



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2019 Audit Plan – Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police

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2019 Audit Plan

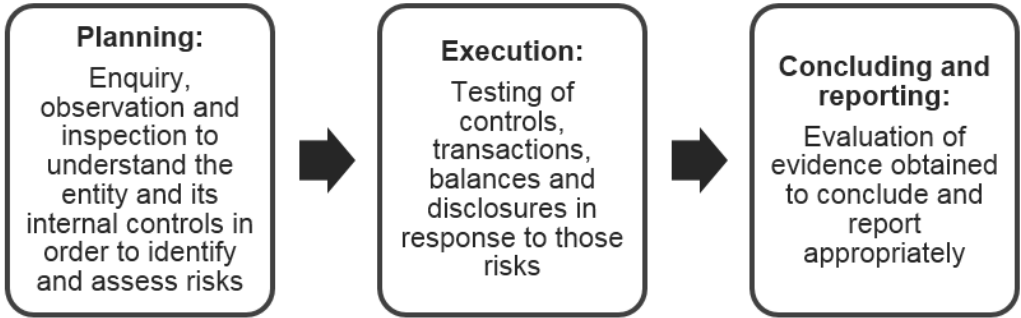
Summary

- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004 and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are 'true and fair'; and
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements of both the Police & Crime Commissioner for Gwent (the Commissioner) and Chief Constable of Gwent Police (the Chief Constable) which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- 6 I also consider whether or not the Commissioner and the Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources and report by exception if the Annual Governance Statements do not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9 The risks identified from my initial audit planning work that will impact on my financial statements audit, are set out in Exhibits 2 and 3, along with the work I intend to undertake to address them. Exhibits 2 and 3 identify risks common to both the Commissioner and the Chief Constable and, where appropriate, risks that are specific to either the Commissioner or to the Chief Constable. These risks have been grouped into significant audit risks and other audit risks

Exhibit 2: financial statements audit risks

Significant audit risk	Proposed audit response
<p>Management override 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.

Significant audit risk	Proposed audit response
<p>New accounting standards</p> <p>IFRS 9 financial instruments applies from 1 April 2018 and brings in a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier recognition of expected credit losses and will impact on how the bad debt provision is calculated.</p> <p>IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration a body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.</p>	<p>My audit team will assess the likely impacts of the new IFRSs and undertake work to respond to any identified risks of material misstatement.</p>

Exhibit 3: financial statements audit risks

Other audit risks	Proposed audit response
<p>Early closing of year-end accounts</p> <p>From 2018-19, the Commissioner and Chief Constable have to prepare their accounts by 31 May and the audit opinion has to be provided by 31 July. This is two months earlier than the statutory deadline that has applied in previous years.</p> <p>In 2017-18, the Finance Team piloted working to the earlier deadline. The 31 July 2018 deadline was met, however, there were a number of delays and challenges arising which put at risk the completion of the audit by that date.</p>	<p>My audit team will continue to work with management to address the challenge of early closure and audit and will monitor the progress of the year-end closedown process and preparation of the 2018-19 financial statements to ensure statutory deadlines can be met.</p> <p>We will provide a detailed audit deliverables document that will outline our working paper requirements and will structure our audit in such a way that will ensure the statutory deadlines can be met.</p>

Other audit risks	Proposed audit response
<p>As a result, and to mitigate the risk of not meeting the statutory deadline for publishing the financial statements by 31 July 2019, the Finance Team have updated a detailed closedown plan for the production of the 2018-19 financial statements and are monitoring progress on a regular basis to ensure the statutory deadline for publication of the audited financial statements by 31 July 2019 is met.</p> <p>However, there are other factors which could put meeting the statutory deadline of 31 July 2019 at risk. These include:</p> <ul style="list-style-type: none"> • The loss of corporate knowledge within the Finance Team - during 2018-19 staff roles and responsibilities were reassigned within the Finance Team following the departure of the Head of Finance in September 2018. Whilst there are now no vacancies and no other changes within the core Finance Team, the loss of knowledge remains a risk. • Implementation of the new fixed asset register - the introduction of a new fixed asset register (FAR) module into the Agresso Business Work financial system is taking place in early March 2019. Whilst the old FAR will be used to prepare the 2018-19 financial statements, the timing of the implementation of the new FAR will place additional workload on the Finance Team at the year-end and potentially distract from an efficient and timely closedown and preparation of the 2018-19 financial statements. 	<p>Whilst my audit team will continue to liaise closely with the Finance Team as the new FAR module is implemented, my audit team will undertake detailed testing of the new FAR module as part of our audit of the 2019-20 financial statements.</p>

Other audit risks	Proposed audit response
<p>New Headquarters Capital Build</p> <p>In October 2018, Gwent Police received planning approval for the capital project to build the new Gwent Police Headquarters. Expenditure in 2018-19 is expected to be circa £600,000 in relation to the purchase of the land and some initial enabling costs. Building work is due to commence in August 2019 until completion of the project in May 2021.</p> <p>There is a risk that expenditure is not recorded correctly in the financial statements.</p>	<p>My audit team will review the impact of the transactions associated with this new capital project on the financial statements, and ensure they are appropriately accounted for in line with the requirements of the Code and are in line with relevant guidance and regulations.</p>

- 10 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 the Commissioner and the Chief Constable prior to completion of the audit.
- 11 For reporting purposes, I will generally treat any misstatements below a ‘trivial’ level (5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees and planned timescales for completion of the audit are based on the following assumptions:
- controls within key financial systems operate effectively during the year;
 - working papers will be well documented and evidenced providing clear audit trails to source information, and documenting processes and judgements;
 - the financial statements are provided in accordance with the agreed timescales, 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 document¹;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;

¹ The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

- 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; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 13 In addition to my responsibilities in respect of the audit of the Commissioner and the Chief Constable's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Commissioner and the Chief Constable to support preparation of Whole of Government Accounts.

Statutory audit functions

- 14 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.
- 15 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

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 2](#) shows the criteria we need to assess in coming to our conclusion on your arrangements.
- 18 In considering these criteria I shall place reliance upon:
- 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 We will identify audit areas where we need to supplement the audit assurance from the reliance obtained from the audit work outlined in paragraph 14. This work will relate to 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.

Fee, audit team and timetable

Fee

- 20 Your estimated fee for 2019 is set out in [Exhibit 4](#). This figure is unchanged from last year's estimated fee. Due to delays and the challenges experienced during the financial statements audit, the actual financial audit fee for 2017-18 exceeded the estimated audit fee by £15,000.
- 21 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than 1%) which we have looked to offset by a reduction in audit days and skill mix.

Exhibit 4: Audit fee

Audit area	Proposed fee 2019(£) ¹	Actual fee last year (£)	Proposed fee 2018 (£)
Audit of accounts	77,900	92,900	77,900
Use of Resources	4,700	4,700	4,700
Total fee	82,600	97,600	82,600

Notes:

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you. Fees are payable November 2019 to October 2020.

- 22 The fee for the financial audit is driven by the skill mix required to deliver the work, together with the daily charge rate for each grade of staff member. We estimate that a total of 158 days will be required to complete the audit.
- 23 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 the Chief Finance Officer and the Assistant Chief Officer - Resources.
- 24 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 25 The main members of my team, together with their contact details, are summarised in [Exhibit 5](#).

Exhibit 5: My team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director	029 20 320 573	ann-marie.harkin@audit.wales
Tracy Veale	Financial Audit Manager	029 20 320 596	tracy.veale@audit.wales
Kathryn Watts	Financial Audit Team Leader	029 20 320 500	kathryn.watts@audit.wales

- 26 There is one potential conflict of interest which I need to bring to your attention. One member of one 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 is 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.
- 27 I can confirm that my other 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 other than that referred to in paragraph 26 above.

Staff secondment

- 28 A Financial Audit Manager employed by the Wales Audit Office has been seconded to Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police for the period 1 September to 31 August 2019. This secondment is designed to allow Wales Audit Office staff to broaden their skills and to gain experience of working across different parts of the Welsh public sector.
- 29 In order to safeguard against any potential threats to auditor independence and objectivity, the Wales Audit Office and Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police have agreed the following safeguards:
- the secondee will not perform duties prohibited by the FRC's Revised Ethical Standard 2016 and will not be able to exercise discretionary authority to commit Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police to a particular position or accounting treatment;
 - the secondee will not undertake a management role or be involved in the decision taking of Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police; and

- the secondment will be for a short period of time within the meaning of the FRC's Revised Ethical Standard 2016.

30 The secondee has taken up the post of Senior Accountancy Professional, reporting to the Joint Heads of Finance and ultimately the Assistant Chief Officer - Resources (ACOR). It is the ACOR which has the role of making independent management judgements and decisions in relation to the finance function and the statutory accounts.

Timetable

31 I will provide reports, or other outputs as agreed, to the Commissioner and Chief Constable covering the areas of work identified in this document. My key milestones are set out in [Exhibit 6](#).

Exhibit 6: timetable

Planned output	Work undertaken	Report finalised
2019 Audit Plan	December 2018 – February 2019	March 2019
<ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	January – September 2019	July 2019 July 2019 July 2019
Annual Audit Report for 2019	October – November 2019	November 2019
2020 Audit Plan	November – December 2019	January 2020

Future developments to my audit work

32 Details of other future developments including forthcoming changes to key International Financial Reporting Standards, the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit, are set out in [Appendix 3](#).

Appendix 1

Respective responsibilities

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their ‘truth and fairness’, providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Commissioner and the Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Commissioner and the Chief Constable systems of internal control, as reported in the Annual Governance Statements and my report thereon;
- the results of other work carried out including performance audit work and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Commissioner’s and the Chief Constable’s financial statements and related documents, to ask me, as the auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Appendix 2

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

Exhibit 7 corporate arrangements

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?
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?

Corporate arrangements	Questions on arrangements
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?

Appendix 3

Other future developments

A. Forthcoming key IFRS changes

Exhibit 8: changes to IFRS standards

Standard	Effective date	Further details
IFRS 16 leases	Expected in 2020-21	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a right of use principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

B. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared on line. The main areas of work are regarding financial management, public-sector staff and governance.

[Further information, including details of forthcoming GPX events and outputs from past seminars.](#)

C. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place next March.

The Auditor General has commenced a programme of work looking at the arrangements that the devolved public sector in Wales, including all NHS bodies, is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he issued a call for evidence to compile a baseline summary of arrangements being put in place. This will be followed up by further audit fieldwork in spring 2019.

The aim is to produce a report in summer 2019. The report's key messages and recommendations will be framed in the context of the UK moving to a new relationship with the European Union by the end of the planned transition period.

However, if it becomes clear that the UK is likely to leave the European Union without a Withdrawal Agreement (the 'no deal' scenario), we will publish a report as early as possible in 2019, ahead of the UK leaving the European Union on 29 March.

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