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Report to: Police Authority
Agenda item: 5a
Date: 7 July 2011
Subject: Annual Statement of Accounts 2010-11 - update
Sponsor: Chief Executive
Author: Authority Finance Director
For: Approval

1. Purpose of Paper

1.1 This report proposes the approval of the annual statement of accounts for 2010/11.

1.2 The accounts have already been scrutinised by the Audit Committee and have been circulated to all members for comment.

1.3 It recommends the next steps in laying the accounts before parliament and it supplements the BTP paper on the accounts at agenda item 5b.

1.4 A late issue has arisen regarding the approval of the WAN project in relation to Cabinet Office rules issued last year. This paper deals with that issue and proposes how to go forward.

2. Outstanding Issues

2.1 Appendix A sets out the issues and work that were outstanding at the time that the NAO completion report was presented to the Audit Committee on 28 June 2011. The table has been updated for those that have subsequently cleared.

2.2 There were, until 20 June, two outstanding issues. The first was the change in disclosure of the effect of the RPI to CPI on pensions, which had to be changed based upon advice from HM Treasury issued in June 2011. This has now been completed and agreed by the NAO. The second outstanding issue was their completion of tracking the agreed audit adjustments through to the draft accounts. This has also been satisfactorily completed.

2.3 On the 20 June, the NAO told the Authority that the WAN expenditure, which was agreed by the Authority in October 2010, should have been approved by the Cabinet Office through their Efficiency and Reform Group (ERG). The ERG was set up by the Coalition Government in 2010 to scrutinise expenditure across all Government departments.

2.4 Those rules, issued by the ERG, were promulgated last year and at the time, the Chief Executive sought comprehensive assurances from the Department for Transport sponsorship team whether or not the WAN required such approval. He was told by the DfT that no such approval was necessary. That advice was incorrect.

2.5 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.

2.6 We now need to seek retrospective approval from the ERG and this is now being actioned. We understand that this situation has arisen in other Government departments and that they have successfully sought such retrospective approval. The NAO have supported this course of action.

2.7 The approval process has been started and the required forms have been completed and are being reviewed by the ERG with a view to formal approval on 7 July by Francis Maude. The Chief Executive and the Cabinet Office have been in daily contact to ensure that all the issues that they raise are dealt with expediently by us.

2.8 There is a risk that this retrospective approval will not be granted in time to file the accounts in July. In this case, although undesirable, it is recommended that we wait for the approval to be granted and that the unqualified accounts be laid when Parliament return in September.

2.9 There is also a risk that no such approval will be granted, the consequences of this would be a technical qualification of the accounts on the grounds of incurring unapproved expenditure.

2.10 That said the Authority Executive is pro-actively seeking retrospective approval in order to file unqualified accounts in July.

3. Proposed next steps

3.1 The Authority Finance Director and Chief Executive are working closely with Treasury and the DfT in order to gain retrospective approval. The appropriate paperwork has been submitted to ERG at the Cabinet Office and subject to their internal processes it will be presented to Francis Maude for final approval on 7 July. Follow up conversations are taking place with Treasury on a daily basis. A verbal update will be given at the meeting as to the status of this issue.

3.2 The overriding objective is to gain this approval on 7 July to enable unqualified accounts to be laid before Parliament in line with our original timetable.

3.3 In order to smooth the process, we have agreed with the NAO that, subject to the Authority's approval, Andrew Figgures, as Accounting Officer will sign the accounts as presented to the Authority and will submit them to the NAO to enable them to perform their final checks. Before the accounts are presented to the Comptroller and Auditor General (C&AG) for signature (on 13/14 July), we will need to have provided the NAO with satisfactory evidence that the appropriate retrospective approval for the WAN is in place.

3.4 In the meantime, as part of the DfT 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. We have requested all such approvals to be formal and in writing. The Authority Finance Director has agreed with the NAO Director, that he will review the delegation letter and confirm that it is satisfactory and in line with their expectations to avoid any such delay again.

4. Recommendations

4.1 It is recommended that the Authority approve the accounts and authorise the Accounting Officer to sign and submit them to the NAO on 7 July, assuming that retrospective approval is granted for the WAN from the ERG. The NAO will then complete their final steps in the process and once we have provided appropriate evidence of authorisation to them, the accounts will be signed by the C&AG and laid before parliament before recess in July.

4.2 The Chief Executive will update the members on progress of the approval of the WAN and impact on the timing of filing the annual accounts.

Appendix A

NAO STATUS OF OUTSTANDING WORK / ISSUES

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;	Retrospective approval being sought	If authorisation is not approved then it will lead to a technical 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	Complete as at 30.6.2011
Tracking of audit adjustments through the revised draft account including review of supporting evidence for client adjustments;	Completed and sent to NAO	Complete as at 30.6.2011
NAO final Director review of the audit		To be completed on 4.7.2011