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Report to: Audit Committee
Agenda item: 7
Date: 28 June 2011
Subject: Annual Statement of Accounts 2010-11 - update
Sponsor: Chief Executive
Author: Authority Finance Director
For: Information

1. Purpose of Paper

1.1 This report highlights a number of issues which, at the time of writing this report, have not yet been completed and the actions that have taken place so far. It supplements the BTP paper on the accounts.

2. Outstanding Issues

2.1 As noted in the NAO completion report the following items were outstanding at the time of writing this report:

Outstanding issue	Status	Update
Delegated Authority- a copy of the latest letter of delegation from the Department for Transport, as updated to reflect the changes introduced by HM Treasury in May 2010 around spending on IT projects and marketing;	None received for 10/11. Capital DEL received in 2008 for 08/09–10/11.	Will not be issued retrospectively. Plans in place at DfT Finance to issue letter to BTPA for 2011/12
Treasury approval for the BT WAN IT project entered into in November 2010 at a cost of £9m;	See section 3 below – actions taken	If authorisation is not approved then it will lead to a qualification in the accounts on the grounds of incurring unauthorised expenditure
Appropriate disclosure of the pension scheme movement, in particular to reflect the agreed approach to accounting for the change from RPI to CPI for valuing scheme liabilities	Completed and sent to NAO	Awaiting comments

Tracking of audit adjustments through the revised draft account including review of supporting evidence for client adjustments;	Completed and sent to NAO	Awaiting comments
NAO final Director review of the audit		

3. Action taken re WAN authorisation

3.1 In October 2010, the Authority gave approval to the WAN project. The Authority Chief Executive approached the DfT sponsorship team as to whether further authorizations should be sought from the DfT or the Treasury, given the size of the project and the additional Treasury controls put in place over Government expenditure. The previous DfT sponsorship team informed the Authority that no such approval was required as it was operational in nature. The contract was signed in November by the Chief Executive. As part of normal monthly returns submitted to the DfT, the contract was notified to the DfT and Treasury, although no further queries were raised on the contract.

3.2 The NAO have raised this as an issue at the final Audit meeting, held on 20 June. They believe that BTPA should have got authorisation from Treasury / ERG. Discussions have now taken place with the new sponsorship team and DfT Finance and they have confirmed that the NAO are correct and that further approval should have been sought and we had been given incorrect guidance. The Authority Finance Director is working closely with DfT finance in order to gain retrospective approval. The objective is to get approval from the Treasury as soon as possible. The required forms were completed on 23 June and have been submitted to DfT Finance, who are co-ordinating the approval process with Treasury. A verbal update will be given at the meeting as to the status of this issue. The overriding objective is to gain this approval by 7 July at the latest, so that our accounts are still laid before Parliament in line with our original timetable. If this is not going to be possible, then we need to consider delaying the filing until this issue is resolved as if we do not have retrospective approval, the NAO have informed us they would have to

qualify the accounts on the grounds of incurring unauthorised expenditure.

3.3 In the meantime, as part of the delegation letters for 2011/12, we are working with the DfT to agree exactly which spending limits apply to the Authority and more specifically to BTP. This will be in addition to our letter of delegation.

4. Recommendations

4.1 It is recommended that the Audit Committee discuss and note this paper