

**Reference:** GPJAC 1 March 2021

**Date issued:** 18 February 2021

## Gwent Police & Crime Commissioner and Chief Constable for Gwent Police

### Joint Audit Committee 1 March 2021 – Audit Update Paper

#### 2019-20 financial statements

- **Post Project Learning**

An All Wales Police and Audit Wales post project learning session took place on 21 January 2021, at which lessons learnt from across all four Police Forces was shared and matters relevant to the planning of the 2020-21 financial statements audit was discussed.

- **Annual Audit Letter 2019-20**

Our Annual Audit Letter 2019-20 was agreed prior to Christmas and will be presented to the March 2021 Joint Audit Committee meeting.

#### 2020-21 financial statements

- **Audit Plan 2021**

Our Audit Plan 2021 has been agreed and will be presented to the 1 March 2021 Joint Audit Committee meeting

- **Interim Audit Work**

We commenced our planning work in January 2020.

To date, we have:

- identified the key risks relating to this year's financial statements, which we have listed in our Audit Plan 2021; and
- met with management and finance staff to discuss the progress being made against the recommendations included within our Management Letter that was presented to the December 2020 JAC meeting. An update of the progress being made can be found in Appendix 1 and 2.

We have also undertaken transaction testing for period 1-8 in the following areas:

- Payroll;
- Non-Pay expenditure;
- Income;
- Capital additions;
- Investments work; and
- **Pension** ers and ees

Our review of control account reconciliations is ongoing, and we will pick this up at our second interim audit 'visit', which is planned for the week commencing 8 March 2021. During our second visit, we will undertake further transaction testing for the 2020-21 financial year and also test pension lump sum payments.

We will continue to work with the finance team over the coming months to help ensure a smooth year-end closedown and final accounts audit so that we have agreed final versions of the financial statements for approval by the Joint Audit Committee by the end of July 2021.

- **Call of audit date**

The Auditor General has a duty to make arrangements for local electors to ask questions about the accounts or to make objections following the inspection of accounts. The Audit Wales' Law and Ethics team concur with the view that the inspection rights extend to the right to physical inspection of the accounts. To do otherwise, e.g. by only allowing remote access to information, would infringe the rights of those unwilling or unable to access the accounts solely by electronic means. This effectively means that the inspection process cannot be facilitated during a period of lockdown. Whilst the future of lockdown arrangements is uncertain at the moment, it is likely that restrictions will be relaxed over the next several months and discussions are underway internally as to whether it may be helpful for Audit Wales to consider when it is likely to be possible to issue audit notices and whether a blanket approach is adopted as for 2019-20 or individual dates are agreed. Over the coming weeks, our Technical Team will be agreeing an appropriate timetable for public inspection which takes account of the date on which the accounts will be available, when lockdown restrictions have been sufficiently relaxed and the practicalities of enabling public inspection of the published accounts. This could impact on the timing of the completion of the audit, as it follows that the audit opinion should not be issued until such time as electors have had an opportunity to inspect the accounts and to ask questions/make objections and the auditor has considered if there may be an impact on the audit opinion on the accounts.

Therefore, we are unable to agree a call of audit date for the inspection of the Police and Crime Commissioner and the Chief Constable's draft financial statements until we have

received further instruction from our Technical Team. We will keep management informed of progress on this matter.

## Other matters for consideration

### Value for money conclusion work

In addition to our standard audit programme for our value for money work during 2019-20, we undertook a more focused piece of work, reviewing the arrangements in place for securing economy, efficiency and effectiveness when undertaking collaborative working between police forces in Wales.

In response to our audit findings, the Welsh Forces identified 17 actions to be undertaken by 31 March 2021. As at 31 January 2021, only one action remained as work in progress.

### Audit Wales review of Shared Resource Service (SRS)

This review seeks to consider whether the SRS collaboration is sustainably delivering an effective, efficient, and economic provision within this dynamic environment, for now and for the future, for its partners both individually and collectively.

We have run two out of three feedback sessions, with the third delayed due to key individuals having to prioritise their time to the impact of COVID-19 matters. We are actively looking for suitable dates for this final SRS Strategic Board workshop. It is anticipated that the short joint report, summarising our findings will be available soon after the final workshop takes place.

### Audit Wales review of collaboration of emergency services in Wales

Our review will evaluate how well emergency services are collaborating and integrating their response and operational delivery to ensure they remain resilient and sustainable by focusing on a real-time snapshot of their work looking at:

- How well emergency services currently work together?
- How well emergency services are performing?
- What do emergency services need to change to improve their resilience through greater collaboration and integration?

The first stage of this review is currently underway and involves a desktop-based review looking at what the emergency services and first responders provide, reviewing their resources, budgets, locations of fleet and assets, and identifying from where and how services currently work together.

The second stage of this review is planned for Spring 2021, although this is dependent on the status of the pandemic and subject to further discussions with key players to ensure

the timing of our work is appropriate. Stage 2 will be forward looking and identify trends and proposals for collaboration which will support decisionmakers to pursue improvement opportunities.

The findings from this review will be set out in a report that will also include recommendations and comparison and commentary on emergency services in Wales. At this stage, we still plan to issue our report in November 2021.

### **Audit Wales study on cyber resilience**

We have undertaken a high-level review considering how public bodies are responding to cyber-security risks. We gathered information from across our audited bodies over the summer to inform a summary report. We also hosted a webinar on this topic on 23 September 2020 where delegates heard from experts in the field and we shared some of the emerging findings from our work.

Our report, which was distributed to audited bodies in early January 2021, is designed to raise awareness and support improvement. We have asked that copies of the report be shared privately with Joint Audit Committee members. We will provide a verbal update at the March 2021 Joint Audit Committee meeting.

### **Analytics Assisted Audit (AAA)**

In November 2020, the Auditor General wrote to the Police and Crime Commissioner and the Chief Constable asking for support as Audit Wales looks to transform its' audit approach. The letter can be found in Appendix 3.

We are looking to secure routine data downloads from the principle financial systems of the bodies that we audit, which we can then interrogate. We hope this new approach will save everyone time and effort by virtually eliminating the current data request process, which is sometimes protracted and repetitive. But more than that, these routine data downloads are a major steppingstone towards a higher-quality audit approach, based on a significantly larger evidence base, and which produces greater assurance and insight for organisations.

Our Data Analytics Manager presented to the Wales Policing Finance and Resource Group meeting on 11 February 2021, explaining what AAA is all about - how it will be used to interrogate financial data, including the security aspects of data transfer and storage and it's benefits which includes:

- A data enabled audit;
- Fewer individual data requests as audit team will have data at finger tips to drilldown;
- Better access to interim data for testing reduces year end workload;

- Greater assurance over populations rather than sampling;
- Greater insight for audit teams;
- Possible efficiencies in the longer term; and
- Potential for added value

There are a number of steps that need to be taken before we can fully utilise AAA, and a phased timetable for data collection and implementation of AAA has been developed, with the aim that all audited bodies will be on board by 2022-23.

Our initial data request will be:

- 2020-21 full year general ledger download and chart of account (to include every transaction – payroll transactions should be anonymised)
- 2021-22 general ledger download at Month 9 and/or year end

If you would like to hear more about AAA, we can arrange for our Data Analytics Manager to attend a future Joint Audit Committee meeting to provide more detail and answer any questions that you may have.

## Consultation of Fee Scales 2021-22

Our Fee Scales consultation was published on our website on 24 November 2020. Following the consultation process which ended on 8 January 2021, the Fee Scheme will be considered by Finance Committee on 24 February 2021. There are no changes from the current fee scheme other than for Town and Community Councils.

## Audit Wales publications

Our publications can be accessed via <https://www.audit.wales/publications>. below are some that have been added since our last Audit Update in December 2020:

- **Procurement and supply of PPE during the COVID-19 pandemic December 2020**

We are looking at the procurement and supply of Personal Protective Equipment (PPE) during the COVID-19 pandemic. Our scope takes in the procurement and supply of PPE for all public services. However, in practice, the primary focus will be the NHS and social care. We intend to complete our work and publish in the spring.

On 15th December the Auditor General sent a letter to the chairs of the Senedd's Health, Social Care and Sport Committee and the PAC.

The letter shared some facts and figures as well as some early emerging findings from the work that we have been undertaking. We issued the letter in the wake of recent reports by the National Audit Office looking at UK government arrangements and taking account of media interest in our own work.

- **COVID learning**

Our full suite of blog material is now embedded on our website rather than in a separate location. Among other things, COVID-learning related articles / blogs since our previous update include:

- Moving services online
- Maintaining volunteering efforts
- A catalyst for positive change (Part 1)
- A catalyst for positive change (Part 2)

Tracy Veale - Audit Manager

18 February 2021

## Appendix 1 - 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

### Exhibit 1 - Issues raised in ISA260 Report

For management to consider	Management response	Progress update as at February 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>We will review provisions as part of our audit of the financial statements 2020-21.</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>We will review the Fixed Asset Register as part of our audit of the financial statements 2020-21.</p>

For management to consider	Management response	Progress update as at February 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>To date, our review of capital additions has not identified any issues in this area.</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>We will undertake Fixed Assts existence testing as part of our audit of the financial statements 2020-21.</p>



For management to consider	Management response	Progress update as at February 2021
<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.</p> <p>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>Our review has identified that this is work in progress. Some unreconciled items still remain within the bank reconciliations for some bank accounts.</p> <p>We will revisit our review of the bank reconciliations as part of our second interim audit visit.</p>
<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>We will review the year-end closedown plan as part of our audit of the financial statements 2020-21.</p>

For management to consider	Management response	Progress update as at February 2021
<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>During our interim visit in January 2021, VAT control account reconciliations were not provided for audit. We will review these reconciliations during our second interim audit visit.</p>

**Exhibit 2 – Other matters arising from the audit of the financial statements**

For management to consider	Management response	Progress update as at February 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>We have met with the Financial Accountant to discuss improvements to the year-end working papers. We will review the quality of the working papers as part of our audit of the financial statements 2020-21.</p>

For management to consider	Management response	Progress update as at February 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>The quality assurance process will be reviewed as part of our audit of the financial statements 2020-21.</p>

For management to consider	Management response	Progress update as at February 2021
<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>Compliance with the Code of Practice will be reviewed as part of our audit of the financial statements 2020-21.</p>
<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>Year-end debtor and creditor balances will be reviewed as part of our audit of the financial statements 2020-21.</p>

For management to consider	Management response	Progress update as at February 2021
<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>We will review Status A invoices when reviewing year-end creditor balances as part of our audit of the financial statements 2020-21.</p>
<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>We will review the appropriateness of asset lives during our testing of fixed assets as part of our audit of the financial statements 2020-21.</p>

For management to consider	Management response	Progress update as at February 2021
<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>We will review the accounting treatment of the bad debt provisions as part of our audit of the financial statements 2020-21.</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> </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>Our review has identified that this is work in progress.</p> <p>We will revisit our review of the bank reconciliations as part of our second interim audit visit.</p>

For management to consider	Management response	Progress update as at February 2021
<ul style="list-style-type: none"> <li>Imprest account reconciliations should be reconciled to the bank balances held for these accounts' statements.</li> </ul>		
<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>Suspense accounts will be reviewed and cleared at the year-end.</p> <p>We will review all suspense accounts as part of our audit of the financial statements 2020-21.</p>



**Exhibit 3 – matters arising from our IM&T audit work**

For management to consider	Management response	Progress update as at February 2021
<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>We will review progress as part of our second interim audit visit</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>We will review progress as part of our second interim audit visit</p>

For management to consider	Management response	Progress update as at February 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>We will review progress as part of our second interim audit visit</p>

## Appendix 2 – Progress against prior-year (pre 2019-20) recommendations not completed to date

Exhibit 4 - final audit as per ISA 260

For management to consider	Management Response	Progress update as at November 2020	Progress update as at February 2021
<b>FIRMS Service Level Agreement (SLA)</b>			
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.	Whilst we were informed that the SLA is now in place, we have yet to have sight of the SLA. <b>Ongoing</b>	We will review progress as part of our second interim audit visit

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To: Chief Executives  
Directors of Finance  
Heads of IT

### Via email

**Reference:** AC/219/caf

**Date issued:** 2 November 2020

Dear Colleague

### Request for support on data analytics

I am writing to ask for your support as we modernise our work, with the aim of securing benefits for Audit Wales and also for the bodies we audit.

In our increasingly digital world, data is becoming a hugely important enabler for us, as it is for every organisation. As such, we have bold ambitions to transform the way we use data.

Our [Data Analytics team](#) has begun to make real progress, including:

- Publishing interactive [data tools](#) as a new type of product from our audits. These data tools add value to our work by making better use of the data we have collected and by generating more insightful analysis for exploration by the public, politicians, press and public bodies.
- Creating bespoke apps to automate aspects of our work. These apps have considerable potential to streamline our work, creating efficiencies for Audit Wales but also for the bodies we audit, mainly through eliminating the repetitive and time-consuming work associated with data collection and transfer.
- The team has a specific remit to collaborate with other public bodies. We have held numerous 'show and tell' sessions with other bodies, to talk about our new approaches and share our learning so far. We have also shared training materials that we have used to upskill our data analytics team. Please contact the team at [data.analytics@audit.wales](mailto:data.analytics@audit.wales) if you want to know more.

I am delighted with what we have achieved so far but we can do so much more, as set out in the Appendix to this letter.

The next critical step for us is to secure routine data downloads from the principle financial systems of the bodies we audit. This is why I am writing to you. Historically, our data requests have been ad hoc, and dependent on the area of testing being undertaken by the auditor. This can be onerous for your officers, and inefficient for my audit teams. Instead, we are now looking to routinely request data downloads, and here are the specific details of what I am asking for:

- Initially we will request a full download of your general ledger data for 2019-20 financial year for comparative purposes. We will then request downloads of your general ledger data for the 2020-21 financial year at interim and final audit stage. In future years, we may request this data on a quarterly or even monthly basis. We will also move on to requesting data from other key financial systems such as payroll and fixed assets.
- I would be grateful if you could convey your in-principle support to your Directors of Finance and Heads of IT, whom we are likely to speak with directly about accessing your organisation's data.
- We have invested in a Data Analytics Storage Solution based on Amazon Web Services' workspaces, which will underpin all of our future work on data analytics. This safe and secure environment will allow us to store and work with large datasets as well as sensitive data. We will work with you to determine the best way to transfer your data to us, which may be through the use of Objective Connect (an online transfer portal) or possibly via a specialist third party (that can directly link to your financial system).

In the medium term, we hope this new approach will save everyone time and effort by virtually eliminating the current data request process, which is sometimes protracted and repetitive. But more than that, these routine data downloads are a major steppingstone towards a higher-quality audit approach, based on a significantly larger evidence base, and which produces greater assurance and insight for organisations like yours.

I am hugely excited about the future for data analytics at Audit Wales so I would be more than happy to talk to you directly about this should you want to. Thank you in advance for your support and please don't hesitate to get in touch if you have any questions or concerns.

Yours sincerely

**ADRIAN CROMPTON**  
**Auditor General for Wales**

## Appendix: Details of our future vision for data analytics

Our Long-Term Vision for data analytics sets out a deliberately ambitious plan for the future, including:

- Streams of live data from public bodies allowing us to analyse performance and risks in real time.
- Use of machine learning and artificial intelligence to automatically cleanse data and flag high-risk issues for further consideration by auditors.
- Automatic linking and matching of data to detect fraud and anomalies.
- A move towards predictive analytics, to help us be more forward-looking in our commentary and recommendations.

Achieving this vision will be difficult and will take time but it is essential that we push ourselves.

A key change commitment within my Annual Plan 2020-21 is to improve how we “source, acquire and analyse data”. We are determined that this will lead to further improvements in the quality and efficiency of our work, and allow us to provide earlier, more insightful analysis to organisations like yours.

One of our most important projects is called Analytics Assisted Audit. This seeks to place data at the centre of our accounts work. There are four stages which underpin this project:

- **Data ingestion.** This is the most difficult stage. We need to be able to efficiently and securely transfer/ingest data from public bodies. However, public bodies have different systems. For example, Welsh public bodies use over 15 different financial ledger systems, excluding those used in support for HR, payroll, assets, schools, primary care, social care, etc.
- **Processing.** Once we have the data, we need to process it into a format that it can be easily read by our applications whilst ensuring its integrity. This will enable us to reproduce the trial balance from the source data, reconcile it to the accounts and automate analytical review. Auditors will have access to data at their fingertips, enabling them to drill down to transaction level data.
- **Testing.** We have developed applications to carry out key audit tests, freeing up our auditors to evaluate the outcomes and evidence their judgement. Examples include risk assessing transactions, selecting audit samples, linking to external data sources to independently verify transactions and balances (e.g. Land Registry, Companies House).
- **Visualisation.** Visualising the results of the data analysis will pave the way for more effective, interactive reporting of our audit work which we can share with our audited bodies.

The data downloads we will request from your financial systems will primarily be used within our Analytics Assisted Audit approach. We hope this approach will lead to more efficient audits, that have a more comprehensive evidence base, allowing us to create new insights and additional value to the bodies we audit.