



2016 Audit Plan

Gwent Police & Crime Commissioner and Chief Constable, Gwent Police

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2016 Audit Plan

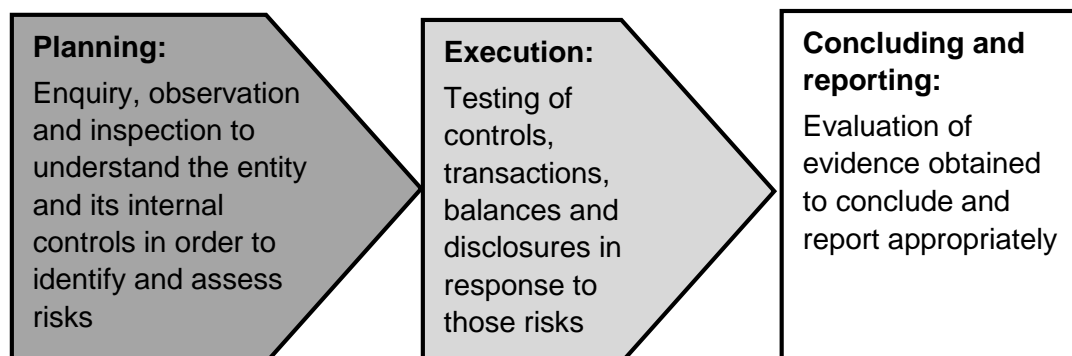
Summary

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 of material misstatement which I consider to be significant and which therefore require special audit consideration, 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
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>The financial statements need to comply with International Financial Reporting Standards (IFRS). The Commissioner and Chief Constable and their staff must:</p> <ul style="list-style-type: none"> • ensure that each set of accounts are prepared to appropriately reflect the substance of day-to-day control of activities as well as legal positions; and • have a full understanding of IFRS requirements, keeping up-to-date with new requirements and ensure risks and issues are identified and dealt with appropriately. 	<p>We will 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. We will also agree improvements to the methodology and working papers supporting the financial statements, where necessary.</p>
<p>There will be Police & Crime Commissioner elections in May 2016 which could impact on production and audit of key documents during the year.</p>	<p>My audit team will liaise with management to identify areas of the accounts production process that could be affected by these upcoming elections, and will work to ensure that any potential disruption is minimised.</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.</p>
<p>There have been a number of changes to system controls and key personnel within the 2015-16 financial year including changes to both the finance team and commissioner's office, a voluntary exit scheme for Police</p>	<p>My audit team will discuss the implications of these issues and agree any required changes to the accounting and disclosures within the financial statements with key personnel as part of our interim work.</p>

Financial statements audit risk	Proposed audit response
Officers and an amendment to the useful life of the Police Headquarters. In addition, early work is being undertaken by management to enable the faster closing and production of the draft financial statements this year.	

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 (the lower of five per cent of materiality or £100,000) 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.
13. In addition to my responsibilities in respect of the audit of the bodies' statutory financial statements set out above, I am also required to certify returns to the Welsh Government which provide information about the Commissioner and the Chief Constable to support preparation of Whole of Government Accounts.

Performance audit

14. The components of my performance audit work are shown in **Exhibit 3** and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 3: Components of my performance audit work



15. 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 detailed questions we have to answer in coming to our conclusion on your arrangements.
16. In answering these questions 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, Internal Audit 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 work carried out by the Auditor General and data-matching exercises.
17. We will identify audit areas where we need to supplement the audit assurance from the reliance obtained from the audit work outlined in paragraph 16. This work will relate to specific elements of the corporate governance and financial management processes in place for the Commissioner and Chief Constable. We will provide greater detail to management on the exact work we will undertake once we have assessed the assurance we can rely on from our financial audit work and the work on HMIC.

Fee, audit team and timetable

Fee

18. Your estimated fee for 2016 is set out in **Exhibit 4**. This figure is comparable to the actual fee charged as set out in the 2014-15 Annual Audit Letter.

Exhibit 4: Audit fee

Audit area	Proposed fee for 2016 (£) ¹	Actual fee for 2015 (£)
Financial statements audit	77,900	77,900
Performance audit work	7,760	7,760
Total fee	85,660	85,660

19. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Chief Finance Officer and the Assistant Chief Officer - Resources.
20. 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.
21. 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 Commissioner and Chief Constable prior to undertaking the work.
22. 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

23. The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Exhibit 5: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director	029 2032 0677	John.herniman@audit.wales
Alan Morris	Engagement Lead – Performance Audit	029 2032 0514	alan.morris@audit.wales
Matthew Coe	Financial Audit Manager	029 2032 0626 07748 181683	matthew.coe@audit.wales
Andy Bruce	Performance Audit Lead	07919 164779	andy.bruce@wao.gov.uk
Kath Watts	Financial Audit Team Leader	02920 320681	kathryn.watts@audit.wales

24. I can confirm that my 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

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

Exhibit 6: Timetable

Planned output	Work undertaken	Report finalised
2015 Audit Plan	December 2015 – January 2016	February 2016
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Financial Accounts Memorandum 	February – September 2016	September 2016 September 2016 November 2016
Performance work: <ul style="list-style-type: none"> Supplementary work to support the Value for Money conclusion 	February – September 2016	Part of the Annual Audit Report for 2016
Annual Audit Report for 2016	November – December 2016	December 2016
2017 Audit Plan	October – December 2016	January 2017

* Subject to timely clearance of draft findings with the Commissioner and the Chief Constable.

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 organisations 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 his use of resources

Corporate performance management and financial management 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	<p>Has the Commissioner/Chief Constable put in place arrangements to evaluate and improve the value for money he achieves in his use of resources?</p> <p>Has the Commissioner/Chief Constable put in place arrangements to ensure that his spending matches his available resources?</p> <p>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?</p>
Proper standards of conduct etc	<p>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?</p> <p>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?</p>

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