



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

### Joint Audit Committee 29 June 2017 – Update Paper

#### Financial statements

##### Interim Audit

The audit team undertook interim audit work over a period of two weeks in January 2017 and a further week in March 2017. During these visits, the audit team completed audit planning work and substantively tested income and expenditure transactions, including pay expenditure. No significant matters arose from this work.

##### Final Audit

The audit team is currently on site for a period of five weeks commencing 12 June 2017, to audit the draft financial statements for both the Commissioner and the Chief Constable which we received on 7 June 2017.

Whilst no significant matters have arisen at the date of writing this update, we would like to draw attention to an identified audit risk regarding to the loss of knowledge and experience from within the Finance Team. The member of staff who compiled the draft accounts left the organisation on 2 June 2017 and the former Head of Finance will be leaving on 14 July. However, we have been assured that sufficient knowledge and experience remains within the current Finance Team to assist us with our work. We will provide a further update at the Joint Audit Committee on 29 June 2017 regarding any matters arising from the audit at that date.

Looking forward, we understand the Commissioner and the Chief Constable will approve the audited financial statements on 13 September 2017, with Anthony Barrett signing the audit opinions on behalf of the Auditor General for Wales on 20 September 2017 and by the required deadline of 30 September 2017.

#### Annual Audit Letter 2017

We plan to undertake our assessment of your arrangements for securing economy, efficiency and effectiveness in the use of resources in September 2017, and the findings from this work will be presented to the Joint Audit Committee within our Annual Audit Letter 2017, later in the year.

## Other matters for consideration

### Audit Fees

As part of our annual fee consultations and evidence to the National Assembly's Finance Committee, the Wales Audit Office has explained that the legislation governing the audit fee regime in Wales is more complex and burdensome than in other parts of the UK.

We are keen to recommend a move to a simpler arrangement for consideration by the Finance Committee.

Our preference is to move towards a statutory framework which we believe would encourage greater efficiency in the way we undertake our audit work, without compromising our responsibility for undertaking our audit work within budget.

We have prepared a discussion paper – *Simplifying a Complex Fee Regime*, which sets out the case for changes in order to simplify the fee regime. Our case for changes, preferred solutions and discussion questions have been summarised below:

Case for change	Preferred solution	Discussion questions
Provide greater certainty of fees to be charged to audited bodies and incentivise efficiency in audit delivery at ground level.	Aim to ensure that fees charged to a person do not exceed the full cost of the work undertaken, taking one year with the next.	Q1. With assurance that audited bodies would not be charged more than the audit has cost taking one year with the next, would you be supportive of simplification of the audit fee regime in Wales to support efficiency?
Cease the circulation of fee money amongst central government and NHS bodies and bolster audit independence.	Central government and NHS audit work to be cash funded from the Welsh Consolidated Fund (following approval of the Estimate of the Wales Audit Office) instead of fees.	Q2. For central government bodies and the NHS in Wales, would you like to move to a position where fees are set notionally for the audited body but are not physically billed? Instead the fee would be cash funded through the Wales Audit Estimate.
Give the Wales Audit Office full discretion in determining payment for agreement work so as to enable it to use any surpluses as part of its financial strategy.	Legislative change to enable the Wales Audit Office to fully determine payment terms for agreement work.	Q3. Do you think the Wales Audit Office should be able to determine what to charge for non-statutory audit work, where others commission us for work by agreement?

We hope that audited bodies will take some time to consider our proposals and respond to the following three questions with their views on our preferred solutions by 28 July 2017.

Tracy Veale - Financial Audit Manager

16 June 2017