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Dear Darren and Nigel

Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police 2018/19

Matters arising from our 2018-19 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 2019 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 in the Action Plan attached at **Appendix 1** to this letter. We have also followed up on progress of prior-year recommendations attached at **Appendix 2**.

We look forward to working with your team to ensure that these issues are addressed in order to improve the production of next year's accounts and the audit process in line with the Faster Closing agenda.

Yours sincerely

Tracy Veale
Audit Manager

Detail	For management to consider	Management Response
Working papers and staff availability		
<p>Working papers were generally of a good standard and overall, provided a good audit trail to source information. However, there is room for improvement in a number of working papers such as remuneration and reserves.</p> <p>In addition, due to technical issues regarding saving working papers to the newly issued laptops in Finance, not all working papers were available to us at the start of the audit in agreement with our agreed deliverables schedule, and finance staff were not always available to us to answer audit queries in a timely manner.</p>	<p>Working papers to support the figures within the financial statements must be prepared in accordance with the deadlines as agreed within the audit deliverables schedule. We will work with the Finance Team to revisit the audit deliverables schedule for the 2019-20, building in any scope for auditing account areas earlier.</p> <p>Every effort should be made to ensure that key finance staff are available during our 'tight audit window' and an accurate schedule of finance staff availability is provided to us prior to the start of the audit. Any changes to the schedule should be communicated to the audit team as soon as possible to avoid unnecessary delays.</p>	<p>The finance team will work with the WAO to improve the content and timing of items within audit deliverables schedule for 2019/20.</p> <p>Scheduling the availability of key finance and WAO staff will be undertaken as it is key to improving the audit process.</p>
Amended accounts quality		
<p>On 18 July we received amended financial statements for both the PCC Group and CC. Our review of the amended financial statements identified numerous instances where numbers and text had not been amended as expected. The volume of further amendments could have been reduced had a robust quality assurance review been undertaken on the financial statements before being provided to us. Further revised sets of accounts were received on 22 July containing all amendments as expected.</p>	<p>Amended financial statements must be subject to a robust quality review process to ensure that amendments have been processed as expected prior to submission to the audit team, to enable the tight deadlines to be met</p>	<p>Late pension disclosure adjustments caused a number of late amendments. We will revisit the level of contingency within the timetable for the year-end close-down plan to mitigate this for 2019/20.</p>

Detail	For management to consider	Management Response
Control Account Reconciliations		
<p>In our June 2019 Audit Update Briefing to Joint Audit Committee members, which was based on our March 2019 audit visit, we noted that the Sundry Creditor account reconciliation (one of 12 accounts payables reconciliations) had only been completed up to Month 2.</p> <p>As a result, we undertook additional testing of in-year and year-end transactions to ensure the expenditure and creditor balances within the draft financial statements were not materially misstated. Following completion of the sundry creditor reconciliations we found the year-end sundry creditor reconciliation was not signed off as reviewed and dated.</p> <p>In addition, during our testing of control account reconciliations, we identified the following issues:</p> <ul style="list-style-type: none"> • Bank reconciliations during the year are automatically completed and no manual reconciliation is completed except at year-end. However, there was no evidence of review of these automatic reports and there are some large unmatched differences. • Payroll reconciliations were reviewed, however, there were significant delays in doing so, for eg both month 3 & 6 reconciliations were not reviewed until 1 March 2019. • VAT reconciliations were not signed off as completed and reviewed and they included a number of unreconciled items. 	<p>Monthly control account reconciliations must be completed promptly and thoroughly, including resolving unreconciled differences, to give assurance over year-end balances.</p>	<p>The finance team have been reminded of the importance of completion and review of control account reconciliations during the finance year.</p> <p>There is now a robust management process for oversight and authorisation.</p>

Exhibit 2: final audit – other findings:

Detail	For management to consider	Management Response
Treatment of Levies		
<p>We raised a query with the Chief Finance Officer around the consistency of levies and whether they should be above or below the line in the Comprehensive Income and Expenditure Statement (CIES).</p> <p>Gwent Police includes Police National Computer costs (PNC) and the helicopter levy in its levies line which falls below the costs of services. However, discussions suggested these items relate to day to day business and should therefore be included within cost of services.</p>	<p>The treatment of levies should be reviewed by Gwent Police and also considered at an all-Wales level to ensure consistency of treatment across each of the four Welsh Police Forces.</p>	<p>This will be reviewed as part of the planning for the 2019/20 accounts and audit.</p>
Correction of errors in Agresso Business World (ABW)		
<p>From our account payable substantive testing, we identified instances where corrections had not been made in the ledger:</p> <ul style="list-style-type: none"> • A number of VAT only invoices (Carl Furnish v Gwent Police against GL code 11516) had been input onto the ledger at their correct VAT only amount but had also been input at their net invoice value under a different transaction number. We established that the total net value of the invoices concerned was £20,812.69 which had not been corrected in the ledger. • Transaction 4006603 had been input onto the general ledger against code 11495 on the incorrect basis that it was vatable. This £56,681.92 understatement of expenditure was flagged to the client during our interim testing in February 2019, however no corrective action was taken until 12 July 2019. 	<p>Consideration should be given as to whether further training on VAT accounting is needed and the need to ensure any corrective action is taken on a timely basis.</p>	<p>Further training to specific members of the finance team will be provided by January 2020 along with desk notes that will reflect the changes.</p>

Detail	For management to consider	Management Response
Related Party Note		
Our audit testing of the related party note identified several omissions, including a missed related party disclosure and the need to include debtors and creditors for all related parties.	The related party note should include all related parties and should be fully compliant with the Code requirements.	This will be addressed for 2019/20.
FIRMS Service Level Agreement (SLA)		
There is still no SLA in place for FIRMS support which may give rise to risks around data protection, backup or access rights issues. We have been monitoring this position over the past year however an SLA remains outstanding. We acknowledge there have been changes in the leadership of the FIRMS team with a new Project Manager taking up position in February 2019.	A FIRMS SLA should be put in place with immediate effect.	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.

Appendix 2 – Progress of prior-year recommendations

Exhibit 3: progress of prior-year recommendations

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Accounts quality and submission				
<p>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.</p> <p>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.</p>	<p>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.</p>	<p>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.</p> <p>Target Date: 31 December 2018.</p>	<p>Ongoing</p> <p>This has not been fully implemented as similar issues have arisen during our 2018-19 audit. This recommendation has therefore been superseded by the 2018-19 recommendation in Appendix 1 above.</p>	<p>See Appendix 1.</p>

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Working papers and staff availability				
<p>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.</p> <p>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.</p>	<p>The Wales Audit Office 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.</p> <p>Finance need to ensure they sign up and deliver on the working paper deadlines as agreed.</p> <ul style="list-style-type: none"> 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. 	<p>We will work with the Wales Audit Office 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.</p> <p>Target Date: 31 January 2019</p>	<p>Ongoing</p> <p>This has not been fully implemented as similar issues have been experienced during our 2018-19 audit. This recommendation has therefore been superseded by the 2018-19 recommendation in Appendix 1 above.</p>	<p>See Appendix 1.</p>

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Finance Staff Training				
<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, for example, 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 reworked due to the live nature of the system.</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.</p> <ul style="list-style-type: none"> • Desk instructions should also be updated following implementation of new systems. 	<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>Target Date: 31 March 2018</p>	<p>Partially Completed</p> <p>The Finance team have invested time to improve the mapping and knowledge amongst the finance team for the production of the 2018-19 accounts.</p>	<p>See Appendix 1 in relation to BRB training.</p>

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Finance Staff Training				
<p>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>				

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Control Account Reconciliations				
<p>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 March 2018 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.</p>	<p>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.</p> <p>Finance need to ensure suitable evidence of timely review of control account reconciliations is implemented.</p>	<p>The monthly task plan list includes a sheet to track the production and review of control account reconciliations throughout the year.</p> <p>This sheet will be updated at each month end to record that reconciliations are taking place and have been reviewed.</p> <p>Target Date: 30 September 2018</p>	<p>Partially Completed</p> <p>All reconciliations, except for the Sundry Creditor control account, were completed during 2018-19. However, some issues were identified during our audit testing which have been reflected in our recommendations in Appendix 1 above.</p>	<p>See Appendix 1.</p>

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Bank Reconciliations				
Bank reconciliations had not been completed as at 31 March 2018. No cashbook report was run as at 31 March 2018. 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. Finance need to ensure suitable evidence of review of the bank reconciliation is implemented.	The monthly task plan list (above) includes bank reconciliations. Target Date: 30 September 2018	Completed We did not identify any issues in our 2018-19 audit work.	n/a
Mapping and Chart of accounts				
A large number of amendments in the financial statements were in respect of classification issues which arose due to incorrect mapping of the trial balance. In addition, the introduction of the Big Red Button highlighted weaknesses with Gwent Police's Chart of Accounts.	Finance should undertake a review of their mapping ahead of the 2018-19 audit. In addition, they should also look to eliminate weaknesses in their Chart of Accounts with additional Trial balance codes being created for the 2018-19 financial year. The Finance Team should consider whether there is scope to produce month 9 accounts which would help to identify problems before year-end.	This will be carried out before 31 March 2019 as part of the year-end closure process. Target Date: 31 March 2018	Completed The Finance team have invested time in improving the mapping during 2018-19. Month 9 accounts including comparative figures only and formatted template were provided to the Wales Audit Office.	n/a

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Provisions				
The year-end listing of provisions was provided by the 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.	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.	Completed We did not find any further instances of this during our 2018-19 audit.	n/a
Ledger Corrections				
During our audit, we identified a couple of ledger corrections that were needed, although 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 had been posted to the incorrect codes. the balances on two AHFS codes were incorrect. The incorrect balances were on codes: 50762 - AHFS Opening balances and 50256 Cumulative Depreciation - AHFS which showed balances of £4,384,401 and - £2,035,055 respectively. 	Finance should ensure corrections are made in the ledger so that prior-year comparatives are accurately reflected in the 2018-19 accounts.	These two corrections have been actioned. Target Date: 30 September 2018	Completed These ledger corrections have now been made.	n/a

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Chief Finance Officer Secondment				
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.	Finance should ensure all known activities are given consideration and included within the draft financial statements to avoid late amendments in the audit process.	We will agree a list of individuals requiring related party returns with the Wales Audit Office as part of the closure process and agree any additional disclosures required before year-end. Target Date: 31 January 2019	Complete We did not identify any further issues during our 2018-19 audit.	n/a
FIRMS system administrators				
At the time of the audit, there were 23 members of staff with FIRMS system admin access. This seems to be a high number of staff having admin access rights within the system.	The FIRMS team should review these rights, and consider: <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. Having high numbers of users with system admin access presents an increased risk to system security and inappropriate system use.	Access levels will be considered and amended where necessary on an ongoing basis. Target Date: 30 November 2018	Completed We did not find any further issues during our 2018-19 audit.	n/a

Detail	For management to consider	Management Response	Status as at 2018-19 audit	Management Response
Journals				
<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.</p> <p>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 within BW.</p> <p>Target Date: 31 March 2018</p> <p>Status: Ongoing</p>	<p>Ongoing</p> <p>This feature is currently not being fully utilised by finance staff.</p> <p>Training should be arranged to ensure finance staff understand how to fully maximise the benefits of using the BRB software to prepare the financial statements.</p>	<p>This will be implemented in this financial year. A desk note is currently being drafted on backing documentation for journals. Training will then be provided to the finance team and to the Wales Audit Office to enable access for review.</p>