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Dear Darren and Nigel

## Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police 2020-21 financial statements audit

### Matters arising from our 2020-21 audit

We completed our audit of the financial statements of the Police and Crime Commissioner for Gwent and the Chief Constable for Gwent Police and reported our findings required by International Auditing Standard (ISA260) to those charged with governance in our 'Report on Financial Statements' Report. This report was presented to the July 2021 JAC meeting.

In addition to the findings already reported in our Report of Financial Statements, we now bring to your attention other matters arising from this year's audit for your consideration. and our follow up on progress of prior-year recommendations.

**Appendix 1** provides a summary of all recommendations and progress made against previous years' recommendations. Details of matters arising from the audit of the 2020-21 financial statements can be found in **Appendix 2** and ongoing recommendations from previous years' audits can be found in **Appendix 3**. For completeness, completed actions from previous years' audits can be found in **Appendix 4** and will be removed from progress reports going forward.

We held a post project learning session with members of your Finance Team on 11 October 2021. The session was very productive, and we look forward to working with your team to continue building upon the improvements made this year, in readiness for the production of next year's accounts and the audit process.

Yours sincerely



Tracy Veale  
Audit Manager

## Appendix 1 – Summary of matters arising following the audit of Police and Crime Commissioner (PCC) for Gwent’s and Chief Constable (CC) for Gwent’s 2020-21 financial statements

The following table summarises the matters arising raised in previous years audits and those raised following the completion of the audit of the PCC and CC 2020-21 financial statements

Exhibit 1 – summary of matters arising (further details can be found in the Appendices as referenced)

Category	Matters arising				
	Number raised pre 2020-21	Number completed Appendix 4	Number Ongoing Appendix 3	Number raised 2020-21 Appendix 2	Carried forward to 2021-22
Issues raised in ISA260 report	7	6	1	2	3
Working papers	2	2			
Code compliance of financial statements	1		1		1
Housekeeping issues	6	4	2		2
IM&T	4	1	3		3
<b>Total</b>	<b>20</b>	<b>13</b>	<b>7</b>	<b>2</b>	<b>9</b>

## Appendix 2 - Matters arising from the audit of the Police and Crime Commissioner (PCC) for Gwent's and Chief Constable (CC) for Gwent's 2020-21 financial statements

### Exhibit 2 – issues raised in ISA260 Report

Detail	For management to consider	Management response
<b>Issues raised in ISA260 Report</b>		
<p><b>Unreconciled items within the pension fund bank account reconciliation</b></p> <p>During the audit, it was noted that the pension fund bank account contained an unreconciled item amounting to £109k.</p>	<p>Bank control account reconciliations must be completed promptly and thoroughly, including resolving unreconciled differences, to give assurance over the year-end balances.</p>	<p>Agreed – Banks rec are carried out monthly and outstanding items are dealt with as quickly as possible. Depending on timing and information given regarding transfers in there may be differences at year end but these will be minimal. If the necessary information is available then the transfers will be dealt within the current month. We are receiving additional information from XPS in relation to transfer in which should help us to identify the individual quickly.</p>
<p><b>Incorrect mapping of general ledger codes within BRB</b></p> <p>During the audit, it was noted that amendments were required to the financial statements as a result of incorrect mapping of the general ledger codes within BRB. These amendments included:</p>	<p>The mapping of the general ledger codes within BRB should be reviewed to ensure the mapping is correct and appropriate, to give assurance that year-end balances are classified correctly.</p>	<p>Agreed – Update of BRB Mapping will take place in December 2021.</p>

Detail	For management to consider	Management response
<b>Issues raised in ISA260 Report</b>		
<ul style="list-style-type: none"> <li>• Increase in 'Other Income' and decrease in 'Other Operating Expenditure' (Income) of £2.037 million within the Comprehensive Income and Expenditure Statement and decrease in 'Other' in Note 10 to the financial statements.</li> <li>• Increase Grant Income disclosure of £0.892 million in Note 32 to the financial statements.</li> </ul>		

## Appendix 3 - Matters arising from the audit of the Police and Crime Commissioner (PCC) for Gwent's and Chief Constable (CC) for Gwent's 2019-20 financial statements which are ongoing

### Exhibit 3 – issues raised in ISA260 Report

For management to consider	Management response	Progress update as at October 2021	Management response
<b>Issues raised in ISA260 Report</b>			
<p><b>Unreconciled items within the bank account reconciliation</b></p> <p>Bank control account reconciliations must be completed promptly and thoroughly, including resolving unreconciled differences, to give assurance over year-end balances. Unpresented cheques of greater than six months old should be cancelled and reissued where appropriate.</p>	<p>Agreed – the bank reconciliations have already been reviewed and the old reconciling items will be cleared down and resolved during November and December 2020.</p>	<p><b>Ongoing.</b></p> <p>As part of our audit of the financial statements 2020-21, we noted that bank accounts associated with covert operations had not been fully reconciled.</p>	<p>Completed - The covert bank accounts have been fully reconciled during 2021-22.</p>

**Exhibit 4 – other matters arising from the audit of the financial statements**

For management to consider	Management response	Progress update as at October 2021	Management response
<b>Code Compliance of the Financial statements</b>			
<p><b>Some instances were noted where the financial statements were not compliant with the Code of Practice</b></p> <p>As part of the quality assurance review of the draft financial statements, compliance with the Code of Practice should be undertaken prior to submitting the draft accounts for audit.</p>	<p>The BRB tool is compliant with the CIPFA Code of Practice. However, the items identified related to brought in notes that are external and feed into BRB. These were identified this year as not wholly compliant with the detail of the latest Code. We will review these areas for the 2020/21 accounts and identify further training needs on the Code for the finance team to ensure future compliance.</p>	<p><b>Ongoing</b></p> <p>As part of our audit of the financial statements 2020-21, our review of Provisions noted that whilst the year-end balance within the Balance Sheet was correct, the in-year movements had not been disclosed in Note 22 - <i>Provisions</i> in accordance with the Code of Practice. Amendments were also required to notes to the cashflow statement (Notes 25 – <i>Cashflow from operating activities</i> and 26 – <i>Cashflow from investing activities</i>) to correctly reflect Note 26 on a</p>	<p>Desk notes will be drawn up in December which will cover the correct methodology of preparing the Notes to the Accounts so the errors will not recur and cover the correct methodology in line with Code.</p>

For management to consider	Management response	Progress update as at October 2021	Management response
		<p>cash basis in accordance with the Code of Practice.</p> <p>Please note that the above note references relate to the financial statements of the Police and Crime Commissioner.</p>	



For management to consider	Management response	Progress update as at October 2021	Management response
<b>Housekeeping issues</b>			
<p><b>Debtor and creditor balances within ledger codes brought forward at 1 April 2019 were not cleared by reversing journals or payments/receipts during the year</b></p> <p>A review of the debtor and creditor balances as at 31 March should be undertaken and any amounts that are no longer valid debtor and creditor balances, cleared.</p>	<p>Agreed – this has already been resolved and a further review will be carried out for the 2020/21 year end accounts</p>	<p><b>Ongoing</b></p> <p>As part of our audit of the financial statements 2020-21, our work noted improvements in this area. However, our testing of year-end creditors identified two instances where the year-end creditor balances contained brought forward creditor balances from 2019-20 due to the brought forward amounts not being fully cleared.</p> <p>We will review these two creditors as part of our interim work to confirm the brought forward balances have been cleared appropriately.</p>	<p>Work continues to be undertaken as part of our normal business to clear year end creditors on a timely basis.</p>

For management to consider	Management response	Progress update as at October 2021	Management response
<p><b>Asset lives and depreciation rates need to be reviewed to ensure still appropriate</b></p> <p>During 2018-19, we noted that an exercise to review asset lives was due to take place during 2019-20. However, this exercise was deferred due to the introduction of the Fixed Asset Module within the Agresso Business World financial system.</p> <p>A review of assets lives should be undertaken to confirm the appropriateness of asset lives, and ensure depreciation is calculated correctly. This will ensure that the Fixed Asset register correctly states and provides assurances over the year-end balances.</p>	<p>We will consider this going forward. A full external valuation is due in 2021/22.</p>	<p><b>Ongoing</b></p> <p>We will review the appropriateness of asset lives during our testing of fixed assets as part of our audit of the 2021-22 financial statements.</p>	<p>There will be a revaluation exercise of the Property element carried out during 2021-22 and we will undertake a review of the remaining asset lives at year end.</p>

**Exhibit 5 – matters arising from our IM&T audit work**

For management to consider	Management response	Progress update as at October 2021	Management response
<b>IM&amp;T</b>			
<p><b>Password reset controls for network user access needs strengthening</b></p> <p>If the Office 365 password reset tool is not implemented in the near future, the SRS should implement stronger security checks to confirm the user ID before resetting their access/password.</p>	<p>The Office 365 implementation will receive national approval for ‘go-live’ stage on Wednesday 9 December 2020, following the implementation of the identity access management system. This will also provide the “Hello” functionality in M365 and will enable the reduction to the National approved password.</p>	<p><b>Ongoing</b></p> <p>Gwent Police are now live with O365 for all but a very small number of Windows 7 machines. The current position is that the O365 policies are aligned to the initial NEP Blueprint Designs, that do not include the O365 password reset tool, which was not introduced into the designs until Design Refresh 2. Gwent are jumping straight to Design Refresh 3 which also includes the password reset tool, so this functionality will be available to users when the DR3 build is pushed out across the Force in the next month or two.</p> <p>Until DR3 is rolled out, the SRS Servicedesk continue to verify a caller’s identity using</p>	<p>The Gwent Police DR3 build is being tested by the NEP Programme week commencing 8th November, followed by a programme of work to remediate any issues identified during testing, and to upgrade all machines to the DR3 build. Indicative timescale to have this fully completed is the end of Jan 2022.</p> <p>The Sailpoint product has been live in Gwent Police since January 2021 and is automatically creating accounts for new starters, and disabling accounts immediately when staff leave the Force.</p> <p>2020-21 that these procedures are mandatory.</p>

For management to consider	Management response	Progress update as at October 2021	Management response
<b>IM&amp;T</b>			
		<p>an application called "Caller ID" which was created in 2009 which provides the Servicedesk with some HR details which the caller is required to confirm to prove identity/.</p>	
<p><b>Disaster recovery (DR) arrangements for FIRMS are unclear</b></p> <p>The Force should introduce appropriate DR plans for FIRMS, if one is not in place, and test it regularly at appropriate and adequate intervals, to ensure that the FIRMS system can be recovered (should there be a need to) in sufficient time to meet business needs.</p>	<p>The Disaster Recovery Site has been implemented and data restore is implemented for FIRMS. System recovery from the DR site is being planned. In the meantime, the primary systems receive regular core maintenance.</p>	<p><b>Ongoing</b></p> <p>As of June 2021, we were informed that the DSD Business Systems Board agreed that the DR would be tested for Business World system. As both systems ( for Gwent and South Wales) reside on the same platform, then recovering one of the forces systems will confirm the ability to recover the other. In the meantime, the data for all FIRMS systems is backed up daily by SWP ICT and this is stored at Fairwater DR Facility. The DR for the finance (Business World)</p>	<p>The original target date (end of 2021 calendar year) to undertake a test restore (simulating a substantial failure) of FIRMS data between HQ Bridgend and Cardiff Fairwater (Geo separated) Datacentres has been postponed for rescheduling targeting the first half of 2022.</p> <p>Over the coming months we have a substantial number of active projects relating to the Chief Constable's Delivery Plan, national programmes and the update of both local and national infrastructure (some of which have</p>

For management to consider	Management response	Progress update as at October 2021	Management response
<b>IM&amp;T</b>			
		system will be undertaken for both Gwent and SWP.	extremely challenging timescales) that are heavily dependent on ICT resource. Whilst recognising the importance of undertaking this test, Chief Officers have had to make the difficult decision to prioritise other operationally critical deliverables and infrastructure.

For management to consider	Management response	Progress update as at October 2021	Management response
<p><b>FIRMS Service Level Agreement (SLA) is not in place</b>  A FIRMS SLA should be put in place with immediate effect.</p>	<p>A draft S22a agreement has been produced that is under review by Joint Legal Services for approval at the Digital Services Division (DSD) Gold meeting in December 2019.</p>	<p><b>Ongoing</b>  As of June 2021, we were informed that the SLA for the Digital Services Division (which includes FIRMS team) between Gwent and South Wales is being drafted for review at the end of June, with sign off after that.</p>	<p>The Business Systems SLA was reviewed at the Business Systems Programme Board on the 22 September and some minor amendments were proposed. The SLA will be submitted to DSD gold for sign off.</p>

## Appendix 3 - Matters arising from the previous year's audit of the Police and Crime Commissioner (PCC) for Gwent's and Chief Constable (CC) for Gwent's financial statements which have been completed

### Exhibit 6 – issues raised in ISA260 Report

For management to consider	Management response	Progress update as at October 2021
<b>Issues raised in ISA260 Report</b>		
<p><b>Overstatement of provisions</b> The provision for pay awards should be considered and, if no longer required, the provision should be released. Management have agreed to review the provision in 2020-21 and adjust accordingly.</p>	<p>Agreed – we will review for 2020/21 accounts.</p>	<p><b>Completed</b> As part of our audit of the financial statements 2020-21, our work in this area proved satisfactory.</p>
<p><b>Transfer between the Revaluation Reserve and Capital Adjustment Account</b> The Fixed Asset register should be reviewed and reconciled to the Revaluation Reserve balances. This will ensure that the Fixed Asset Register is complete and accurate and can be relied upon when preparing the financial statements.</p>	<p>Agreed – we will complete for 2020/21 accounts.</p>	<p><b>Completed</b> As part of our audit of the financial statements 2020-21, our review in this area proved satisfactory.</p>

For management to consider	Management response	Progress update as at October 2021
<b>Issues raised in ISA260 Report</b>		
<p><b>In-year fixed asset additions relating to purchases made in prior years</b></p> <p>Assets should be accounted for in the year they are purchased, and depreciation calculated accordingly.</p> <p>This will ensure that the Fixed Asset Register is complete and accurate and can be relied upon when preparing the financial statements.</p>	<p>Agreed – this was an exceptional item that wasn't received by Gwent Finance until well after the laptops were procured for piloting of the FFF laptop/mobile rollout to officers and staff.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, our review in this area proved satisfactory.</p>
<p><b>Inability to verify physical existence of assets</b></p> <p>Assets should be tagged to enable the asset to be traced as and when required, and to ensure appropriate stewardship of assets. This is particularly important for portable and attractive items, such as laptops.</p>	<p>Agreed – all IT assets are already tagged with a unique asset number that enables them to be traced on the network. An exercise will be carried out by SRS to review IT assets and move the existing registers to a variation of the Fixed Asset module on the BW system for better recording and tracking of these assets.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, we were not able to verify the physical existence of some Fixed Field Flexible (FFF) laptops purchased in December 2017. However, we have been informed by Management that the total net book value of all FFF laptops as at 31 March 2022 amounts to circa £56k within the Fixed Asset Register and that a new Mobile Device Team has been set up whose responsibility it is for the management of all IT mobile devices. Given these improved arrangements for the management of IT mobile devices and the remaining net book value of the FFF laptops, this matter can now be closed.</p>



For management to consider	Management response	Progress update as at October 2021
<p><b>Misclassification of debit and credit balances within the balance sheet</b></p> <p>The account payables and account receivables ledger codes should be reviewed, and any potential misclassifications investigated to clarify the reason why these have arisen, and whether they should be re-categorised to a different accounts' category. This will provide assurances over the accounts payable and accounts receivable year-end balances.</p>	<p>Agreed – we will add a task in the year end closedown timetable/task list to address this for the 2020/21 accounts.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, our review in this area proved satisfactory.</p>
<p><b>Completion and review of VAT control account reconciliations are not timely</b></p> <p>Monthly control account reconciliations must be completed promptly and thoroughly, including resolving unreconciled differences, to give assurance over year-end balances</p>	<p>Agreed – we have reviewed and updated the control account reconciliations as part of the “housekeeping” exercise during November 2020 to ensure that they are up to date and will ensure they remain so going forward.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, our review in this area proved satisfactory.</p>

**Exhibit 7 – other matters arising from the audit of the financial statements**

For management to consider	Management response	Progress update as at October 2021
<b>Working papers</b>		
<p><b>The audit trail from financial statements to the ledger could be strengthened</b></p> <p>Consideration should be given to standardising working papers to support account balances and notes within the financial statements, as part of the quality assurance process prior to the draft accounts being submitted for audit.</p> <p>For example, for each account area and/or note, it would be helpful to have a lead schedule which clearly states:</p> <ul style="list-style-type: none"> <li>• the account area and relevant balance;</li> <li>• a comparison to the previous year's figure, with an explanation for significant movements;</li> <li>• clear links/references to supporting documentation; and</li> <li>• explanations regarding any judgements made in producing the account or note balance.</li> </ul>	<p>Agreed – we have made significant improvements in this area over the past two years, and Audit Wales note they are of a good standard. The COVID-19 lockdown and the necessity for a more remote, offsite audit has made it harder than in previous.</p> <p>We have discussed this further with Audit Wales as part of the post accounts feedback session and requested good practice examples so that the clarity of working papers can be improved further for 2020/21.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, we noted a significant improvement in the quality of working papers.</p>

For management to consider	Management response	Progress update as at October 2021
<p>The lead schedule should be signed and dated by the preparer and evidenced as having been reviewed as part of the quality assurance process.</p> <p>This would provide assurance to management that the figures within the accounts are appropriately supported as well as providing a clear audit trail for audit purposes.</p>		
<p><b>Working papers should be reviewed as part of the draft financial statement's quality assurance process</b></p> <p>A quality assurance process of working papers should be incorporated into the year-end closedown timetable for the preparations of the draft financial statements 20-21. This will ensure that the audit trail from the draft financial statements back to the ledger and supporting documentation is clear and provide management with assurance that the figures within the accounts are appropriately supported.</p>	<p>Agreed – the COVID-19 lockdown and prior year issues meant that we concentrated the quality assurance process on the draft accounts to ensure they were substantially more robust than in previous years.</p> <p>While we do review working papers supporting the accounts, we will continue to work with Audit Wales to develop the working papers further so that it eases the audit process for 2020/21 accounts.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, we noted a significant improvement in the quality assurance arrangements of the draft financial statements prior to them being submitted for audit.</p>

For management to consider	Management response	Progress update as at October 2021
<b>Housekeeping issues</b>		
<p><b>Status A Reports (Goods Received Not Invoiced) were not reviewed as part of the creditor accrual process</b></p> <p>Status A Reports should be reviewed in order to ensure that all creditors are accrued, subject to creditor thresholds set by Gwent Police, for closing purposes.</p>	<p>Agreed – a review of Status A invoices was carried out and a substantial number cleared before the year-end. We will review again for the 2020/21 accounts closedown.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, our review in this area proved satisfactory.</p>
<p><b>The methodology for calculating the bad debt provision was not applied to all account receivable control balances.</b></p> <p>The methodology for calculating the bad debt provision should be clearly documented within a desk instruction and applied to all debtor balances outstanding as at 31 March. Where it is deemed not appropriate to apply the methodology to certain year-end debtor balances, the rationale for this should be included within the desk instruction.</p> <p>The bad debt provision should be shown as a reduction to debtors and not classified as a provision.</p>	<p>Agreed – we will ensure the method is documented more clearly going forward and the provision shown against debtors in the 2020/21 accounts.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, our review in this area proved satisfactory.</p>

For management to consider	Management response	Progress update as at October 2021
<p><b>Suspense Accounts were not cleared to nil at year-end</b></p> <p>All suspense accounts held at 31 March should be reviewed and cleared to nil as part of the year-end closedown process.</p>	<p>This was an isolated occurrence and will be resolved going forward for the 2020/21 accounts.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, our review in this area proved satisfactory.</p>
<p><b>Bank Reconciliation processes need to be reviewed and strengthened</b></p> <p>The process for bank reconciliations should be reviewed and strengthened to ensure:</p> <ul style="list-style-type: none"> <li>• all items within the reconciliation can either be explained or any differences cleared appropriately;</li> <li>• confirmation should be sought for the transfer of the funds to the National Crime Agency, and the account should be removed from the Police and Crime Commissioner's financial statements; and</li> <li>• Imprest account reconciliations should be reconciled to the bank balances held for these accounts' statements.</li> </ul>	<p>Old reconciling items from the transfer to the BW system were identified earlier in the year but the COVID-19 lockdown prevented them being resolved at that time. They will now be resolved during November and December 2020. We have been seeking to transfer the funds to the National Crime Agency and will continue to do so Imprest accounts are fully reconciled to the ledger.</p>	<p><b>Completed</b></p> <p>As part of our audit of the financial statements 2020-21, we noted that:</p> <ul style="list-style-type: none"> <li>• Old reconciling items from the transfer to BW system have been resolved.</li> <li>• The transfer to the National Crime Agency is complete as these 2 accounts are no longer in the year end balances.</li> <li>• Imprest account reconciliations have been completed.</li> </ul>

For management to consider	Management response	Progress update as at October 2021
<b>IM&amp;T</b>		
<p><b>The number of failed login attempts before being locked out of the network is higher than the recommended good practice</b></p> <p>The Force should review its policy around the number of failed login attempts and bring it in line with relevant good practice.</p>	<p>The Office 365 implementation will receive national approval for 'go-live' stage on Wednesday 9 December 2020, following the implementation of the identity access management system. This will also provide the "Hello" functionality in M365 and will enable be reduced to the NCSC recommended</p>	<p><b>Completed</b></p> <p>Gwent Police are now live with O365 for all but a very small number of Windows 7 machines. Gwent's settings have been tested by the NEP Config Checking tool and have been signed off as compliant, the account lockout threshold is currently set to 10 invalid login attempts. This is in line with the guidelines published by the National Cyber Security Centre (NCSC) that recommend having an account lockout threshold of between 5-10 failed login attempts.</p>

