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Report to: Audit Committee
Agenda item: 4
Date: 20 September 2011
Subject: Authority Finance Issues – Quarterly Update
Sponsor: Authority Finance Director
For: Information

1. Purpose of Paper

1.1 The purpose of this report is to inform the Audit Committee of significant developments within the Executive during the last few months.

2. Annual Accounts

2.1 Unqualified year end accounts were laid before parliament before the recess. Considerable effort was spent in gaining approval for the WAN Capital project. Authorisation was given by the Cabinet office subject to a number of conditions on BTP and DfT, which were:

- DfT provide ERG with a register of ICT-related contracts approved since the start of the moratorium, detailing approvals, by end August 2011;
- ERG instigate a review process through NPIA to identify the portion of the BTPA saving that is attributable as part of the overall Police sector contribution to PSN savings; this process is to report by end October 2011; and
- BTP produce a report that defines an agreed roadmap for the transition to full PSN compliance and realisation of savings, by end October 2011; A meeting has been held between Paul Day and the CIO at DfT to understand the context and DfT's plans for PSN, and BT have been engaged, in order to meet

up with their PSN experts and understand their plans for transition to PSN. Calculation of the savings associated with the use of the technology will be undertaken, and a report will be prepared and delivered to the required timescale

2.2 Work is ongoing on planning for the accelerated timetable next year, in order to satisfy the requirements of the Governments new 'whole Government Accounting' timetable. It is envisaged that the Audit Committee to review the Accounts will need to be brought forward to 31 May 2012. The Authority meeting to approve the accounts would provisionally be set for 12 June 2012.

3. Budget 2011/12

3.1 A number of meetings have taken place with the DfT Finance and Sponsorship team in order to agree the delegations for 2011/12 and 2012/13. We were initially presented with budget totals for Department Expenditure Limits that bore no resemblance to our actual revenue budget. All the figures are inclusive of the Olympics and the JR funding. We met again on 6 September and agreed that the limits would be as follows:

	Current Forecast	**DfT Budget**	**Variance**
	£'000	**£'000**	**£'000**
Revenue DEL	1,067	715	(352)
Depreciation	9,627	10,000	373
Total Resource DEL	**10,694**	**10,715**	**21**
Capital DEL	11,205	11,292	87
Total DEL requirement	**21,899**	**22,007**	**108**

3.2 The DfT budgets set for 2012/13 are also being discussed and we currently have an issue around capital DEL, which is

£1.6m less than currently required. No input had been sought from BTPA prior to agreeing this level and the DfT agreed to investigate any flexibility that they may have as the year emerges.

3.3 It was stressed that the financial impact of the recent public disorder had not been included in these numbers and the DfT Director of Finance agreed to include these costs as a risk to them.

3.4 The official delegation letter is expected imminently. We have also asked the DfT to clarify the treatment of BTP / BTPA in the levels of authorisation required from the Cabinet Office and the DfT. This should be specified in the delegation letter and we will monitor any new requirements.

4. Internal Audit Contract and Circulation of Reports

4.1 In line with discussions at the last Audit Committee we have awarded a one year contract to Tribal effective 1 April 2012 to 31 March 2013. We have achieved a saving on this year's budget for the daily rate of 8%. Work will need to start on a full Internal Audit tendering process in July 2012.

4.2 After discussions with the new Chair of the Audit Committee, it is recommended that full copies of the internal Audit reports which are currently sent to the Force Director of Finance be sent, by Tribal, to the Authority Finance Director within 7 days of receipt by BTP.

5. PSA Accounts Manager

5.1 Unfortunately the PSA accounts Manager who started in May left the Executive August by mutual consent. Work will now commence on recruiting a replacement.

6. Gifts and Hospitality Register

6.1 In line with good governance in public bodies, a copy of the Gifts and Hospitality which have been received, accepted or declined by BTPA Members and BTPA Executive Senior Staff for oversight is prepared. Appendix 1A lists the full details for the BTPA.

6.2 All offers, acceptances and declines over the value of £25 must be advised in writing to the Chief Executive, within 28 days of receipt.

6.3 The Chief Executive reviewed the BTP Gifts and Hospitality Register with the Deputy Chief Constable on Wednesday 31 August 2011, and found that all entries were in accord with the extant policy. A copy of the register is attached at Appendix 1B.

6.4 Members are asked to note the gifts and hospitality registers.

7. Fraud Policy

7.1 At the last Audit Committee, it was agreed that the policies be referred back to the authors to work together to create a coherent policy and address any inaccuracies. Work has been ongoing in developing the policies and these have been reviewed by Tribal. Their comments are being considered and the revised policies will be circulated separately for comment.

8. New Chair of the Audit Committee

8.1 Colin Foxall has requested that we look at a number of themes during the year which could have a material impact on the controls operating with in BTPA / BTP. After internal discussion, it is recommended that the following themes are looked at, with one theme being looked on a quarterly basis.

- **Financial Delegation** – from DfT, BTPA to BTP and a review of the relative levels and the mechanisms used to monitor the appropriateness of the respective levels
- **Insurance** – the balance between self insurance and external insurance cover and the relative risks that the Authority is exposed to.
- **Capital Management** – to review the detailed controls around the annual capital plan, from initial planning, authorisation through to the final post implementation review.
- **Balance Sheet Control** – to explore the controls in place for the key balance sheet control accounts.
- **Provisions** – to better understand the provisions and accruals held within BTP/ BTPA and risks around insufficient financial provision.
- **London**- to review the relationship with TfL, in terms of contracts, controls and overhead contributions.

8.2 Members are invited to suggest any other areas which could be discussed.

9. Recommendations

9.1 Members are asked to note this report.