

Audit of Accounts Report – Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police

Audit year: 2019-20

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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.

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We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Chief Finance Officer for the Police and Crime Commissioner and the Assistant Chief Officer - Resources for the Chief Constable.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set the levels for this year's audit as follows:

Exhibit 1: levels of materiality for this year's audit

	Police and Crime Commissioner	Chief Constable	Police Pension Fund
Income and Expenditure items and other balances	£2.017 million	£2.017 million	£0.796 million

- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
 - Remuneration report/senior pay disclosure and exit packages £1,000
 - Related parties – individuals £1,000
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 2** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 2** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 2 – impact of COVID-19 on this year's audit

Financial Risk	<p>As part of our Audit Plan issued in March 2020, we included a summary of the key financial risks. In April 2020, we issued an update to our Audit Plan which included additional risks as a result of the COVID-19 pandemic. Our work has addressed these risks and we have no issues to bring to your attention.</p>
Timetable	<p>Whilst the statutory deadline for completing your accounts remained the 31 May 2020 this year, the CFO published a statement, in accordance with legislation and in discussion with Audit Wales, setting out that the draft accounts had not been prepared by this date due to the impact of Covid-19.</p> <ul style="list-style-type: none"> • We received the draft accounts on 10 June 2020. • Whilst we planned to complete our audit by 31 July 2020, the challenges of auditing remotely, together with a requirement to obtain additional information from the Pension Fund actuaries, extended the audit window past this date. • We expect your audit report to be signed on 12 October 2020.
Electronic signatures	<p>If still necessary at the time of approval and signing, we will accept electronic signatures and electronic transfer of files.</p>

Audit evidence

As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, eg personnel files, we have devised alternative audit methodologies to obtain sufficient audit evidence, including:

- use of encrypted secure e-mails to share documents;
- some information was verified to screen prints or to the live systems via screen sharing; and
- video conferencing has enabled the audit team to correspond effectively with the finance team throughout the audit.

For testing of existence and ownership of assets we have used a combination of visual identification (where this was practical) access to our land registry tool and photographic evidence.

- 10 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

Proposed audit opinion

- 11 We intend to issue an unqualified audit opinion on this year's accounts for both the Commissioner and the Chief Constable once you have provided us with a Letter of Representation based on that set out in **Appendices 1 and 2**.
- 12 We have also included an Emphasis of Matter paragraph in the audit opinion of both accounts. The Emphasis of Matter paragraph draws the reader's attention to the material uncertainty clause disclosed in the fund manager year-end valuation report for the UK property fund they manage on behalf of the Greater Gwent Pension Fund. This issue has arisen due to COVID-19 and affects the majority of councils and Police Forces in Wales.
- 13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 15 Our proposed audit reports of both the Commissioner and the Chief Constable are set out in **Appendices 3 and 4**.

Significant issues arising from the audit

Uncorrected misstatements

- 16 Where we identify misstatements that are not trivial but have no impact on our opinion, we raise them with management who have the option to amend for them. Where they decide not to amend, their decision needs to be ratified by those charged with governance to ensure they agree. The trivial level used for both the Police and Crime Commissioner's accounts and those of the Chief Constable is £100,880, and £39,780 for the Police Pension Fund.
- 17 There are three misstatements identified in the accounts, which remain uncorrected.

Overstatement of provisions

Our review of Provisions noted a provision balance for pay awards of £232,000 that had not been utilised over the past 12 months, and which we understand is no longer required. Management have agreed to review the provision in 2020-21 and adjust accordingly.

Transfer between the Revaluation Reserve and Capital Adjustment Account

Our review of Fixed Assets noted that the transfer from the Revaluation Reserve and the Capital Adjustment Account was understated by £137,000 due to an error within the Fixed Asset Register. Given that this is an adjustment between two Unusable Reserves, management have agreed to adjust for this during 2020-21.

In-year fixed asset additions relating to purchases made in prior years

During our testing of fixed assets, we identified in-year additions amounting to £218,000 which related to laptops purchased in December 2017. Due to the relevant invoice being redistributed a number of times between Gwent Police and South Wales Police before being approved, the invoice was not processed until 2019-20. As a result, the laptops have not been accounted for in the year that they were received, neither has depreciation been charged since the date of actual purchase.

The impact of this on the 2019-20 financial statements is as follows:

- the opening net book value for equipment is understated by £109,000 (£218,000 less two years' depreciation of £109,000);
- the in-year additions are overstated by £218,000; and
- the net book value for equipment carried forward is overstated by £109,000.

In addition, the cumulative depreciation of £109,000 has not been charged to the Comprehensive Income and Expenditure Statement (CIES) in previous years and therefore the corresponding transfer between the Capital Adjustment Account and the General Reserve has not been accounted for through the Movement in reserves statement (MIRS).

Corrected misstatements

- 18 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendices 5 to 8**.

Other significant issues arising from the audit

- 19 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are six matters that we wish to bring to your attention.

Proposed remedy to the McCloud/Sargent judgement

On 16 July 2020 the Ministry of Housing, Communities and Local Government (MHCLG) and HM Treasury published their consultation on changes to the transitional arrangements to the local government, police and firefighters' pension schemes, which contained the proposed remedy regarding the McCloud/Sargent judgement. This judgement had ruled that the Government's public sector pension reforms were age discriminatory and in June 2019 the Supreme Court denied the Government's application for leave to appeal the decision.

Following publication of the proposed remedy, the Government Actuary Department (GAD) estimated that the impact on the Police Pension Funds would be a 1% decrease in the pension liabilities, which equates to circa £14 million for Gwent Police. On 21 August 2020, the National Audit Office (NAO) announced that, in their view, this reduction in pension liabilities was an adjusting event and Forces in England would be required to obtain revised IAS19 pension figures from GAD in order to amend the draft financial statements accordingly. The NAO view is shared by Audit Wales and we have made similar requests of Welsh Forces.

Separately, Hymans Robertson (Hymans), the actuary for the Greater Gwent Pension Scheme, estimated that the impact of the proposed remedy on the Local Government Pension Fund would be less than half of the previously estimated figure included in the Greater Gwent IAS19 figures for Gwent Police.

Gwent Police requested revised pension figures from Hymans on 13 August and GAD on 26 August and amended the accounts of both the Police and Crime Commissioner for Gwent and those of the Chief Constable of Gwent to reflect the revised IAS19 pension figures received from Hymans and GAD on 21 August and 14 September respectively.

Improved draft financial statements

We received the accounts on 10 June 2020 in line with the agreed revised timetable. During the audit, we received the majority of information in a timely and helpful manner and were not restricted in our work.

The draft accounts submitted for audit were of a good standard, and an improvement on previous years. Working papers were also of a reasonable quality. Given the working environment and pressures arising from the COVID-19 pandemic, this is a tremendous achievement. We will continue to work with the Finance Team to further enhance the audit trail between the ledger and the account balances.

Unreconciled items within the bank account reconciliation

Our review of the bank reconciliation noted a high number of unreconciled receipts and payments balances relating to previous years, including some dating back to pre-Agrosso Business World, amounting to £7,404 and £51,268 respectively. Whilst the net impact on the financial balances is £43,864, which is not material, it is important that the Finance Team take appropriate action to reconcile these balances. Included within the unreconciled payment balance, are unrepresented cheques amounting to £2,196 which are over six months old.

Misclassification of debit and credit balances within the balance sheet

During our work we noted that the accounts payable ledger code contained a high number of debit balances amounting to £261,000, and the accounts receivable ledger code contained a high number of credit balances amounting to £140,000. As a result, the accounts payable balance is understated by £261,000, and the accounts receivable balance is understated by £140,000. Although there is no net impact on the financial statements, these values are above our trivial level. Management have agreed to include a step in the 2020-21 close-down timetable to adjust for this in the accounts going forward.

Inability to verify physical existence of assets

During our testing of fixed assets, we identified in-year additions amounting to £218,000 which related to laptops purchased in December 2017. When testing the existence of these laptops, Gwent Police were unable to provide us with their location and so we were unable to verify their physical existence.

Completion and review of VAT control account reconciliations are not timely

During the audit we noted that there was a difference between the year-end VAT debtor and the respective VAT reimbursement received post-31 March 2020 of £76,595. Whilst this is below our trivial level, during our review we noted that the VAT control account reconciliations for periods 2 to 9 were not completed until January 2020, and reconciliations for periods 1 to 9 were not reviewed until January 2020. 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.

Recommendations arising from my audit work

- 20 During our financial audit work, we have made a number of observations which we will discuss with management in our post project learning session and in planning for our 2020-21 audit.
- 21 We will present our Management Letter, containing actions identified and agreed at our post project learning session to a future Joint Audit Committee. We will also provide an update regarding the progress made against actions made in previous years.

Appendix 1

Final Letter of Representation – Chief Constable of Gwent Police

[Audited body's letterhead]

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

[Date]

Representations regarding the 2019-20 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 of Gwent Police for the year ended 31 March 2020 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 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 the Chief Constable of Gwent Police 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; and
- 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. There are no uncorrected misstatements in the financial statements for the Chief Constable of Gwent Police.

Representations by the Chief Constable of Gwent Police

I acknowledge that the representations made by management, above, have been discussed with me.

I acknowledge my responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. I approved the financial statements on 7 October 2020.

I confirm that I 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. I confirm that, as far as I am aware, there is no relevant audit information of which you are unaware.

Signed by:

Assistant Chief Officer – Resources
– Chief Constable

Date:

Signed by:

Chief Constable of Gwent Police

Date:

Appendix 2

Final Letter of Representation – Police and Crime Commissioner for Gwent

[Audited body's letterhead]

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

[Date]

Representations regarding the 2019-20 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 for the year ended 31 March 2020 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 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 the 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; and
- 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. There are three uncorrected classification misstatements in the financial statements for the Police and Crime Commissioner:

Overstatement of provisions

Included in the Provisions balance within Note 22, is a balance for pay awards of £232,000 which has not been utilised over the past 12 months. Management believe that the value of the adjustment is not material to an understanding of the accounts, and so no amendment has been made in the accounts for 2019/20, but we will review this area and make all appropriate adjustments in 2020/21.

Transfer between the Revaluation Reserve and Capital Adjustment Account

Due to an error within the Fixed Asset Register, the audit identified that the transfer from the Revaluation Reserve to the Capital Adjustment Account was understated by £137,000. Given that this is an adjustment between two Unusable Reserves, management believe that the value of the adjustment is not material to an understanding of the accounts and so no amendment has been made in the accounts for 2019/20. We will review this area and make all appropriate adjustments in 2020/21.

In-year fixed asset additions relating to purchases made in prior years

Within the fixed asset additions balance for 2019-20, we have included £218,000 relating to laptops purchased in December 2017. Due to the relevant invoice being redistributed a number of times between Gwent Police and South Wales Police before being approved, the invoice was not processed until 2019-20. Management believe that the value of the adjustment is not material to an understanding of the accounts, and so no amendment has been made in the accounts for 2019/20. We will review this area and make all appropriate adjustments in 2020/21.

Representations by the Police and Crime Commissioner for Gwent

I acknowledge that the representations made by management, above, have been discussed with me.

I acknowledge my responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. I approved the financial statements on 7 October 2020.

I confirm that I 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. I confirm that, as far as I am aware, there is no relevant audit information of which you are unaware.

Signed by:

Chief Financial Officer to the Police and
Crime Commissioner

Date:

Signed by:

Police and Crime Commissioner for
Gwent

Date:

Appendix 3

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

The independent auditor's report of the Auditor General for Wales to the Chief Constable of Gwent Police

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Chief Constable of Gwent Police; and
- Gwent Police Pension Fund

for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

The Chief Constable of 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 2019-20 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 of Gwent Police and the Gwent Police Pension Fund as at 31 March 2020 and of its 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 2019-20.

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 of Gwent Police 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.

Emphasis of Matter: Pension Fund Valuation Uncertainty

I draw attention to Note 17 of the financial statements, which describes the impact of a material uncertainty disclosed in a pension fund manager report in their year-end valuation report for the UK property fund they manage on behalf of the Greater Gwent Pension Fund. The Chief Constable of Gwent Police has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

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 of Gwent Police'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 annual report and accounts. The other information comprises the information included in the annual 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 2019-20; and

- the information given in the joint Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the joint Annual 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 of Gwent Police and the Gwent Police Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the joint Annual 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 of Gwent Police and the Gwent Police Pension Fund 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, 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 of Gwent Police's and the Gwent Police Pension Fund'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.

Adrian Crompton
Auditor General for Wales
12 October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 4

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

The independent auditor's report of the Auditor General for Wales 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 2020 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for Gwent's financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, Movement in Reserves Statement 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 Comprehensive Income and Expenditure Statement, the Group Balance Sheet, Group Movement in Reserves Statement 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 2019-20 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 2020 and of its 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 2019-20.

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 for Gwent, Gwent Police Pension Fund and the Police and Crime Commissioner for Gwent Police 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.

Emphasis of Matter: Pension Fund Valuation Uncertainty

I draw attention to Note 38 of the financial statements, which describes the impact of a material uncertainty disclosed in a pension fund manager report in their year-end valuation report for the UK property fund they manage on behalf of the greater Gwent Pension Fund. The Police and Crime Commissioner for Gwent has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

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 annual report and accounts. The other information comprises the information included in the annual 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 2019-20; and
- the information given in the joint Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the joint Annual 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 its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the joint Annual 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, the Gwent Police Pension Fund 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, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Gwent Police Group's 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, the Gwent Police Pension Fund 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.

Adrian Crompton
Auditor General for Wales
12 October 2020

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Appendix 5

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

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: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£17.011 million	Comprehensive Income and Expenditure Statement (CIES) <ul style="list-style-type: none">• Reduce Police Officer Salaries and Allowances by £3.950 million• Reduce Other Employee Related Costs by £12.490 million• Reduce Financing and Investment Income and Expenditure Costs by £0.040 million• Reduce the Remeasurement of the Net Defined Benefit Liability/Asset by £0.531 million• Reduce Long Term Liabilities by £17.011 million• Increase Unusable Reserves by £17.011 million	To correctly account for the impact of the McCloud remedy on IAS19 Pension Costs.

Value of correction	Nature of correction	Reason for correction
£3.732 million	<p>Note 18 Short Term Debtors and Note 21 Short Term Creditors</p> <p>Reduce Short Term Debtors and Short Term Creditors by £3.732 million</p>	To correct an amount included in the brought forward balances for Short Term Creditors which should have been offset against a Short Term Debtor for the same amount.
£2.207 million	<p>Note 18 Short Term Debtors</p> <p>Reduce Short Term Debtors by £2.207 million and increase Cash and Cash Equivalents by £2.207 million</p>	To correct a journal that had been inadvertently processed twice in a prior year which had not been corrected in the current year.
£0.573 million	<p>Pension Fund Account - Net Assets statement</p> <ul style="list-style-type: none"> • Increase Funding to Meet Deficit due from Police & Crime Commissioner / Home Office by £0.573 million • Decrease Overdrawn Pension Cash Position by £0.048 million • Increase Unpaid Pension Benefits by £0.621 million 	To correct amounts that had not been recorded on the Net Assets Statements when compared to the underlying supporting papers.
£0.048 million		
£0.621 million		

Appendix 6

Summary of corrections to the draft financial statements of the Police and Crime Commissioner for Gwent relating to presentational/disclosure matters only

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 4: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£1.307 million	Note 35 – Leases (2018-19 restatement) Increase in 2018-19 Operating Lease disclosure by £1.307 million	To ensure compliance with the requirements of the Local Government Code of Practice.
£0.324 million	Note 30 – Termination Benefits <ul style="list-style-type: none">• Increase by £0.324 million to include early retirement and pension strain costs• Comparative disclosures were also added to the note	To ensure compliance with the requirements of the Local Government Code of Practice.
£0.535 million	Note 22 – Provisions <ul style="list-style-type: none">• Increase 'Increase in provision during year' by £0.535 million• Increase 'Utilised during year' by £0.535 million	To ensure compliance with the requirements of the Local Government Code of Practice.
Narrative disclosures	Various narrative disclosures have been made, including changes to the senior officers' disclosures	To ensure compliance with the requirements of the Local Government Code of Practice.

Appendix 7

Summary of corrections to the draft financial statements of the Chief Constable of Gwent Police which do not affect the Police Fund

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 5: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£17.003 million	Comprehensive Income and Expenditure Statement (CIES) <ul style="list-style-type: none">• Reduce Police Officer Salaries and Allowances by £3.950 million• Reduce Other Employee Related Costs by £12.490 million• Reduce Financing and Investment Income and Expenditure Costs by £0.040 million• Reduce the Remeasurement of the Net Defined Benefit Liability/Asset by £0.523 million• Reduce the Intragroup Funding by £16.480 million• Reduce Long Term Liabilities by £17.003 million	To correctly account for the impact of the McCloud remedy on IAS19 Pension Costs.
£3.732 million	Short Term Debtors (Balance Sheets) and Note 10 Short Term Creditors Reduce Short-Term Debtors and Short-Term Creditors by £3.732 million	To correct an amount included in the brought forward balances for Short Term Creditors which should have been offset against a Short Term Debtor for the same amount.

Value of correction	Nature of correction	Reason for correction
£0.573 million	Pension Fund Account -Net Assets statement <ul style="list-style-type: none"> • Increase Funding to Meet Deficit due from Police & Crime Commissioner / Home Office by £0.573 million 	To correct amounts that had not been recorded on the Net Assets Statements when compared to the underlying supporting papers.
£0.048 million	<ul style="list-style-type: none"> • Decrease Overdrawn Pension Cash Position by £0.048 million 	
£0.621 million	<ul style="list-style-type: none"> • Increase Unpaid Pension Benefits by £0.621 million 	

Appendix 8

Summary of corrections to the draft financial statements of the Chief Constable of Gwent Police relating to presentational/disclosure matters only

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 6: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£0.324 million	Note 14 – Termination Benefits <ul style="list-style-type: none">• Increase by £0.324 million to include early retirement and pension strain costs• Comparative disclosures were also added to the note	To ensure compliance with the requirements of the Local Government Code of Practice.
Narrative disclosures	Various narrative disclosures have been made, including changes to the senior officers' disclosures.	To ensure compliance with the requirements of the Local Government Code of Practice.



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.