



Report to: Audit and Risk Committee
Agenda item: 7.1
Date: 31 May 2013
Subject: Statement of Accounts 2012-13
Sponsor: BTP Head of Finance and BTPA Finance Director
For: Information / Decision

1. PURPOSE OF PAPER

- 1.1 This report presents the statutory Statement of Accounts covering the 2012-13 financial year to the Audit and Risk Committee for recommendation to the British Transport Police Authority following the conclusion of the external audit by the National Audit Office (NAO).

2. BACKGROUND

- 2.1 The Statement of Accounts for 2012-13 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 2002. All Members were sent drafts of the complete set of financial statements and comments received will be incorporated in the final set presented to the Authority on 13 June.
- 2.2 The Authority'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 and financial position of the entire public sector. The DfT consolidation requires the Authority 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 Authority meets this deadline, the next steps are for the Statement of Accounts to be recommended for approval to the Authority 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. 2012-13 AUDIT

3.1 The audit of the 2012-13 accounts is complete and the Statement of Accounts is presented to this committee for recommendation for approval to the Authority. 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 Authority has received a formal opinion from the NAO and their report is elsewhere on the agenda of this meeting.

3.2 A number of adjustments have been recommended by the NAO. These were discussed with both the Authority Finance Director and BTP Finance. Where appropriate these amendments have been made and they are summarised in the accompanying NAO report. They included a number of reclassification of assets on the CCTV project, which had no effect on the retained surplus.

3.3 There has also been liaison between the NAO and the Authority's 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. 2012-13 FINAL OUTTURN

4.1 During 2012-13 there was very close monitoring of expenditure and income to ensure that the Authority delivered their strategic objectives within the approved budget. This was achieved via 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 Service Improvement Board and the Force Executive Board then on a quarterly basis throughout the year to the Finance Committee and the full Authority.

- 4.2 The out-turn for BTP and over ground operations excluding the BTPA's own costs is being reported to BTPA's Finance Committee as a net surplus of £180k, but noting that this is before further technical accounting adjustments and any further adjustments required by the NAO. The Authority Finance Director reported the BTPA's out-turn as an underspend of £21k. In total the underspend for the Authority and the Force was £201k which 0.1% of budget.
- 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 £49,593k. Due to accounting requirements some transactions need to be treated differently in Management Accounting and Financial Accounting terms but one key control at year end closure is that the Management Accounting Outturn can be reconciled to the Financial Accounting Outturn. This reconciliation has been completed and is shown on page 4.
- 4.4 One of the significant adjustments relates to the treatment of income from the Home Office relating to Proceeds of Crime to bring BTP in line with the accounting treatment used by Home Office Forces. BTP receives a proportion of all seized cash back from the Home Office to fund specific projects. In previous years any income not used in the year it was received was carried forward for use in future years. On advice of the NAO this treatment has now changed and all income received is charged in the year it is received.



Reconciliation between 2012/13 Management Accounts and Financial Accounts

	£000	£000
Total BTP Under Spend or Surplus		-570
Less L Area		-390
Over Ground Under Spend or Surplus		<u>-180</u>
Pensions Adjustments		26,453
Capital Financing and MHCA Adjustments		2,550
DfT Revenue Financing		
- Olympics	10,449	
- Metal Theft	4,123	
- Structural gap	<u>5,388</u>	
		19,960
Net Movements in Provisions and Reserves (includes £21k Authority underspend)		1,568
Other Adjustments		
- Rent Free Periods	-106	
- Inventory Adjustment	-140	
- Proceeds of Crime Act	-381	
- Financing for Palestra	-131	
		-758
Financial Accounts Deficit		<u>49,593</u>

5. CHANGE IN ACCOUNTING POLICIES

5.1 There are no changes in accounting policy in 2012-13. .

6. FUNDING FROM DfT

6.1 The DfT funds the irrecoverable gap that has resulted from the settlement of the Judicial Review. In 2012-13 this was £5,388k.



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- 6.2 The DfT has also provided funding of £10,449k to meet BTP's cost of the Olympics, and £4,123k for Cable Theft.
- 6.3 A cash funding programme was agreed with DfT Cash balances and the forecast cash flow are monitored on a regular basis to ensure that BTP always has sufficient cash to meet immediate needs.

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). The income and expenditure account shows the effect of contributions and interest earned offset by payments to members and interest paid on liabilities.
- 7.3 The Statement of Financial Position shows the notional value of the net assets and accumulated liabilities for the fund as at 31 March 2013 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 increased by £167.9m due to the use of a lower discount rate and higher inflation rate assumptions, although these have been partially offset by an increase in asset returns.



7.4 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 2013. This is reflected in the going concern note to the accounts.

7.5 The DfT has confirmed that the Authority is a going concern despite the large pensions liability as the probability of it being required to meet this liability is very remote. In the circumstances the fact that the Authority has sufficient funds to meet its day to day liabilities is of more importance in determining that it 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 Authority and DfT over finance issues.

8. NEXT STEPS

8.1 Assuming recommendation of approval of the Accounts by the Audit and Risk Committee at the meeting today, the Authority will be asked to approve the accounts at its meeting on 13 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 Authority that the Statement of Accounts for 2012-13 be approved.