

Appendix 2 - Wales Audit Office

Matters arising from the audit of the Police and Crime Commissioner (PCC) for Gwent's and Chief Constable (CC) for Gwent's 2017-18 financial statements

Final audit - as per ISA 260:				
Detail	For Management to Consider	Management Response	Target Date	Status
<i>Accounts Quality & Submission</i>				
The draft accounts were not appropriately formatted and incomplete due to the first time use of CIPFA's Big Red Button. The draft accounts were also submitted to us after the agreed timetable. It was evident that the draft accounts had not been through a robust quality review process before being submitted to us for audit. In addition, the draft accounts contained, and the final amended accounts still contained, numerous rounding errors. We understand that these rounding errors were created by the Big Red Button, and despite many attempts to rectify them, the Finance Team have been unable to do so.	Finance need to reconsider their close-down plan following the issues encountered this year ensuring enough time is built in for a robust quality review process before the accounts are submitted to us for audit.	A full review and update of the closure plan will be completed before 31 December 2018. Sufficient time will be included in the plan for a robust quality assurance review of the draft financial statements by senior managers. <u>UPDATE:</u> Completed. The closedown plan was updated in November 2018 and presented to the JAC meeting in Dec 2018. The plan will be reviewed again and revised as appropriate in Feb 2019.	31/12/2018	Completed
<i>Working Papers and Staff Availability</i>				
Working papers were of a good standard and, overall, provided a good audit trail to source information. However, the working papers were not submitted to us in line with our agreed deliverables schedule but on a request basis. In addition, we were not made fully aware of all annual leave and other work commitments of the Finance Team. As a result, we could not effectively plan our work to ensure that the required finance officers were available when needed. Further problems arose due to the fact that audit queries could only be resolved by the staff responsible for individual account areas. This led to further delays in receiving working papers and information when staff were not available.	WAO will look to revisit our deliverables schedule for the 2018-19 audit process building in any scope for auditing account areas earlier following discussions with Finance. Finance need to ensure they sign up and deliver on the working paper deadlines as agreed. In addition Finance need to ensure every effort is made that key finance staff are available during our 'tight audit window' and an accurate availability schedule of finance staff is provided on the outset of the audit to allow us to plan our work around this.	We will work with WAO to ensure the deliverables schedule reflects an agreed list of working papers, as well as the key contacts for individual areas and their availability during the accounts/audit process. <u>UPDATE:</u> Ongoing. To be completed in late Feb/Mar 2019 when deliverables schedule received from WAO.	31/01/2019	Ongoing

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<i>Finance Staff Training</i>				
<p>Finance staff had not received the appropriate level of training regarding the new financial system. A number of difficulties arose as part of the implementation of the new Agresso Business World (ABW) finance system during the year, eg, relating to the scheme of delegation and the processing of invoices. Finance staff involved in the original implementation of ABW have since left and this loss of knowledge has put additional pressure on the Finance Team. Inexperience amongst the remaining Finance Team was evident when reports to enable reconciliations were not run at the appropriate time and could not be re-worked due to the live nature of the system. In addition, Finance staff had not received the appropriate level of training regarding the use of CIPFA's Big Red Button software. CIPFA's Big Red Button software was used to compile the accounts for the first time this year. The use of the new Big Red Button software to compile the accounts resulted in difficulties as the Finance Team were unfamiliar with the software and in several instances, had to rely on CIPFA consultants to provide answers. This meant that audit queries took longer to resolve than usual. These issues should reduce next year as the finance team become more experienced with the finance system and the accounts compilation process.</p>	<p>Finance staff need to ensure they are adequately trained in respect of new systems notably ABW and CIPFA's BRB to aid future year's accounts production. Desk instructions should also be updated following implementation of new systems.</p>	<p>PwC are currently mapping the processes within the finance systems and we will be supplementing these process maps with additional notes where necessary. All finance staff will be briefed on the accounts close down process and timetable for 2019/20.</p> <p>This briefing will include the working papers and reports required from BW and the BRB to support the production of the accounts.</p> <p>UPDATE: Completed. The process mapping exercise is complete. Staff have been briefed in early February 2019 on the closedown process and timetable. Further briefings will follow once the closedown plan has been refined and updated. 121 sessions have been held with individual members of staff on the format and content of the year end working papers.</p>	<p>31/03/2019</p>	<p>Completed</p>

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<i>Control Account Reconciliations</i>				
In our June 2018 Audit Update Briefing to Joint Audit Committee members, which was based on our March 2018 audit visit, we highlighted that control account reconciliations had not been completed during the year. Although the Finance Team were able to complete the accounts receivable reconciliations retrospectively, this was not possible for the year-end accounts payable reconciliation. The new finance system is a live system and no report was run as at 31.03.18 to enable the accounts payable reconciliation to take place. As a result, we undertook additional testing of year-end transactions to ensure the creditor balances within the draft financial statements were not materially misstated. Control account reconciliations were also not printed and signed off by preparer or by reviewer, therefore little evidence that they had in fact been reviewed by the Head of Finance.	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. Finance need to ensure suitable evidence of timely review of control account reconciliations is implemented.	The monthly task plan list includes a sheet to track the production and review of control account reconciliations throughout the year. This sheet will be updated at each month end to record that reconciliations are taking place and have been reviewed. <u>UPDATE:</u> Completed. Monthly control account reconciliations have been completed during 2018/19.	30/10/2018	Completed
<i>Bank Reconciliations</i>				
Bank reconciliations had not been completed as at 31.03.18. No cashbook report was run as at 31.03.18. As a result, the Finance Team were unable to complete a full year-end bank reconciliation between the bank statement, the cashbook and the general ledger. However, whilst the Finance Team were able to complete a reconciliation between the ledger and the bank statement, unreconciled items amounting to £13,105 remained unsupported.	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.	The monthly task plan list (above) includes bank reconciliations.	30/09/2018	Completed

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Final Audit - other findings:				
Detail	For Management to Consider	Management Response	Target Date	Status
<i>Mapping and Chart of Accounts</i>				
A vast number of amendments in the financial statements were in respect of classification issues due to mapping of the trial balance incorrectly. In addition with the introduction of the Big Red Button this identified weaknesses with Gwent Police's Chart of Accounts.	A vast number of amendments in the financial statements were in respect of classification issues due to mapping of the trial balance incorrectly. In addition with the introduction of the Big Red Button this identified weaknesses with Gwent Police's Chart of Accounts.	This will be carried out before 31 March 2019 as part of the year end closure process. <u>UPDATE:</u> Completed. Mapping exercise of GL to BRB has now been completed. Further improvements to BRB will be made in February and March 2019.	31/03/2019	Completed
<i>Provisions</i>				
The year-end listing of provisions was provided by legal team, however audit testing identified that one of the provisions tested had been closed before year-end and therefore should not have been included on the year-end listing as not a provision at year-end.	Joint Legal Services need to ensure they review this listing to include only 'true' year-end provisions.	Joint Legal Services will be briefed on the requirements for the accounts as part of the year end closure process. <u>UPDATE:</u> Ongoing. To be completed by 31 Mar 2019.	31/03/2019	Ongoing
<i>Ledger Corrections</i>				
During our audit, we identified a couple of ledger corrections that were needed, however the accounts correctly reflected these: <ul style="list-style-type: none"> • The write off of impairment and depreciation on the decommissioning/disposal of computer hardware have been posted to the incorrect codes. • The balances on two AHFS codes are incorrect. The incorrect balances are on codes 50762 - AHFS Opening balances and 50256 Cumulative Depreciation - AHFS which show balances of £4,384,401 and -£2,035,055 respectively. 	Finance should ensure corrections to the ledger are made to ensure comparatives in 2018-19 accounts are adequately reflected.	These two corrections have been actioned.	30/09/2018	Completed

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<i>Chief Finance Officer Secondment</i>				
<p>The Chief Finance Officer has undertaken a part-time secondment to South Wales Police during 2017-18, however no disclosure was included in the draft financial statements for this in terms of the Remuneration and Related Party Notes and amendments were required late in the audit process.</p>	<p>Finance should ensure all known activities are given consideration and included within draft financial statements to avoid for late amendments in the audit process.</p>	<p>We will agree a list of individuals requiring related party returns with WAO as part of the closure process and agree any additional disclosures required before year end.</p> <p><u>UPDATE:</u> Completed.</p>	31/01/2019	Completed
<i>FIRMS System Administrators</i>				
<p>At the time of the audit, there were 23 members of staff with FIRMS system admin access, which appears to be a high number of staff to have admin access rights within the system.</p>	<p>The FIRMS team should review these rights, and consider:</p> <ul style="list-style-type: none"> • whether they are appropriate to meet the business need; and • whether Gwent Police are happy to accept any risks associated with having a high number of staff with full administrative access rights to the system. <p>Having high numbers of users with system admin access presents an increased risk to system security and inappropriate system use.</p>	<p>Access levels will be considered and amended where necessary on an ongoing basis.</p>	30/11/2018	Completed

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Interim Audit:				
Detail	For Management to Consider	Management Response	Target Date	Status
<i>Journals</i>				
<p>ABW includes a feature to allow supporting schedules for journals raised to be saved in the system with the journal. This feature however is not currently used. Staff store journal workings within a series of folders on the Gwent Police server. Our audit experience has found that it is more time consuming obtaining this information from the Gwent Police server rather than ABW.</p>	<p>Finance should ensure all supporting documentation to journals raised is stored in ABW in order to improve the audit trail.</p>	<p>Staff will be reminded of the need to attach relevant supporting documentation to transactions in BW.</p> <p><u>UPDATE:</u> Completed. Staff were reminded in 2018, and have been reminded again as part of the 2018/19 year end team accounts briefing.</p>	31/03/2018	Completed