



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

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Auditor General for Wales

2017 Audit Plan – Gwent Police & Crime Commissioner and Chief Constable, Gwent Police

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This document was produced by John Herniman, Tracy Veale and David Burrridge.

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2017 Audit Plan

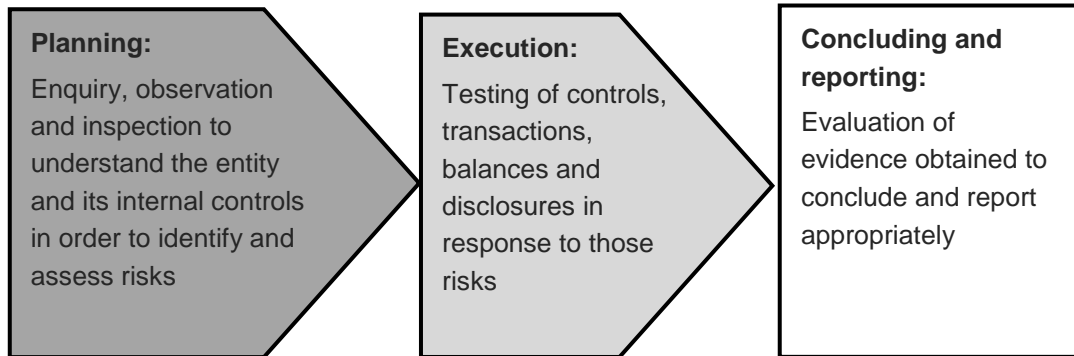
Summary

- 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](#).

Financial statements audit

- 5 It is my responsibility to issue a certificate and report on the financial statements of both the Gwent Police & Crime Commissioner (the Commissioner) and Chief Constable, Gwent Police (the Chief Constable) which includes an opinion on their 'truth and fairness'.
- 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 **Exhibit 2**, along with the work I intend to undertake to address them. **Exhibit 2** identifies 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.

Exhibit 2: Financial statements audit risks

Financial statements audit risk	Proposed audit response
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 in accordance with International Standard on Auditing 240.	My audit team will: <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.
Compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting The financial statements are prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting (the Code). There are a number of significant changes for 2016-17, including a requirement for a new Expenditure and Funding Analysis in addition to a revised expenditure analysis in the Consolidated Income and Expenditure Account (CIES).	My audit team will: <ul style="list-style-type: none"> continue to work with and support the Commissioner and Chief Constable and their staff to agree the most appropriate presentation in both sets of financial statements and the group statements; undertake early audit work on proposals to address the new code requirements; work with all Welsh police bodies as part of a workshop aimed at

Financial statements audit risk	Proposed audit response
A restatement of the previous year's (2015/16) CIES is also required.	<p>addressing these new requirements; and</p> <ul style="list-style-type: none"> • agree improvements to the methodology and working papers supporting the financial statements, where necessary.
<p>Revaluation of land and buildings</p> <p>During 2016-17, the land and building assets are being revalued by external valuers. There is a risk that the revaluations are not undertaken in accordance with Code requirement and that adjustments will not be correctly reflected in the draft 2016-17 financial statements.</p>	<p>My audit team will review the revaluation methodology and ensure that the disclosures are fairly stated in the 2016-17 financial statements.</p>
<p>Accounting for jointly controlled operations</p> <p>Work is ongoing to identify jointly-controlled operations which require disclosure under the Code and audit regulations. This work will require co-ordination with other Welsh forces to determine agreed outcomes and consistency across Wales.</p>	<p>My audit team will liaise with management and offer assistance during this work, where required, to ensure that all jointly controlled operations are identified and reported upon accurately in the financial statements. This will be covered at a workshop for all Welsh police bodies to help ensure consistency.</p>
<p>Material financial transactions</p> <p>There are a number of material developments which are currently being discussed and may take place before the year-end which will have a significant impact upon the financial statements. These may include:</p> <ul style="list-style-type: none"> • repayment of Public Works Loan Board debt; • developments in the Estates Strategy in finding new premises for the Headquarters; • a significant contribution into the Local Government Pension Fund; • repayment of PFI debt; and • ongoing redundancy payments. 	<p>My audit team will review the impact of these transactions 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>
<p>Earlier closing of year end accounts</p> <p>From 2018-19, the Police and Crime Commissioner and Chief Constable have to prepare their accounts by 31 May and the audit opinion has to be</p>	<p>My audit team will work with management to address the challenge of earlier closure and audit. We will provide a detailed audit deliverables</p>

Financial statements audit risk	Proposed audit response
<p>provided by 31 July. To work towards these revised deadlines, the Finance team have committed to producing their 2016-17 draft financial statements by 9 June 2017.</p>	<p>document that will outline our working paper requirements and will structure our audit in such a way that will allow us to meet the revised deadlines.</p>
<p>Finance Department restructure</p> <p>The Finance Department is currently being restructured and many key staff are also involved with the implementation of the new Finance system (FIRMS) planned for July 2017. This could result in a potential risk of insufficient capacity within the Finance Department which could impact on the timely preparation of the financial statements to the required standards, having been appropriately reviewed by senior management.</p>	<p>My audit team will continue to liaise with staff to fully assess the impact of these changes and consider any resultant risks arising and tailor our approach as required.</p> <p>My team will also review closedown plans to assess that arrangements are in place to produce robust accounts within the prescribed timetable.</p>
<p>Financial governance arrangements</p> <p>In a period of financial constraint, there are risks that governance arrangements may be weakened, for example as a result of the departure of key staff from the organisation. It is important, therefore, that the Commissioner and the Chief Constable report in their Annual Governance Statements, how they are mitigating this risk, for example by ensuring the existence of:</p> <ul style="list-style-type: none"> • robust internal financial controls such as comprehensive standing orders and financial regulations, strong budgetary control and effective Internal Audit; • the operation of recognised standards of financial conduct; • arrangements to ensure that the Commissioner and the Chief Constable only enter into transactions where there is specific legal provision for them to do so; and • well-established and understood procedures to prevent and detect fraud and corruption. 	<p>My audit team will undertake a detailed review of the revised arrangements for the production of the Annual Governance Statements.</p> <p>My team will also consider the work of others including Internal Audit and Her Majesty's Inspectorate of Constabulary (HMIC).</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 treat any misstatements below a 'trivial' level (five per cent of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - 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;
 - you have all the necessary controls and checks in place to enable the respective Responsible Financial Officers to provide all the assurances that I require in the Letters 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.

Use of Resources

- 13 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.
- 14 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.
- 15 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

- 16 Your estimated fee for 2017 is set out in **Exhibit 3**. This figure is less than previous years reflecting the level of work we estimate is needed to deliver our audit work.

Exhibit 3: Audit fee

Audit area	Proposed fee for 2017 (£)	Actual fee for 2016 (£)
Financial statements audit	77,900	77,900
Use of Resources	4,700	7,760
Total fee	82,600	85,660

- 17 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 Officers.
- 18 In previous years, there have been no formal objections to the financial statements. However, I do receive a number of queries and items of correspondence from members of the public and other interested parties.
- 19 Any detailed investigations or other work required to respond to queries and objections will result in an additional fee. Any such additional fee will be charged at daily rates based on the specific grade or skill mix required for the work, but will be discussed with the Chief Finance Officers prior to undertaking the work.
- 20 Further information on my fee scales and fee setting can be found on our website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

Audit team

- 21 The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

Exhibit 4: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director	029 2032 0500	john.herniman@audit.wales
Tracy Veale	Financial Audit Manager	029 2032 0596	tracy.veale@audit.wales
David Burrridge	Financial Audit Team Leader	029 2032 0634	dave.burrridge@audit.wales

- 22 There is one potential conflict of interest which I need to bring to your attention. Several members of David BurrIDGE's family are police officers 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 David 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
- 23 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.

Timetable

- 24 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 5](#).

Exhibit 5: Timetable

Planned output	Work undertaken	Report finalised
2017 Audit Plan	December 2016 – February 2017	March 2017
<ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Financial Accounts Memorandum 	February – September 2017	July 2017 July 2017 July 2017
Annual Audit Report for 2017	October - November 2017	November 2017
2017 Audit Plan	November – December 2017	January 2018

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 6: 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?

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