



NOT PROTECTIVELY MARKED

Report to: Audit and Risk Assurance Committee
Agenda item: 7
Date: 30 May 2014
Subject: Statement of Accounts 2013-14
Sponsor: BTP Head of Finance and Procurement and BTPA Finance Director
For: Information/Decision

1. PURPOSE OF PAPER

1.1 This report presents the statutory Statement of Accounts covering the 2013-14 financial year to the Audit Committee for recommendation to the British Transport Police Authority (BTPA) following the conclusion of the external audit by the National Audit Office (NAO).

2. BACKGROUND

2.1 The Statement of Accounts for 2013-14 is attached at Annex A. It has been produced in accordance with the accounts direction issued by HM Treasury contained in the Government Financial Reporting Manual (FReM) and also in accordance with section 51 of the Railways and Transport Safety Act 2003.

2.2 BTPA's accounts also form part of the DfT consolidated accounts as well as being a stand alone set of accounts. The accounts also form part of the wider whole of government accounts which are co-ordinated by HM Treasury and show the financial position of the entire public sector. The DfT consolidation requires the BTPA accounts to be signed by the Accounting Officer before 19 June, when the consolidation accounts are scheduled for signing.

2.3 Scrutiny by this Committee is the first step to ensuring that the BTPA meets this deadline, the next steps are for the Statement of Accounts to be recommended for approval to the BTPA and then to be signed by the Chief Executive (as the Accounting Officer) and then by the Comptroller and Auditor General, before being laid before Parliament.

3. 2013-14 AUDIT

3.1 The audit of the 2013-14 accounts is complete and the Statement of Accounts is presented to this committee for recommendation for approval to the BTPA. The International Standard on Auditing (ISA) 260 requires the NAO to communicate certain aspects of the results of the audit to those charged with responsibility for governance. In accordance with the ISA 260, the BTPA has received a formal opinion from the NAO and their report is elsewhere on the agenda of this meeting.

3.2 There has also been liaison between the NAO and BTPAs internal auditors to ensure that where ever possible reliance can be placed on internal audit's work, and this has reduced the time required by the NAO to complete the year end audit.

4. 2013-14 FINAL OUTTURN

4.1 During 2013-14 there was very close monitoring of expenditure and income to ensure that BTP and BTPA delivered their strategic objectives within the approved budget. This was achieved through reporting and scrutiny of the year to date and full year forecast of expenditure and income against budget at four weekly Finance Review meetings chaired by the Director of Corporate Resources. The position was reported each period internally within BTP through formal reports to the Service Improvement Board and Chief Officer Team and then on a quarterly basis throughout the year to the Finance Committee and Main Authority of the BTPA.

- 4.2 The out-turn for BTP and expenditure excluding the BTPA's own costs is being reported to BTPA's Finance Group as a surplus of £1,160k. This is very close to the target underspend of £900k in order to create a reserve to fund the Accelerated Information Strategy. The Authority Finance Director reported the BTPA's out-turn as an overspend of £6k.
- 4.3 As a result of the required entries within the revenue account to comply with the relevant accounting standards (IFRS) and to make some changes required by the NAO, the Statement of Comprehensive Income (Income & Expenditure Account) in the Statement of Accounts shows a deficit of £43,671k. The table below provides a reconciliation of the 2013/14 outturn for management and financial accounting purposes.

Reconciliation between Year End Management Accounts and Financial Accounts

	£000	£000
Total BTP Under Spend or Surplus		(1,160)
L-Area Under Spend		60
Over Ground Under Spend or Surplus		(1,100)
Pensions Adjustments		44,070
Capital Financing and MHCA Adjustments		(1,754)
Net Movements in Provisions and Reserves (incl £6k Authority overspend)		2,202
Other Adjustments		
- Rent Free Periods	(106)	
- Inventory Adjustment	(122)	
- Disposal of Case & Custody	481	
		253
Financial Accounts Deficit		<u>43,671</u>

5. CHANGE IN ACCOUNTING POLICIES

5.1 There are no changes in accounting policy in 2013-14. .

6. FUNDING FROM DfT

6.1 BTP did not receive any funding from the DfT.

7. IMPACT OF IAS19 ON BTPA's ACCOUNTS

7.1 The purpose of the International Accounting Standard IAS19 is to ensure that financial statements reflect the assets and liabilities arising from the organisation's pension schemes, and that the cost of providing benefits to employees is recognised in the year in which those benefits are earned. The amounts relating to pensions for inclusion in the accounts under this standard are calculated by BTP's Actuary, Mercer. These calculations have to be made as at 31 March each year and are therefore not available until after the year end.

7.2 The effects of IAS19 are shown in both the income and expenditure account and the Statement of Financial Position (Balance Sheet).

7.3 The income and expenditure account shows the effect of contributions and interest earned offset by payments to members and interest paid on liabilities.

7.4 The Statement of Financial Position shows the notional value of the net assets and accumulated liabilities for the fund as at 31 March 2014 as calculated by BTP's actuary on the basis of the purchase cost of annuities to fund pension entitlements outstanding at the year end. The IAS19 net liability has decreased by £117.7m primarily due to the use of a lower inflation and future salary increases as well as other actuarial assumptions.

7.5 In normal circumstances any business with a net liability would be insolvent; however this has been caused solely by the pension disclosure, and is therefore not the case. The Balance Sheet disclosure is an indication of the liability BTP would have to find if the pension funds were wound up at 31 March 2014. This is accepted in the going concern note to the accounts.

7.6 The DfT has confirmed that the BTPA is a going concern despite the large pensions liability as the probability of the BTPA being required to meet this liability is very remote. In the circumstances the fact that the BTPA has sufficient funds to meet its day to day liabilities is of more importance in determining that the BTPA is a going concern. It has been agreed that this will be kept under review and form part of the regular discussions held between the BTPA and DfT over finance issues.

8. THE NEXT STEPS

8.1 Assuming recommendation of approval of the Accounts by the Audit Committee at the meeting today, the BTPA will be asked to approve the accounts at its meeting on 12 June. The Chief Executive as Accounting Officer will then sign the accounts, the letter of Representation and they will then be sent to the NAO for the Comptroller and Auditor General to sign off before sending to TSO (publishers) who will publish and file the accounts with Parliament before the deadline of the end of June.

9. FINANCIAL IMPLICATIONS

9.1 There are no immediate financial implications associated with the recommendations in this report.

10. RECOMMENDATIONS

10.1 It is recommended that the Committee recommend to the BTPA that the Statement of Accounts for 2013-14 be approved.