



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Police and Crime Commissioner for Gwent and Chief Constable of Gwent**

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised: Ann-Marie Harkin, Tracy Veale, Kathryn Watts, Gareth Lewis, Shahida Tontus, Jane Thomas and Matthew Rolls.

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The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent (the Commissioner), the Chief Constable for Gwent Police (the Chief Constable) and the Gwent Police Pension Fund (the Pension Fund) as at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be are detailed in [Exhibit 1](#) below:

Exhibit 1: material misstatements

	Police and Crime Commissioner	Chief Constable	Police Pension Fund
Income and Expenditure items and other balances	£1.492 million	£1.492 million	£0.730 million

- 4 Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity. For example, for our audit of senior officer/staff remuneration and related party transactions we adopt a lower materiality level.
- 5 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 6 This report sets out for consideration the matters arising from the audit of the financial statements of the Commissioner, the Chief Constable and the Pension Fund for 2018-19 that require reporting under ISA 260.

Status of the audit

- 7 This is the first year where the statutory deadlines have been brought forward with a statutory deadline of 31 May for the preparation of financial statements and 31 July for their audit certification. These deadlines were piloted in 2017-18 and although there were some delays in preparing the accounts last year, they were certified in line with the 31 July 2018 deadline.

- 8 CIPFA's Big Red Button (BRB) software was used for the second time in 2018-19 to prepare the financial statements in accordance with the earlier deadlines. Our understanding is that whilst the Finance Team have experienced some of the benefits of using BRB in year two to prepare the draft financial statements, a number of limitations still exist. For example, each time BRB is run to produce a revised set of accounts, Finance Officers are required to manually re-format the accounts. Discussions between Finance Officers will continue to work with the BRB consultants to establish how to best overcome these limitations as we enter year three.
- 9 We received draft versions of both the Commissioner's and Chief Constable's 2018-19 financial statements by the statutory deadline of 31 May 2019. However, there were elements of these statements which were not complete. For example, we did not receive the Movement in Reserves Statement (MIRS), Expenditure and Funding Analysis (EFA), the Cashflow Statement and associated cashflow notes until we received Draft 2 of the financial statements (15 June for the Chief Constable and 18 June for the Commissioner's accounts).
- 10 Whilst noting the delays in receiving a complete set of accounts, we acknowledge some of the challenges that have been faced by the Finance Team during 2018-19. For example, the Finance Team were still bedding in to the new temporary finance team structure that had been put in place, as well as also trying to address the legacy issues which arose from the 2017-18 mid-year implementation of the new Agresso Business World (ABW) finance system. Such issues included high levels of duplicate payments and a backlog of unpaid invoices.
- 11 Our audit is now substantially complete pending review of some final amendments to the financial statements. We will provide the Audit Committee with an update at their meeting on 29 July 2019.
- 12 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Acting Heads of Finance, Assistant Chief Officer (Resources) and Chief Finance Officer.
- 13 We have identified a number of areas where the accounts preparation process can be improved. We will produce a separate management letter report with recommendations in the Autumn, following the completion of a post-project learning session between members of the accounts preparation team and the audit team.

Proposed audit report

- 14 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendices 1 and 2](#).
- 15 The proposed audit report is set out in [Appendices 3 and 4](#).

Significant issues arising from the audit

Uncorrected misstatements

- 16 There is one misstatement identified in the financial statements, which remains uncorrected.

Recovery of outstanding balances in respect of duplicate payments made in 2017-18 have not been accounted for during 2018-19.

During our audit of the 2017-18 financial statements, we noted a large number of duplicate payments which existed as at 31 March 2018. £311,000 of these duplicated payments remained outstanding as at 31 March 2019. We understand that Gwent Police consider these amounts to be fully recoverable, however Gwent Police have not included debtor balances within the 2018-19 accounts to reflect this.

Whilst Auditing Standards require us to request that the financial statements are amended to include these amounts, we accept that this amount is not material. We recommend, however, that in approving the accounts for signature, the Joint Audit Committee consider whether they are content with the rationale provided by management in the Letter of Representation for not correcting.

Corrected misstatements

- 17 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendices 5 and 6](#).

Other significant issues arising from the audit

- 18 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were issues arising in these areas this year:

- **We have concerns about the qualitative aspects of your accounting practices and financial reporting.**

- **The quality of the draft accounts provided were not to the expected standard.**

In particular, we noted the following deficiencies:

- The draft accounts submitted for audit were not complete. For example, the draft accounts did not include the Movement in Reserves Statement (MIRS), Expenditure and Funding Analysis (EFA), the Cashflow Statement and associated cashflow notes. These elements of the accounts were not received until we

received Draft 2 of the financial statements, two weeks after the 31 May 2019 deadline.

- The draft accounts had not undergone a suitably robust quality assurance review by the 31 May deadline which has resulted in the audit identifying a significant number of formatting and numerical amendments.
- The need to produce a Draft 2 of the financial statements early in the audit process, resulted in key Finance Officers being sometimes unavailable for audit questions during the first two weeks of the audit which delayed audit progress.

In March 2019, we had fed back comments on the financial statements template which we understood would be used to produce the draft accounts. This exercise included agreeing the prior year's comparative figures. However, this template was not used due to limitations with the BRB system which requires reformatting of the accounts outside of BRB every time a new version of the accounts is run. As a result, the work undertaken in March had to be repeated on the draft accounts received during June.

- **Whilst working papers were of a generally good standard, we identified some areas for improvement in the accounts preparation process and we encountered difficulties in obtaining timely information at the commencement of the audit.**

Working papers were generally of a good standard and overall, provided a good audit trail to source information. However, there is room for improvement in a number of working papers such as remuneration and reserves.

In addition, due to technical issues regarding saving working papers to the newly issued laptops in Finance, not all working papers were not available to us at the start of the audit in agreement with our agreed deliverables schedule, and finance staff were not always available to us to answer audit queries in a timely manner.

- **The quality of the amended accounts provided were not to the expected standard.**

On 18 July we received amended financial statements for both the PCC Group and CC. Our review of the amended financial statements identified numerous instances where numbers and text had not been amended as expected. The volume of further amendments could have been reduced had a robust quality assurance review been undertaken on the financial statements before being provided to us. Further revised sets of accounts were received on 22 July containing all amendments as expected.

We will discuss all of these issues in more detail with the Finance Team as part of our Post Project Learning and report the agreed actions at the Autumn Joint Audit Committee.

- **We did encounter significant difficulties during the audit.**
The difficulties encountered have been detailed above
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We identified material weaknesses in your internal controls:**
 - **Control account payable reconciliations had not been fully completed throughout the year.**
In our June 2019 Audit Update Briefing to Joint Audit Committee members, which was based on our March 2019 audit visit, we noted that the Sundry Creditor account reconciliation (one of 12 accounts payables reconciliations) had only been completed up to Month 2.
As a result, we undertook additional testing of in-year and year-end transactions to ensure the expenditure and creditor balances within the draft financial statements were not materially misstated. We were informed that all Sundry Creditor control account reconciliations were completed shortly after we raised this issue at the June Joint Audit Committee and we considered these as part of our main accounting testing.
It is important going forward that the finance team implement robust internal controls to ensure that monthly reconciliations are completed promptly and thoroughly to give assurance over year-end balances.
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

- 19 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 20 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There was one potential conflict of interest which we need to bring to your attention. One member of the Audit Team's (Jane Thomas) family is a police officer at Gwent Police. Our Compliance and Ethics department has already undertaken a detailed review and has concluded that the possibility of these relationships affecting the financial results of the Commissioner, the Chief Constable or the audit of the financial statements is considered remote. However, we have taken steps to ensure that

Jane was not involved in audit, inspection or any other work specifically relating to operational policing at Gwent Police and direct testing of the Force's payroll.

Appendix 1

Final Letter of Representation – Police and Crime Commissioner for Gwent

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the Police and Crime Commissioner for Gwent and the Police and Crime Commissioner for Gwent Group for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Police and Crime Commissioner for Gwent and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The Commissioner had an outstanding balance of £311,000 as at 31 March 2019 in respect of duplicate payments made to suppliers in 2017-18. The Commissioner is seeking recovery of these amounts during 2019-20 by offsetting amounts with those suppliers who are regular suppliers and seeking recovery with other suppliers in accordance with their debt recovery policy. Rather than recognising the recovery of these duplicate payments as debtors and income, the recovery of these balances will result in a decrease in creditors and a decrease in expenditure however the recovery of these balances has not been provided for in the 2018-19 financial statements.

Whilst recovery of these balances did not take place in 2018-19, positive action is now underway to recover these outstanding balances. Given the timing of the recovery of these balances and the fact these balances are not material, management decided not to account for these outstanding balances within the 2018-19 financial statements.

Representations by the Police and Crime Commissioner for Gwent

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Police and Crime Commissioner for Gwent on 29 July 2019

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Chief Finance Officer to the PCC

Police and Crime Commissioner for
Gwent

Date:

Date:

Appendix 2

Final Letter of Representation – Chief Constable for Gwent Police

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the remuneration report that is subject to audit) of the Chief Constable for Gwent Police for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Chief Constable for Gwent and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The Commissioner had an outstanding balance of £311,000 as at 31 March 2019 in respect of duplicate payments made to suppliers in 2017-18. The Commissioner is seeking recovery of these amounts during 2019-20 by offsetting amounts with those suppliers who are regular suppliers and seeking recovery with other suppliers in accordance with their debt recovery policy. Rather than recognising the recovery of these duplicate payments as debtors and income, the recovery of these balances will result in a decrease in creditors and a decrease in expenditure however the recovery of these balances has not been provided for in the 2018-19 financial statements.

Whilst recovery of these balances did not take place in 2018-19, positive action is now underway to recover these outstanding balances. Given the timing of the recovery of these balances and the fact these balances are not material, management decided not to account for these outstanding balances within the 2018-19 financial statements.

Representations by the Chief Constable for Gwent

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Temporary Chief Constable for Gwent on 29 July 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Assistant Chief Officer - Resources

Temporary Chief Constable for Gwent
Police

Date:

Date:

Appendix 3

Proposed audit report of the Auditor General to the Police and Crime Commissioner for Gwent

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Police and Crime Commissioner for Gwent;
- Gwent Police Pension Fund; and
- Police and Crime Commissioner for Gwent Police Group;

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for Gwent financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

Gwent Police Pension Fund's financial statements comprise the Fund Account and the Net Assets Statement and related notes.

The Police and Crime Commissioner for Gwent Police Group's financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent; the Gwent Police Pension Fund; and the Police and Crime Commissioner for Gwent Police Group as at 31 March 2019 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Police and Crime Commissioner, the Pension Fund and the Group in accordance with the ethical requirements that are relevant to my audit

of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Police and Crime Commissioner for Gwent or the Police and Crime Commissioner for Gwent Police Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Narrative Report and accounts. The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Police and Crime Commissioner for Gwent, the Gwent Police Pension Fund and the Police and Crime Commissioner for Gwent Police Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Police and Crime Commissioner for Gwent and the Police and Crime Commissioner for Gwent Police Group in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [as set out on pages ...to...], the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Gwent Police Group financial statements and Gwent Police Pension Fund's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Police and Crime Commissioner for Gwent and the Police and Crime Commissioner for Gwent Police Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
31 July 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 4

Proposed audit report of the Auditor General to the Chief Constable for Gwent Police

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Chief Constable for Gwent Police; and
- Gwent Police Pension Fund.

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The Chief Constable for Gwent Police financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the related notes, including a summary of significant accounting policies.

Gwent Police Pension Fund's financial statements comprise the Fund Account and the Net Assets Statement and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Gwent and the Gwent Police Pension Fund as at 31 March 2019 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Chief Constable for Gwent and the Gwent Police Pension Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable for Gwent ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Narrative Report and accounts. The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Chief Constable for Gwent and Gwent Police Pension Fund and their environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Chief Constable for Gwent in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on pages ... to ...], the responsible financial officer is responsible for the preparation of the statement of accounts, including the Gwent Police Pension Fund's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Chief Constable for Gwent Police ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett

For and on behalf of the Auditor General for Wales
31 July 2019

24 Cathedral Road
Cardiff
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Appendix 5

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Police and Crime Commissioner for Gwent

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 2: corrections to the draft financial statements of the Police and Crime Commissioner for Gwent Police which do not affect the Police Fund

Value of correction	Nature of correction	Reason for correction
Increase Pension Liability by £62,860,000 for the Police Pension Fund and £849,000 for the Local Government pension Fund	<p>Balance Sheet (PCC) and Note 38 Defined Benefit Pension Scheme</p> <p>In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age. These cases are referred to as McCloud.</p> <p>This ruling has repercussions for other public sector pension schemes including the Police Pension Fund and the Local Government Pension Scheme which Gwent Police is a member of. The scheme actuaries have provided an estimate of the likely impact on both schemes which has resulted in increased liabilities of £63,709,000.</p>	To ensure all liabilities are reflected in accordance with the CIPFA Code.
Disclosure: Various amendments ranging between £22,000 to £145,500,000	<p>Cash Flow Statement and supporting Notes 25, 26 and 27</p> <p>To correct figures so that they reconcile with the movement on account balances between 2018-19 and the previous financial year.</p>	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.

Value of correction	Nature of correction	Reason for correction
Disclosure: Various amendments ranging between £11,000,000 and £95,000,000	Note 7a Note to the Expenditure Funding Analysis To correct figures for consistency with CIES/Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations.	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Disclosure Increase interest payable £483,000	Note 11 Financing & Investment Income and Expenditure To correctly include interest payable and similar charges, Interest payable and similar charges line increased by £483,000.	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Disclosure	Note 16 – Financial Instruments Amendment of a number of figures, eg debtors, creditors to ensure consistency elsewhere in the accounts.	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Decrease in member allowances £3,125	Note 28 Members' Allowances To correct members' allowances for the PCC Group position.	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Disclosure Amendments to staff numbers	Note 29 - Police Officer and Staff Remuneration To correctly disclose staff numbers as at 31 March 2019 as follows: <ul style="list-style-type: none"> • Police staff part-time decreased by one • Police staff Total decreased by one 	To ensure that this disclosure is presented in line with the requirements of the Accounts & Audit Regulations (Wales) 2014.

Value of correction	Nature of correction	Reason for correction
<p>Disclosure</p>	<p>Note 29 – Police Officer and Staff remuneration</p> <p>To correct amounts to ensure amounts actually received by individuals were disclosed, a number of amendments to figures within this note:</p> <ul style="list-style-type: none"> • PCC Pay award figure omitted. Increased by £467 and pension contribution increased £78. • Deputy PCC Pay award figure omitted. Increased by £350 and pension contribution increased £59. • Assistant Chief Constable non-consolidated pay of £354 is shown against Post related pay but moved to Other payments. • The Chief Finance Officer to the Police and Crime Commissioner’s back dated pay was omitted. Increased by £1,201 • The Chief Executive’s back dated pay was omitted. Increased by £924. • Inclusion of BIKs. 	<p>To ensure that this disclosure is presented in line with the requirements of the Accounts & Audit Regulations (Wales) 2014.</p>

Value of correction	Nature of correction	Reason for correction
Disclosure Reclassification within bandings	Note 30 Termination Benefits Bandings of termination payments have been based incorrectly on salary when they should be based on the actual termination payment. Following amendments needed: <ul style="list-style-type: none"> • £0-£20,000 banding – number of compulsory redundancies and total number of exit packages increased to five total cost increased to £74,526 • £20-£40,000 banding – number of compulsory redundancies and total number of exit packages decreased to one, total cost increased to £75,669 	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Disclosure	Note 33 Related Parties To correctly disclosure related party transactions, the following figures have been amended: <ul style="list-style-type: none"> • Police Mutual Assurance Ltd expenditure of £691,348 • Cardiff University expenditure figure of £166,460 which includes £30,704 of creditors • South Wales PCC income of £3,258,085, debtors of £930,683, expenditure of £7,191,839 which includes £3,635,485 creditors • Newport County Council creditors of £39,828 and debtors of £300 	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Decrease capital expenditure and financing £175,000	Note 34 Capital Expenditure and Financing Decrease capital expenditure and financing by £175,000.	To correctly disclose the capital expenditure and financing

Value of correction	Nature of correction	Reason for correction
Disclosure Various amendments ranging between £25,000 and £2,881,000	<p>Note 36 – Private finance Initiatives (PFI) and Similar Contracts</p> <p>To correct figures and to ensure finance lease liabilities are shown accurately in the correct periods.</p> <p>The following figures have been amended:</p> <ul style="list-style-type: none"> • Lifecycle assets NBV to be decreased by £83,000 • Depreciation Charge Liability to be increased by £75,000 <p>Figures in the table have been amended as follows:</p> <ul style="list-style-type: none"> • Within 1-year increase by £25,000 • Years 2 to 5 increased by £130,000 • Years 6 to 10 increased by £182,000 • Years 11 to 15 increased by £207,000 • Years 16 to 20 decreased by £2,881,000 	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Reclassification Increase in ROCU collaboration income £1,271,000	<p>Note 37 Collaboration</p> <p>Income in relation to the Regional Organised Crime Unit project was incorrectly recorded as contributions from Forces</p>	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Disclosure	<p>Note 41 Intra Group Adjustments</p> <p>Amendment of a number of figures</p>	To correct figures for consistency elsewhere in the accounts
Various presentational disclosures	<p>Various</p> <p>A number of rounding, narrative, formatting and comparative figure adjustments were made to the financial statements.</p>	The changes were to ensure consistency and transparency, comply with the requirements of the Code and reflect the most up-to-date position more accurately.
Various presentational disclosures	A number of amendments to figures within the Narrative report.	To correct figures in the Narrative report for consistency with the accounts.

Appendix 6

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Chief Constable for Gwent

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 3: corrections to the draft financial statements of the Chief Constable for Gwent Police which do not affect the Police Fund

Value of correction	Nature of correction	Reason for correction
Increase Pension Liability by £62,860,000 for the Police Pension Fund and £821,000 for the LGPS	<p>CIES (CC) Balance Sheet (CC) – intra-group debtor and long-term liability</p> <p>In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age. These cases are referred to as McCloud.</p> <p>This ruling has repercussions for other public sector pension schemes including the Police Pension Fund and the Local Government Pension Scheme which Gwent Police is a member of. The scheme actuaries have provided an estimate of the likely impact on both schemes which has resulted in increased liabilities of £63,681,000.</p>	To ensure all liabilities are reflected in accordance with the CIPFA Code and that the most recent available decision.
Disclosure	<p>Note 8 Intra Group Adjustments</p> <p>Amendment of a number of figures.</p>	To correct figures for consistency elsewhere in the accounts.

Value of correction	Nature of correction	Reason for correction
Disclosure Amendments to staff numbers	Note 13 - Police Officer and Staff Remuneration To correctly disclose staff numbers as at 31 March 2019, as follows: <ul style="list-style-type: none"> • Police Staff part time decreased by one • Police Staff total decreased by one 	To ensure that this disclosure is presented in line with the requirements of the Accounts & Audit Regulations (Wales) 2014.
Disclosure Reclassification of £354.00	Note 13 – Police Officer and Staff remuneration Assistant Chief Constable non-consolidated pay included £354 which should be included in other payments.	To ensure that this disclosure is presented in line with the requirements of the Accounts & Audit Regulations (Wales) 2014.
Disclosure Reclassification within bandings	Note 14 Termination Benefits Bandings of termination payments have been based incorrectly on salary when they should be based on the actual termination payment, following amendments needed: <ul style="list-style-type: none"> • £0-£20,000 banding – number of compulsory redundancies and total number of exit packages increased to three, total cost increased to £50,861 • £20,000-£40,000 banding – number of compulsory redundancies decreased to 0 and total number of exit packages decreased to one, total cost decreased to £38,382 	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.

Value of correction	Nature of correction	Reason for correction
Disclosure	<p>Note 16 Related Parties</p> <p>To correctly disclose related party transactions, the following figures have been amended:</p> <ul style="list-style-type: none"> • Police Mutual Assurance Ltd expenditure of £691,348 • Cardiff University expenditure figure of £166,460, which includes £30,704 of creditors 	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Reclassification Increase in ROCU collaboration income £1,271,000	<p>Note 19 Collaboration</p> <p>Income in relation to the Regional Organised Crime Unit project was incorrectly recorded as contributions from Forces.</p>	To ensure that all disclosures required by the CIPFA Code are included in the financial statements.
Various presentational disclosures	<p>Various</p> <p>A number of rounding, narrative, formatting and comparative figure adjustments were made to the financial statements.</p>	The changes were to ensure consistency and transparency, comply with the requirements of the Code and reflect the most up to date position more accurately.
Various presentational disclosures	A number of amendments to figures within the Narrative report.	To correct figures in the Narrative report for consistency with the accounts.

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