



PROTECTIVE MARKING: NOT PROTECTIVELY MARKED

REPORT TO: Audit and Corporate Governance Committee
DATE: 30 June 2009
SUBJECT: Finance Position – Summary Report
SPONSOR: Director of Finance and Corporate Services
AUTHOR: Head of Finance

1. PURPOSE OF PAPER

1.1 This report informs the Committee of significant developments within the Finance Department during the last few months.

2. BACKGROUND

2.1 The Committee has received a regular update on the activities within the Finance Department and this report looks at the following matters:

- Internal audit
- Budget monitoring and reporting
- Closure of accounts for 2008/09
- Fraud report 2008/09
- Medium Term Financial Plan
- Judicial Review
- Other activity within the Department.

3. INTERNAL AUDIT REPORTS

3.1 Regular reports on internal audit reports have been presented to ACG after review by BTP's Chief Officers' Group (COG). The report elsewhere on this meeting's agenda of the follow up to previous audit reports indicates that significant progress has been made in reducing the number of outstanding recommendations and it is expected that this level of performance will be maintained.



PROTECTIVE MARKING: NOT PROTECTIVELY MARKED

- 3.2 The change in internal auditor to Tribal has been a smooth transition and Tribal's first report to the Committee is on this meeting's agenda. Their team has met with the Chief Constable and senior officers individually and as a group and have also had early meetings with NAO.

4. BUDGET MONITORING AND REPORTING

- 4.1 The provisional outturn figures for 2008/09 were reported to SB&PM Committee at its meeting on 24 June and show an underspend on net expenditure of £1.52m, with a "bottom line" surplus of £1.46m after taking account adjustments to PSA income in respect of two fixed price small PSAs. These figures are before any final technical accounting entries that may be required and take no account of the necessary changes as a result of the Judicial Review (see paragraph 8 below).
- 4.2 This position is against a forecast net underspend of £1.6m and indicates that, generally, budget monitoring has been adequate. It is proposed to make further improvements during the course of 2009/10 to strengthen the process even more.
- 4.3 The approved budget for 2009/10 has been allocated between budget holders and it is on the basis of this allocation that monitoring during the year will be measured. The £1.6m forecast underspend in 2008/09 which was "given back" to PSA holders in 2009/10 will be taken from the distributable element of the General Reserve.
- 4.4 The capital programme at the year end shows that, for DfT supported schemes, expenditure was at £11.47m. against a target of £11m. The funding from the DfT in respect of the capital programme is for a three year period (2008/09 to 2011/12) and therefore the capital programme is being managed, as far as possible, over this period. This allows flexibility in the timing of individual projects and maximising resources and thus the under and over spends against the updated programme will be carried forward to 2009/10 and funded from the £13m available grant in this year. Most of these variances relate to ongoing schemes in any case and form part of the capital programme for 2009/10.



PROTECTIVE MARKING: NOT PROTECTIVELY MARKED

5. CLOSURE OF ACCOUNTS 2008/09

- 5.1 Elsewhere on this meeting’s agenda is the report on the formal Statement of Accounts which sets out the position at the year end. This year the process of closing the accounts has gone smoothly and thanks are due to the NAO team for their co-operation in getting the work done on time.

- 5.2 The major matter that has affected the accounts is the retrospective changes that have had to be made in respect of the Judicial Review (see also paragraph 8 below). These changes were made late in the process and required significant additional disclosure notes, the text of which were discussed by the Authority at its meeting on 24 June.

6. FRAUD REPORT 2008/09:

- 6.1 In accordance with government requirements, BTP is required to complete an annual fraud return which shows the number and value of internal cases of actual or attempted fraud or theft where investigations were completed in the year.

- 6.2 The return for 2008/09 provided the following information. As can be seen in the table although there were 12 cases to report the values involved are relatively small. Where these instances have identified gaps in internal control management action has been taken to ensure the appropriate controls are put in place.

Category	No of Cases	Value (£)
T&S and other allowances	2	1,253
Pay or allowances paid via the payroll	2	1,165
Theft of assets	2	33
Exploiting assets and information	3	962
Procurement Fraud	1	7,800
GPC/Credit Cards	0	0
Personnel management related fraud	2	Not quantifiable
Payment fraud	0	0
Fraud relating to departmental income	0	0
Other	0	0
	12	11,213

7. MEDIUM TERM FINANCIAL PLAN



PROTECTIVE MARKING: NOT PROTECTIVELY MARKED

7.1 An updated MTFP is being prepared following the formal decisions on the 2009/10 budget and other known changes since then. A preliminary version will be brought to the Authority for discussion at its July meeting.

7.2 The impact of the Judicial Review – as far as it affects such matters as costs, levels of reserves, grants and/or loans from the DfT – will be included in the updated MTFP

8. JUDICIAL REVIEW

8.1 The Finance Team has been working closely with the Authority in verifying the amounts due from PSAs following the Judicial Review (JR). This is proving to be a significant demand on resources and additional help has been brought in. The Statement of Accounts for 2008/09 (see report elsewhere on this meeting's agenda) has been adjusted to take account of the impact of the JR on the accounts for 2007/08 and 2008/09.

8.2 Interim invoices for 2009/10 were issued as agreed by the Authority and, in the majority of cases, regular payments are being received. Updated invoices, including those relating to adjustments for 2007/08 and 2008/09 will be issued once the final figures are agreed and in accordance with decisions made by the Authority.

8.3 Detailed and regular cash flow projections are being prepared to ensure that the shortfall in income from PSAs following the JR is covered by an agreed loan from the DfT. At the time of writing the draft loan agreement has been prepared but a final version is yet to be signed. The current position is that it is estimated that the first tranche of the loan will need to be drawn down in September.

9. OTHER ACTIVITY WITHIN THE DEPARTMENT

9.1 A review of the "purchase to pay" processes within FHQ has been undertaken and a number of recommendations made that will make the process more efficient and ensure that targets



PROTECTIVE MARKING: NOT PROTECTIVELY MARKED

for the payment of suppliers are met. A “Practitioner Group” has been set up to work through these recommendations – many of which will be implemented during this financial year. Future reports to Committee will provide updates on progress.

9.2 The Bank of England is withdrawing from retail banking service’s and it has been agreed with DfT that BTPA should explore its own arrangements. Tender documents are being prepared with evaluations taking place in August / September. It is proposed that the new arrangements are put in place with effect from the new financial year.

9.3 “Trigger point 3” in respect of the move to IFRS is due in September and we are on target to meet all those requirements – the main one of which is to restate the 31 March 2009 Balance Sheet in the new format.

10. DIVERSITY ISSUES

10.1 There are none.

11. RECOMMENDATIONS

11.1 It is recommended that the progress on the matters outlined in this report is noted.