

2021 Combined Audit Plan – Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police

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2021 Combined Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.
- 2 This is a combined plan for my audit of both the Police and Crime Commissioner for Gwent (the Commissioner) and the Chief Constable of Gwent Police (the Chief Constable).

My duties

- 3 I complete work each year to meet the following duties.

Audit of financial statements

- 4 Each year I audit both of the Commissioner's and the Chief Constable's financial statements to make sure that public money is being properly accounted for.

Value for money

- 5 The Commissioner and the Chief Constable have to put in place arrangements to get value for money for the resources they use. I have to be satisfied that they have done this.

Impact of COVID-19

- 6 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the financial statements and my financial audit and performance audit work.
- 7 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I note that there remains significant uncertainty and I understand that many bodies may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and wellbeing of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 8 Audit Wales staff will continue to work pragmatically to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020,

until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.

- 9 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector means that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with you as the 2021 position becomes clearer.

Audit of financial statements

- 10 It is my responsibility to issue a certificate and report on the financial statements. For both the Commissioner and the Chief Constable this includes:
- an opinion on the on the 'truth and fairness' of the financial statements including the Police Pension Fund account for the financial year ended 31 March 2021; and
 - an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Commissioner and Chief Constable.
- 11 In addition to my responsibilities for auditing the financial statements, I also have responsibility for:
- certifying a return to the Welsh Government which provides information to support preparation of Whole of Government Accounts; and
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary).
- 12 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to those charged with governance prior to completion of the audit.
- 13 Any misstatements below a trivial level (set at 5% of materiality,) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 14 There have been no limitations imposed on me in planning the scope of this audit.
- 15 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

16 The following table sets out the significant risks I have identified for the audit of the financial statements of the Commissioner and the Chief Constable.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Impact of COVID-19 The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p>The COVID-19 pandemic will have a significant impact on the risks of material</p>	<p>We will review the funding streams received from the Home Office and</p>

Audit risk	Proposed audit response
<p>misstatement and the shape and approach to my audit.</p> <p>The Home Office has made available additional funding streams to support police forces across England and Wales. The various funding streams include a loss recovery scheme and additional funding for costs related to COVID-19 enforcement.</p> <p>Examples of audit risks include:</p> <ul style="list-style-type: none"> • incorrect accounting treatment for COVID-19 funding; • fraud/error risks; • potential year-end valuation uncertainty; and • estimation of accrued annual leave provisions. 	<p>confirm the appropriate accounting treatment with Gwent Police.</p>
Other audit risks	
<p>McCloud judgement</p> <p>In 2015, the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ arrangements offered to some workers amounted to unlawful discrimination. Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020 and the final remedy is expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p> <p>The LGPS Advisory Board has warned of the potential for further age discrimination claims for members who joined schemes between 31 March 2012 and 1 April 2014</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG and Police pension schemes.</p> <p>My audit team will also monitor any communications from our Technical team in relation to any further age discrimination claims and liaise accordingly with Gwent Police.</p>

Audit risk	Proposed audit response
Other areas of audit attention	
<p>Introduction of IFRS 16 Leases has once again been deferred – until 2022-23. There is considerable work required to identify leases and the COVID-19 pandemic may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>
<p>Where appropriate, matters raised in the previous years' ISA 260 Report and recommendations made in previous years' Management Letter will be followed up to ascertain if these have been resolved and actions implemented.</p>	<p>My audit team will discuss the matters raised and recommendations made with the Finance Team and perform specific testing to ascertain if these matters have now been addressed, and progress made against the recommendations.</p>

Use of resources

- 17 It is my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. **Appendix 1** shows the criteria we need to assess in coming to our conclusion on your arrangements.
- 18 In considering these criteria, I place reliance on:
- the results of the audit work undertaken on the financial statements;
 - the results of the work of other external review bodies, eg HMIC and the National Audit Office, where relevant to my responsibilities;
 - the Commissioner and the Chief Constable's systems of internal control; as reported in the Annual Governance Statements and my report thereon; and
 - the results of other work carried out by the Auditor General and data-matching exercises.
- 19 My audit team will also identify audit areas where we need to obtain additional assurance to supplement the sources listed above. This work will focus on specific elements of the corporate governance and financial management processes in place for the Commissioner and Chief Constable and will include a focus on the financial pressures faced, the monitoring arrangements in place and the financial resilience of the Offices of the Commissioner and Chief Constable.
- 20 We are also continuing our work regarding the Gwent-based Shared Resource Service (SRS), the completion of which has been delayed due to the impact of the

pandemic and the availability of the SRS partners. This review follows up on the recommendations made by the Auditor General in 2015 on the SRS and seeks to answer the question: *'Is the shared resource service (SRS) collaboration delivering effectively now and what conditions could be strengthened so it is well placed for the future?'* My audit team will keep you informed of progress.

Statutory audit functions

- 21 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 22 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 23 My fees and planned timescales for completion of the audit are based on the following assumptions :
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete, and management has responded to issues that may have affected the financial statements; and
 - subject to the relaxation of lockdown restrictions, appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner, whilst on site.

Fee

- 24 Your estimated fee for 2021 is set out in **Exhibit 2**. This figure is unchanged from last year's estimated fee. Due to some additional challenges experienced during the financial statements audit, the actual financial audit fee for 2019-20 exceeded the estimated audit fee by £3,360.

Exhibit 2: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts	77,900	77,900
Additional audit fee		3,360
Use of resources	4,700	4,700
Total fee	82,600	85,960

- 25 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with you.
- 26 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 27 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

Exhibit 3: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director	02920 320562	ann-marie.harkin@audit.wales
Tracy Veale	Audit Manager (Financial Audit)	02920 320596	tracy.veale@audit.wales
Helen Williams	Audit Lead (Financial Audit)	02920 320708	helen.williams@audit.wales

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you. The fees are payable from November 2020 to October 2021.

Timetable

28 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

Exhibit 4: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	December 2020 to March 2021	March 2021
Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	January to July 2021 January to July 2021 July/August 2021	July 2021 July 2021 September 2021
Annual Audit Summary	N/A	December 2021
2022 Audit Plan	December 2021 to March 2022	March 2022

29 I can confirm that my team members are all independent of the Commissioner, the Chief Constable and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Appendix 1

Criteria to assess arrangements for securing economy, efficiency, and effectiveness in the use of resources

Exhibit 5: corporate arrangements for economy, efficiency, and effectiveness in use of resources

Corporate arrangements	Questions on arrangements
Establishing objectives determining policy and decision making	Has the Commissioner/Chief Constable put in place arrangements for setting, reviewing, and implementing his strategic and operational objectives?
Meeting the needs of users, stakeholders, and the local population	Has the Commissioner/Chief Constable put in place channels of communication with the local population, users of the service, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Monitoring and reviewing performance	Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary and reporting to the Commissioner/Chief Constable?
Compliance with established policies	Has the Commissioner/Chief Constable put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Operational and financial risks	Has the Commissioner/Chief Constable put in place arrangements to manage his significant business risks?

Corporate arrangements	Questions on arrangements
Managing financial and other resources	Has the Commissioner/Chief Constable put in place arrangements to evaluate and improve the value for money he achieves in his use of resources?
	Has the Commissioner/Chief Constable put in place arrangements to ensure that his spending matches his available resources?
	Has the Commissioner/Chief Constable put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Commissioner/Chief Constable?
Proper standards of conduct etc	Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutinising performance, to identify potential variances against strategic objectives, standards and targets for taking action?
	Has the Commissioner/Chief Constable put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of his business?



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