key performance targets for the three forward years, and its strategy for achieving those objectives;

- a review of the Authority's performance in the preceding financial year and an estimate of performance in the current year;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast; and
- other matters as agreed between the Department and the Authority.

51. The main elements of the plan – including the key performance targets – shall take account of directions issued by the Secretary of State, and the Home Office's National Policing Plan.

52. In reaching annual decisions on the Authority's rolling strategic plan and in monitoring progress, the Department shall aim to give the Authority greater planning certainty by observing the principles summarised in paragraph 18 above.

The policing plan/business plan

53. In accordance with Section 52 of the Act the Authority shall issue a policing plan annually. This shall be consistent with the three year strategic plan. The policing plan shall show the Authority's objectives, including any specified by the Secretary of State and the Home Office, its policing priorities for the year, together with the financial resources expected to be available and the allocation of those resources.

Publication of plans

54. Subject to any commercial considerations the strategic and policing plans shall be made available on the Internet.

Reporting performance to the Department

55. The Authority shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its agreed corporate and policing plans.

56. The Authority shall take the initiative in informing the Department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the objectives set out in the corporate or policing plans. In particular, the Authority should consider if, and inform the Department where these changes may have a material impact on the Department's funding of train operating companies, via the subsidy paid to them by the Strategic Rail Authority.

57. The Authority's performance in helping to deliver Ministers' policies, including the achievement of key objectives, shall be reported to the Department on a monthly basis. In accordance with section 63 of the Act, Her Majesty's Inspectors of Constabulary (HMIC) shall inspect the BTP from time to time, and at the request of the Secretary of State. The Secretary of State shall meet the Chairman annually to discuss the Authority's performance, its current and future activities and any policy developments relevant to those activities.

58. The Authority's performance against key targets shall be reported in the Authority's annual report and accounts (see Section V below).

Budgeting procedures

59. The Authority's budgeting procedures are set out in the financial memorandum.

Internal audit

60. The Authority shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards. The Authority shall consult the Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving the appointment in accordance with Government Internal Audit Standards (GIAS) 5.2.

61. The Authority shall set up an audit committee as a committee of its Members in accordance with the Cabinet Office's Guidance on Codes of Practice for Public Bodies and the Treasury's Audit Committee guidance.

62. The Authority shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right of access to carry out independent reviews of internal audit in the Authority.

63. The Department's Internal Audit Service shall also have a right of access to all documents prepared by the Authority's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the Authority's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded as soon as possible to the sponsoring team who shall consult the Head of Internal Audit as appropriate.

64. In addition, the Authority shall forward to the Department an annual report on fraud and theft suffered by the Authority; notify any unusual or major incidents as soon as possible; and notify any changes to internal audit's terms of reference, the audit

committee's terms of reference or the Authority's Fraud Policy and Fraud Response Plan.

Additional Departmental access to the Authority

65. In addition to the right of access referred to in paragraph 63 above, the Department shall have a right of access to all the Authority's records and personnel for purposes such as inquiries directed by the Secretary of State under Section 60 of the Act.

V. External Accountability

The annual report and accounts

66. Section 57 of the Act requires the Authority to prepare an annual report of its activities together with its audited annual accounts as soon as is reasonably practicable after the end of each financial year. A draft of the report shall be submitted to the Department by the beginning of the second full week in July. The Secretary of State will lay a copy of the annual report and accounts before each House of Parliament.

67. The report and accounts shall comply with the Treasury document *Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance*. The accounts shall be prepared in accordance with the relevant statutes and the specific Accounts Direction issued by the Department.

68. The report and accounts shall outline the Authority's main activities and performance during the previous financial year and set out in summary form the Authority's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

External audit

69. The Controller and Auditor General (C&AG) audits the Authority's annual accounts and passes the accounts to the Department who shall lay them before Parliament. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under section 25(8) of that Act.

70. The C&AG has agreed to consult the Department and the Authority on who – the NAO or a commercial auditor – shall undertake the actual audit on his behalf. The final decision rests with the C&AG.

71. The C&AG has agreed to share with sponsor Departments information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. This shall apply, in particular, to issues which impact on the Department's responsibilities in relation to financial systems within the Authority. The C&AG has also agreed, where asked, to provide Departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which Departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

VFM examinations

72. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Authority has used its resources in discharging its functions. For the purpose of these examinations, the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the Authority shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

VI. Staff Management

General

73. The Chief Constable, reporting to the Authority, shall have responsibility for the recruitment, retention and motivation of BTP staff. To this end the Authority shall ensure that:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;

- the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;

- the performance of its staff at all levels is satisfactorily appraised and the Authority's performance measurement systems are reviewed from time to time;

- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Authority's objectives;

- proper consultation with staff takes place on key issues affecting them;

- adequate grievance and disciplinary procedures are in place;

- whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;

- A code of conduct for staff is in place based on the Cabinet Office document Model Code for Staff of Executive Non-Departmental Public Bodies where applicable, and consistent with the Code of Conduct set out in the Police (Conduct) Regulations 1996.

V11. Reviewing the Role of the Authority

74. The Authority shall be reviewed periodically, in accordance with the Cabinet Office guidance on “lighter touch” reviews.

75. The next review of the Authority will take place in the financial year 2009-10.

Signed

……. On behalf of the Department for Transport

Date:…….

……. On behalf of the British Transport Police Authority

Date:……..