

Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police – Detailed Audit Plan 2023

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Our aims and ambitions

Assure



the people of Wales that public money is well managed

Explain



how public money is being used to meet people's needs

Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

Contents

Introduction	5
Your audit at a glance	7
Financial statements materiality	8
Significant financial statements risks	9
Other areas of focus	11
Financial statements audit timetable	14
Statutory audit functions	15
Fee and audit team	16
Audit quality	18
Appendices	
Appendix 1 – key ISA315 changes and impact	19

Introduction

My planning work is ongoing.

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified to date and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

My audit responsibilities

I complete work each year to meet the following duties:

- I audit the Police and Crime Commissioner (the Commissioner) and Chief Constable's financial statements to make sure that public money is being properly accounted for; and
- the Commissioner and Chief Constable have to put in place arrangements to get value for money for the resources they use, and I have to be satisfied that they have done this.

Audit of financial statements

I am required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement are prepared in line with the CIPFA Code and relevant guidance and are consistent with your financial statements and my knowledge of the Office of the Police and Crime Commissioner and Gwent Police.

In addition to my responsibilities for auditing the Commissioner, the Chief Constable and the Group's financial statements, I also have responsibility for:

- certifying a return to the Welsh Government which provides information to support preparation of Whole of Government Accounts;
- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary); and
- auditing the Police Pension Fund Account.

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 is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

There have been no limitations imposed on me in planning the scope of this audit.

Your audit at a glance



My financial statements audit will concentrate on your risks and other areas of focus

My audit planning to date has identified the following risks:

Significant financial statement risk

- Risk of management over-ride;
- Risk of material misstatement due to fraud in expenditure; and
- Valuation of the defined benefit pension scheme (IAS19).

Other areas of audit focus:

- Valuation of Local Government Pension Fund net surplus within the financial statements of the Chief Constable;
- Police staff pay award;
- Valuation of Land and Buildings;
- Accuracy of Manual Debtors;
- Classification of transactions and balances;
- Disposal of fixed assets recognition; and
- Donated inventory balances.



Materiality

Materiality	£2.446 million
Police Pension Fund Materiality	£0.857 million
Reporting threshold	£0.122 million
Police Pension Fund reporting threshold	£0.042 million

Financial statements materiality



**Materiality £2.446 million; and
£0.857 million for the Police Pension Fund**

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using the gross expenditure from the 2022-23 draft financial statements.

My audit team uses the lower of the three materiality figures calculated for the Police and Crime Commissioner for Gwent Group, the Police and Crime Commissioner for Gwent and the Chief Constable of Gwent Police. A separate materiality is calculated for the Police Pension Fund.

	Police and Crime Commissioner Group	Police and Crime Commissioner	Chief Constable	Police Pension Fund
Gross expenditure	£252.008 million	£247.341 million	£244.611 million	£42.875 million
Materiality percentage	1%	1%	1%	2%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Remuneration report £1,000
- Related party disclosures £10,000 for individuals' related party disclosures

Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<p>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 [ISA 240.32-33].</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 bias; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Fraud in expenditure There is a risk of material misstatement due to fraud in expenditure and as such is treated as a significant risk [PN 10].</p>	<p>My audit team will undertake detailed substantive testing to ensure expenditure transactions are appropriate.</p> <p>My audit team will also:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Valuation of defined benefit pension scheme (IAS19) The Local Government Pension Scheme (LGPS) Pension Fund and the Police Pension Fund liability as reflected in the financial statements of the Police and Crime Commissioner Group, Police and Crime Commissioner and the Chief Constable represent a material estimate. The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuations; • assess the accuracy and completeness of the information

adjustments in the assumptions used in its calculation.

provided by the Council/Authority to the actuary to estimate the liability;

- test the accuracy of the pension fund net liability and disclosures in the financial statements with the actuarial report from the actuary;
- assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required; and
- assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.

My audit planning work is continuous, and if any further significant financial statement risks are identified during the remainder of my planning work, these will be reported to you accordingly.

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of pension fund net surplus</p> <p>Following the triennial funding valuation undertaken of LGPS pension funds as at 31 March 2022, the Chief Constable’s IAS 19 Results Schedule from the Actuary shows a surplus.</p> <p>The recognition of pension fund surpluses is complex, requiring consideration of the future economic benefits available in the form of refunds from the plan, or reductions in future contributions to the plan, as well as any scheme rules requiring employers to make minimum funding payments to the scheme.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • understand the actuary’s process for calculating the surplus recognisable at 31 March 2023; and • consider whether the surplus is recognisable under IFRIC 14.
<p>Police staff pay award</p> <p>Police staff in England and Wales saw their salaries rise by 2.1% with effect from 1 April 2022, to cover the period 1 April 2022 and 31 August 2023.</p> <p>In July 2022, the Government accepted in full a recommendation from the Police Officer Pay Review Body (PRRB) that there should be a consolidated increase of £1,900 to all police officers’ pay points for all ranks. As a result, police staff in England and Wales saw their salaries rise with effect from 1 September 2022 to bring them in line with the £1,900 increase to police officer salaries during 2022-23. This increase was confirmed in Police Staff Council (PSC) Joint Circular 126.</p> <p>Subsequently, there has been a revision for staff earning over £65,000 per annum, for whom the 2.1% award was worth more in cash terms than £1,900.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the application of the agreed pay award to police staff; and • undertake detailed substantive testing to ensure payroll transactions are appropriate.

<p>These staff reverted to the 2.1% pay increase with effect from 1 April 2022, as confirmed in Police Staff Council (PSC) Joint Circular 128.</p> <p>Due to the complexity in the calculation of the revised pay points, there is a risk that the pay award is not calculated and accounted for correctly.</p>	
<p>Valuation of Land and Buildings</p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts represent material estimates. Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations. Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2023, due to high inflation and fluctuations in market values.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the process undertaken by management to ensure that asset valuations are materially correct; • evaluate the competence, capabilities and objectivity of the professional valuer; and • test the assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements.
<p>Manual debtors</p> <p>During the 2021-22 audit my audit team identified two manual debtors which were overstated.</p> <p>The consequence of this was to overstate debtors and income in the financial statements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of manual debtor transactions; and • review manual debtors estimates for bias.
<p>Classification of transactions and balances</p> <p>During the 2021-22 audit my audit team identified a number of transactions and balances which had been mis-classified in the within the financial statements. The accounts were amended to re-</p>	<p>My audit team will test to confirm the classification of the items we test/review is in accordance with the CIPFA Code of Practice.</p>

classify these items in accordance with the CIPFA Code of Practice.

Existence of assets

During the 2021-22 audit my audit team identified a number of assets that had been accounted for as disposals, which had not been physically disposed of at the balance sheet date.

My audit team will review disposals and confirm that assets have been physically disposed of at the balance sheet date.

My audit planning work is continuous, and if any further areas of audit focus risks are identified during the remainder of my planning work, these will be reported to you accordingly.

Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Outline Audit Plan	March – April 2023	May 2023
2023 Detailed Audit Plan	July 2023	July 2023
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	Planned July – November 2023	Planned November 2023

Statutory audit functions

Statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee and audit team

In January 2023 I published the [fee scheme](#) for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £98,196.

Exhibit 5: audit fee

This table sets out the proposed audit fee for 2023, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	£98,196	£85,582
Total fee	£98,196	£85,582

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 your finance team.

Our financial audit fee is based on the following assumptions:

- the agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities; and
- no matters of significance, other than as summarised in this plan, are identified during the audit.

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2022 to October 2023.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my local audit team

Name	Role	Contact number	E-mail address
Richard Harries	Engagement Director	02920 320640 07789 397018	Richard.Harries@audit.wales
Tracy Veale	Audit Manager	02920 320596 07919 217438	Tracy.Veale@audit.wales
Helen Williams	Audit Lead	02920 320708	Helen.Williams@audit.wales

I can confirm that the team members are all independent of the Commissioner, the Chief Constable, and your officers.

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2022](#).

Our People



The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality



The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance



The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

* QAD is the quality monitoring arm of ICAEW.

Appendix 1

The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	<p>Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none">• information on your organisation's business model and how it integrates the use of information technology (IT);• information about your organisation's risk assessment process and how your organisation monitors the system of internal control;• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and• more detailed discussions with your organisation to support the audit team's assessment of inherent risk.
Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none">• IT applications relevant to financial reporting;• the supporting IT infrastructure (e.g. the network, databases);• IT processes (e.g. managing program changes, IT operations); and• the IT personnel involved in the IT processes. <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>

Key change	Potential impact on your organisation
<p>Enhanced requirements relating to exercising professional scepticism</p>	<p>Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>
<p>Risk assessments are scalable depending on the nature and complexity of the audited body</p>	<p>The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p>Audit teams may make greater use of technology in the performance of their audit</p>	<p>Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>

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