National Audit Office

REPORT TO THOSE
CHARGED WITH GOVERNANCE
May 2012

British Transport Police Fund

Audit Completion Report on the 2011-12 financial statements audit

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

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Executive Summary

Introduction

1 This report summarises the key matters arising from our audit of the 2011-12 British Transport Police Fund financial statements for the benefit of those charged with governance. We would like to thank Liz Pike, Simon Hart and the British Transport Police finance staff for their co-operation during the audit process.

2 Our examination of the 2011-12 financial statements was undertaken in accordance with auditing standards issued by the Auditing Practices Board, taking into account the UK Auditing Practices Board's Practice Note 10: *Audit of Financial Statements of Public Sector Bodies in the United Kingdom.* Our approach to the audit was planned and executed in accordance with the Audit Planning Report presented to the Audit Committee (dated November 2011).

3 This report has been prepared for the sole use of the British Transport Police Authority (BTPA) although it may also be shared with the Department for Transport. It must not be disclosed to any other third party, or quoted or referred to, without the written consent of the National Audit Office (NAO) and no responsibility is assumed by the NAO to any other person.

Overall conclusion and opinion

4 The Comptroller and Auditor General (C&AG) will report his opinion to Parliament in the format set out in Annex B – Proposed Audit Certificate. The C&AG's certificate includes an opinion as to the truth and fairness of the financial statements, and that the expenditure and income have been applied to the purposes intended by Parliament and that the transactions conform to the authorities which govern them ('regularity').

5 The C&AG anticipates certifying the 2011-12 financial statements with an unqualified audit opinion without modification.

Status of audit

6 At the time of writing this report the following work remained outstanding:

- explanations for the following differences in the pension liability calculations:
    - £2,617k between the asset figures used by the BTPA's actuary and those provided by RPMI, and
    - 75 staff between the staff numbers provided by BTPA from payroll information and those used by the actuary;

- confirmation of retrospective approval of spend on recruitment, consultancy and property that exceeded the BTPA's delegated authorities for 2011-12;
- review of the revised Annual Report and Governance Statement including final consistency and disclosure checks;
- final NAO manager and director review of audit fieldwork and the follow-up of any identified issues and completion of subsequent events review; and
- receipt of signed Annual Report and Accounts, and Letter of Representation.

7 We do not propose any changes to the audit fee advised in the Audit Planning Report (£110,000) at this stage. However, we have carried out significant additional work to in connection with reviewing advice related to the unauthorised pension payments and we have incurred additional costs as we found that the controls around payroll were not robust enough for us to rely on. The additional charges incurred in relation to these areas will be notified to the BTPA at the conclusion of our audit.

Significant risks

8 As detailed in our Audit Planning Report (November 2011) we identified two significant risks of material misstatement during the planning stage of the audit. Our audit response to these risks and our findings are discussed in detail in the Significant Risks section below. We have concluded our work satisfactorily on these significant risks.

9 We did not identify any additional significant risks during our interim and final audit processes.

10 We also identified three risk factors at the planning stage of the audit. These were related to changes in the British Transport Police's management structure; WAN project information provided to HM Treasury; and changes in the Financial Reporting Manual requirements for accounting for grants. As the Identified Misstatements section shows below, an adjustment of £7,140,000 has been made in connection with the BTPA's accounting for grants. We identified no further issues in our work on the other risk factors.

11 We did not identify any other risk factors during our interim and final audit processes.

Audit findings

12 We discuss the quality, effectiveness and transparency of the British Transport Police Fund's financial reporting and its accounting policy selection, and our audit findings with regards to regularity and the internal control environment in the Audit Findings section.

Financial reporting and accounting

13 We did not find any significant issues with respect to the quality, effectiveness and transparency of financial reporting and accounting.

14 During our audit we requested a change to the policy for accounting for capital grants. We found no other significant issues with respect to the appropriateness of the accounting policies applied.

Regularity, propriety and losses

15 No issues were identified with respect to regularity, propriety and losses.

Internal Control

16 The Audit Findings section below shows that we identified control issues around payroll, pension data and non-current assets. We do not consider that any of the control issues identified would have a material impact on our opinion on the financial statements.

17 Other matters of governance interest are set out in the Other Matters of Governance Interest section.

Identified misstatements

18 In the course of the audit we identified six misstatements which have been adjusted in the draft accounts. As detailed in the Identified Misstatements section of this report below, the adjustments are expected to increase reported income on the Statement of Comprehensive Income by £1,194,000.

19 There were two extrapolated misstatements identified from our audit which would decrease net expenditure by £345,000. These should not be adjusted by management, but provide an indication of the level of error within the accounts from the small individual errors we identified during our sample testing.

Actions for those charged with governance

20 Those charged with governance are invited to review the findings set out in this report, including the draft Letter of Representation and Audit Certificate included at Annex A and Annex B respectively.

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Significant Risks

1.1 Our Audit Planning Report identified two areas of significant risk. The table below describes how we addressed these areas through our audit process.

Significant risks of material misstatement

Significant risk 1 - Pensions

1.2 In October 2011, the Chief Executive of the BTPA wrote to the past Permanent Secretary of the Department for Transport informing her that unauthorised pension and lump sum payments had been made by the British Transport Police Superannuation Fund (BTPSF), operated by RPMI, to some eighteen retiring police officers who were subsequently re-employed by the British Transport Police. The payments (including lump sums and monthly payments) were unauthorised under the terms of the Finance Act 2004 because re-employment occurred without waiting for a correct period of time to elapse from the retirement date.

1.3 Following discussions with the BTPA we outlined a risk that the unauthorised payments could result in tax charges to the employees who received them and a scheme sanction charge to the pension fund itself. Any costs incurred by BTPA in association with this issue (for example any settlement made on behalf of the pension fund or employees; any legal costs incurred; or any compensation payable to employees) are likely to fall outside the scope of current authorities delegated to BTPA. Without appropriate authorisation, these costs could potentially be irregular.

Audit response

1.4 Our audit included consideration of the reasons why these police officers were re-employed. This included, for example, reviewing any business cases and recruitment papers which supported the re-employment.

1.5 We examined legal advice received by the BTPA and also the rules of the BTPSF pension scheme. We also monitored liaison with the pension fund; the affected employees; and HMRC.

1.6 We monitored whether the BTPA was required to make any associated payments during the year, and as a solution had not been reached by the 31 March 2012, we considered the appropriateness of a provision for £975,000 recognised initially by the BTPA at the year end.

1.7 Our audit included a review of disclosure in the financial statements for 2011-12 and in the Governance Statement. We also considered the extent to which pension scheme payments and liabilities disclosed in prior years may have been affected.

1.8 In concluding on the above, we considered, in particular, whether there was an impact on our opinion on regularity of the account and whether there was any evidence of impropriety that should be drawn to Parliament's attention by way of a C&AG's Report.

Findings

1.9 Our review of the recruitment process enacted by the British Transport Police for re-employing the retired officers did not identify any clear cases of unfair competition. However, there were insufficient records maintained to prove that all positions had been subject to open and fair competition. We understand that recruitment processes are currently being reviewed and updated and we recommend this includes introducing a policy for the retention of recruitment information.

1.10 We also reviewed the appropriateness of the provision recognised by the BTPA in the initial draft accounts of £975,000, against the requirements of IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Following this review, as set out in the Identified Misstatements section below, we concluded that the provision should not be recognised at 31 March 2012. This is because:

- HMRC has not provide a formal line on the tax implications to the BTPA;
- the BTPA is not responsible for settling individuals' tax liabilities (it is their responsibility to manage their own tax affairs), so there is no legal obligation;
- the BTPA has yet to receive any formal claims for payment from the individuals concerned to settle tax liabilities on their unauthorised lump sums and pension payments paid to date;
- the settlements the BTPA is proposing to put in place with the individuals concerned were not formally agreed and signed at 31 March; and
- the BTPA is not currently paying unauthorised pensions, so is not accumulating any further potential liability at the current time.

1.11 As a result, we requested the reversal of this provision from the final version of the accounts and its replacement with the disclosure of a contingent liability setting out the current position in relation to this possible obligation. We have also requested fuller disclosure of this issue in the Governance Statement.

Significant risk 2 - Payroll

1.12 In August 2011, staff administering the payroll were relocated from London to Birmingham. Furthermore, an upgrade of the payroll IT system was planned for November 2011. Data was to be copied from the existing payroll system to the new version during November 2011 and a parallel pay run was planned for December 2011. Another parallel run was planned in January 2012 before the existing system was switched off.

1.13 At the planning stage, we identified risks that:

- relocation of staff from London to Birmingham could disrupt day to day control over the processing of payroll transactions;
- current year data could be incorrectly copied from the old payroll system to the new one. This could affect the completeness and accuracy of payroll payments made in the later part of 2011-12 and future years;
- historic data could be incorrectly copied from the old payroll system to the new one, affecting the completeness and accuracy of allowances of other payments that are based on historic entitlements.

Audit response

1.14 Our standard audit testing included a review of controls over day to day processing of the payroll throughout 2011-12, including the period before staff relocated to Birmingham; the period between relocation and the new system being released; and the period after the new system was released.

1.15 We also tested the data migration in detail. This included testing BTPA's reconciliation between the old and new system; testing a sample of individual records transferred between the two systems (including current year data and historic data); and reviewing the results of the parallel pay runs.

Findings

1.16 We identified control weaknesses in our testing of the underlying payroll. These were communicated to the Audit Committee in our Interim Audit Update paper presented in March 2012, and meant that we needed to carry out further substantive testing of payroll instead of relying on the controls in place as planned.

1.17 During our work on the payroll transfer we were able to substantiate the migration of data during the system upgrade and confirm the consistency of data between the old and new systems. We did not identify any significant issues during our work on this area of the significant risk.

Audit Findings

Financial Reporting and Accounting Policies

2.1 The Annual Report and Accounts are required to comply with the Government Financial Reporting Manual (FReM) and the Accounts Direction issued by the Secretary of State when compiling financial statements.

2.2 In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period. We also review the overall balance and clarity of information contained in the Annual Report.

2.3 Our audit did not identify any significant issues with respect to the quality, effectiveness and transparency of financial reporting and accounting. However over the course of the audit we made a number of suggestions to improve the quality of disclosure in the Annual Report and accounts.

2.4 During the audit we identified that the accounting policy for accounting for grants needed to be updated to comply with new requirements of HM Treasury's Financial Reporting Manual. As the Identified Misstatements section below shows, this resulted in an audit adjustment of £7,140,000. There were no other significant issues identified with respect to the appropriateness of the accounting policies applied.

Review of information in the Annual Report

2.5 We review information in the Annual Report only to the extent that we confirm it is consistent with the financial statements and our understanding of the business. Except as noted in the audit opinion, the Annual Report is not subject to our audit opinion.

2.6 The Annual Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

2.7 The balance of information in the Annual Report was appropriate, and the clarity of information was sufficient.

Regularity, Propriety & Losses

2.8 Aside from the issues discussed and resolved satisfactorily regarding unauthorised pension payments, as set out in the Significant Risks section, we did not identify any significant issues with respect to regularity, propriety and losses.

Internal Control

2.9 The Interim Audit Update paper presented to the Audit Committee in March 2012 identified a number of control issues surrounding payroll records.

2.10 Our work at final audit also identified control issues in the three areas listed below:

- pensions reconciliations (maintaining an adequate audit trail to support pension asset and liability figures appearing in the financial statements);
- recruitment papers (maintaining evidence of fair and open recruitment processes); and
- non-current assets (maintaining the fixed assets register and conducting regular impairment reviews).

2.11 We will discuss these issues with line management as part of a lessons learnt exercise, in preparation for next year's audit and will provide an update on these issues to the BTPA Audit Committee at the next meeting in autumn.

2.12 Other matters of governance interest are set out in the Other Matters of Governance Interest section.

Governance Statement

2.13 Over the course of the audit we made a number of suggestions to help the Governance Statement better comply with the requirements of Managing Public Money, including a request that information disclosed on unauthorised pension payments be expanded.

2.14 In our opinion the Governance Statement complies with the requirements of Managing Public Money and our understanding of the BTPA's governance processes and internal control systems.

Identified Misstatements

3.1 This section contains details of adjustments made to the financial statements during the course of the audit, as well as unadjusted errors which are not considered material in the context of the financial statements as a whole.

3.2 We do not consider that the adjusted or unadjusted errors indicate significant weaknesses in accounting or control which needs to be reflected in the Governance Statement.

Significant adjustments made to the financial statements

3.3 As a result of our audit, six adjustments were made to the draft financial statements presented for audit. The adjustments are shown below. The presentation of this information enables those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process.

	SoCNI		SoFP	
	Debit £'000	Credit £'000	Debit £'000	Credit £'000
1. Being Income incorrectly treated as deferred income, following the accounting policy change for grants detailed in paragraph 2.4.		635	7,140	6,505*
2. Being the incorrect recognition of income and write off of income via the bad debt provision.	2,351	2,351	2,351	2,351
3. Being the adjustment to provisions related to unauthorised pensions not required as set out in the significant risks section (to be replaced by contingent liability disclosure) as set out in paragraph 1.10.		975	975	
4. Being the incorrect calculation of backlog depreciation	416			416
5. Being the incorrect classification of an intangible non-current asset as a tangible non-current asset.			309	309
6. Being incorrect recognition of grant in aid as accrued income.			697	697
Sub Totals	**2,767**	**3,961**	**11,472**	**10,278**
Totals		**1,194**	**1,194**	

*This includes the net effect of prior year restatements arising from the change in accounting policy.

3.4 The adjustments in the above table that are not described elsewhere in this report arose as a result of the following:

- Adjustment 2 - We found that Arriva and DBS transactions were incorrectly credited to income and debited to bad debts expenditure. The effect of this error was £2,351k.
- Adjustment 3 - We found that the calculations used for backlog depreciation were incorrect for leasehold improvements. This occurred as the cost was being depreciated over the entire life of the lease, not the remaining life of the lease when the improvements were made. The net effect of this error totalled £416k.
- Adjustment 4 - We found that one asset was incorrectly classified as a tangible non-current asset; this should have been an intangible asset. This was an asset under construction and therefore the only impact is for the cost of £309k.

3.5 We have made a number of other suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the FReM and other relevant guidance.

Unadjusted errors or uncertainties arising from the audit

3.6 We are obliged to bring to your attention the errors found during the course of the audit that have not been corrected, unless they are 'clearly trivial', which we have identified as below £27,000. We identified two extrapolated misstatements above this threshold during our audit. These should not be adjusted by management, but provide an indication of the level of error within the accounts from the small individual errors we identified during our sample testing.

	SoCNE		**SoFP**	
	Debit £'000	Credit £'000	Debit £'000	Credit £'000
1. Being expenditure incurred in 2011-12 that related to 2012-13 and no prepayment had been recognised. The actual error was some £10,000		380	380	
2. Being two invoices relating to expenditure incurred and invoiced in March 2012, but not recognised as payables. The actual error was some £22,000.	35			35
Totals		**345**	**345**	

Other Matters of Governance Interest

4.1 International Standard on Auditing 260 requires us to communicate with those charged with governance any other audit matters of governance interest. These include matters which have come to our attention which may present future risks, enhance overall governance or where those charged with governance might wish to seek assurance on controls and processes.

Fraud

4.2 We are required by Auditing Standards to report to you if we identify a fraud or obtain information that indicates that a fraud may exist. We found no such instances.

4.3 In addition, we are not aware of material weaknesses in the design and implementation of internal control to prevent and detect fraud.

Going concern

4.4 In the course of our audit, we have not identified any material uncertainties relating to events and conditions that may cast doubt on the entity's ability to continue as a going concern.

Management of information and personal data

4.5 HM Treasury and Cabinet Office issued guidance in 2008 regarding the management of information and personal data, and government entities were required to review their compliance arrangements and to disclose any specific data incidents. Those charged with governance should ensure they have made sufficient enquiries of management to form a view on the BTPA's progress in implementing Cabinet Office recommendations, and that the disclosures in the Governance Statement reflect this. Additionally those charged with governance should seek assurance on any data related incidents which may require disclosure. We are unaware of any data handling incidents during the year. Confirmation of this is sought within our Letter of Representation (Annex A).

Statement on personal data

4.6 During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in the

NAO's Statement on Management of Personal Data at the NAO (http://www.nao.org.uk/Publication_Scheme/data_protection_review.pdf).

Compliance with laws and regulations

4.7 During the course of our audit, we have not identified any suspected or non-compliance with laws and regulations.

Disagreements with management

4.8 There are no audit disagreements with management about matters that individually or in aggregate could be significant to the financial statements to report.

Co-operation with other auditors

Department for Transport auditors

4.9 We have provided assistance and will continue to provide assistance to the auditor of the Department for Transport in respect of their audit of the consolidated Departmental Account, of which the BTPA is a part. Our assistance involves providing the Department auditor with assurances over the submissions made by the BTPA to the Department's group finance team for the purposes of constructing the group accounts.

Independence, integrity & objectivity of auditors

4.10 The NAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Planning Report. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.

4.11 We have complied with APB Ethical Standards and, in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the NAO and the BTPA that we consider to bear on our objectivity and independence.

Annex A – Letter of Representation

The Comptroller and Auditor General

National Audit Office

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Victoria

LONDON

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LETTER OF REPRESENTATION: British Transport Police Fund 2011-12

I acknowledge as Accounting Office of the British Transport Police Fund my responsibility for preparing accounts that give a true and fair view of the state of affairs, net expenditure, changes in tax payers equity and cash flows of the British Transport Police Fund for the year ended 31 March 2012.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- make an assessment that British Transport Police Fund is a going concern and will continue to be in operation throughout the next year; and ensure that this has been appropriately disclosed in the financial statements.

I confirm that for the financial year ended 31 March 2012:

- neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money;
- having considered and enquired as to British Transport Police Fund's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of British Transport Police Fund to conduct its business or on the results and financial

position disclosed in the accounts;

- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by British Transport Police Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- the information provided regarding the identification of related parties is complete; and the related party disclosures in the financial statements are adequate.

All material accounting policies as adopted are detailed in note 1 to the accounts.

INTERNAL CONTROL

I acknowledge as Accounting Officer my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with HM Treasury guidance on the Governance Statement.

FRAUD

I acknowledge as Accounting Officer my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting British Transport Police Fund and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS

General

All assets included in the Statement of Financial Position were in existence at the reporting date and owned by British Transport Police Fund, and free from any lien, encumbrance or charge, except as disclosed in the accounts. The statement of financial position includes all tangible assets owned by British Transport Police Fund.

Non-Current Assets

All assets over £1,000 are capitalised. They are revalued annually using appropriate indices where the impact is material. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in British Transport Police Fund's operations.

Other Current Assets

On realisation in the ordinary course of British Transport Police Fund's operations the

other current assets in the Statement of Financial Position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to British Transport Police Fund which are known, or may be expected, to be irrecoverable.

LIABILITIES

General

All liabilities have been recorded in the Statement of Financial Position. There were no significant losses in the year and no provisions for losses were required at the year-end.

Provisions

Provision is made in the financial statements for:

- Claims Against the Authority valued at £303k;
- Dilapidations valued at £250k; and
- Employment Tribunals valued at £76k.

Contingent Liabilities

I am not aware of any pending litigation which may result in significant loss to British Transport Police Fund, and I am not aware of any action which is or may be brought against British Transport Police under the Insolvency Act 1986.

An unquantified contingent liability has been disclosed in the accounts in connection with the possible payment of tax for unauthorised pension payments.

OTHER DISCLOSURES

Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by British Transport Police Fund, or circumstances of an exceptional or non-recurring nature.

Unadjusted Errors

The following estimated errors have been brought to my attention:

	SoCNI		SoFP	
	Debit £'000	**Credit £'000**	**Debit £'000**	**Credit £'000**
1. Being expenditure incurred in 2011/12 that related to 202/13 and no prepayment had been recognised.		380	380	
2. Being two invoices relating to expenditure incurred and invoiced in March 2012, but not recognised as payables.	35			35
Totals		**345**	**345**	

Events after the Reporting Period

Except as disclosed in the accounts, there have been no material changes since the reporting date affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

Management of Personal Data

Except as disclosed in the Management Commentary, there have been no personal data related incidents in 2011-12 which are required to be reported.

A.C. Figgures CB CBE

Accounting Officer

Annex B – Proposed Audit Certificate

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the British Transport Police Fund for the year ended 31 March 2012 under the Railways and Transport Safety Act 2003. The financial statements comprise: the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Railways and Transport Safety Act 2003. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the British Transport Police Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Transport Police Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and

the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the British Transport Police Fund's affairs as at 31 March 2012 and of the net deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Railways and Transport Safety Act 2003 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Railways and Transport Safety Act 2003; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse Date

Comptroller and Auditor General

National Audit Office

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