



Audit of Financial Statements Report and Management Letter

Police and Crime Commissioner for Gwent and Chief Constable for Gwent

Audit year: 2015-16

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Status of report

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The team who delivered the work comprised: John Herniman, Matthew Coe, Kathryn Watts and Dave Burridge.

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The Auditor General for Wales intends to issue an unqualified audit report on the financial statements of the Police and Crime Commissioner for Gwent and the Chief Constable for Gwent. There are some issues to report to you prior to their approval.

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Introduction

1. The Auditor General for Wales (AGW) is responsible for providing an opinion on whether the financial statements of the Police and Crime Commissioner for Gwent (the Commissioner) and of the Chief Constable for Gwent (the Chief Constable) give a true and fair view of their financial position at 31 March 2016 and of their income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audits, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material are:

	Police and Crime Commissioner £	Chief Constable £	Pension Fund £
Income and expenditure items and other balances	£1.328 million	£1.328 million	£0.383 million

Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. For police bodies, those charged with governance are the Police and Crime Commissioner and the Chief Constable.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Commissioner and the Chief Constable that require reporting under ISA 260. Appendix 7 to this report also includes our letter to management identifying any control or system weaknesses and recommendations arising from the audit.

Status of the audit

6. We received the draft financial statements for both the Commissioner and the Chief Constable for the year ended 31 March 2016 on 9 June 2016. This is 21 days earlier than in 2015 and represents very good progress in moving the accounts timetable forward in line with the faster closing agenda. There were however changes and reductions in key finance staff and, as previously reported to the Joint Audit Committee meeting on 30 June 2016, some areas of the draft financial statements needed to be updated including:
 - Benefits in Kind information for Chief officers in remuneration notes;
 - Collaboration information due from South Wales Police and received 22 June;
 - Comprehensive Income & Expenditure Statement for revisions to SERCOP categories; and

-
- Segmental analysis note.

There were also some more minor disclosure omissions which are detailed in our recommendations at [Appendix 7](#).

7. The final audited financial statements have been updated and we have now completed the audit work. We are reporting to you the more significant issues arising from the audits, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Commissioner's Chief Finance Officer and the Assistant Chief Officer - Resources.

Proposed audit reports

8. It is the Auditor General's intention to issue an unqualified audit report on the financial statements of the Commissioner and an unqualified audit report on the financial statements of the Chief Constable once you have provided us with the Letters of Representation based on those set out in [Appendices 1 and 2](#).
9. The proposed audit reports are set out in [Appendices 3 and 4](#).

Significant issues arising from the audit

Uncorrected misstatements

10. We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

Omission of accruals for compulsory redundancies agreed before the year end but paid after the year-end

- The Human Resources Department wrote to 19 members of staff on 1 February 2016 confirming that they had been made redundant with effect from April/May 2016. The Code requires that these are accounted for in the year in which the decision was made and the staff were formally notified. Therefore the redundancy payments of £424,043 to these 19 members of staff should have been accrued for in the Commissioner's and Chief Constable's 2015-16 accounts. No accrual has been made and so expenditure in the Comprehensive Income and Expenditure Statement and creditors in the Balance Sheet are understated. These redundancy costs have however been correctly included in the disclosures on Termination Benefits in the notes to the accounts.
- In addition to the redundancy payments, there would be an impact on the future pension liabilities. The future pension liabilities of the fund are estimated by professional actuaries. It is not possible to provide a reliable estimate for this impact, however this is not expected to be material to the accounts.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendices 5 and 6](#).

Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting although there is one matter to report to you**

We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

- **We did not encounter any significant difficulties during the audit**

There were no significant difficulties during the audit. We received information in a timely and helpful manner and were not restricted in our work.

- **There is one other matter discussed and corresponded upon with management which we need to report to you.**

Failure to apply the new requirement to value surplus assets in line with IFRS13

The Code introduced the requirement this year to apply a new accounting standard, IFRS 13 Fair Value, to the accounts. One aspect of this new standard is that Non Operational/Surplus Assets should be valued at fair value, being the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The Commissioner has Non Operating/Surplus assets with a net book value of £548,000. These were last valued five years ago using the Depreciated Replacement Cost basis, but have not been revalued at 31 March 2016 as they should have been in order to comply with IFRS13.

However, based on assets of a similar nature which have been sold in recent years by the Commissioner, we agree with management that there is unlikely to be a material difference between the net book value and the fair value.

Management will also be undertaking a full revaluation of all property in 2016-17. As a result there is no impact on the proposed audit reports.

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- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
 - **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
 - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2015-16 audit work

13. The recommendations arising from our audit work are set in [Appendix 7](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

14. As part of the finalisation process, we are required to provide you with representations concerning our independence.
15. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There was one potential conflict of interest which was created and managed appropriately when Dave Burridge re-joined the audit team in June 2016 having worked on the audit in 2015. Several members of Dave Burridge's family are police officers at Gwent Police. Our Compliance Department undertook a detailed review and has concluded that the possibility of these relationships affecting the financial results of the Commissioner, the Chief Constable or the audit of the financial statements was considered remote. However, we took steps to ensure that Dave was not involved in audit, inspection or any other work specifically relating to operational policing at Gwent Police and direct testing of the Force's payroll.
16. There are no other relationships that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation - Police and Crime Commissioner for Gwent

(Audited body's letterhead)

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of the Police and Crime Commissioner for Gwent for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

-
- additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - our knowledge of fraud or suspected fraud that we are aware of and that affects the Police and Crime Commissioner for Gwent and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
 - the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

Disclosures included within the Police Officer and Police Staff Remuneration note and the Termination note have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Police and Crime Commissioner for Gwent

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were recommended for approval by the Joint Audit Committee on 15 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Chief Finance Officer

Date:

Signed by:

Police & Crime Commissioner for Gwent

Date:

Appendix 2

Final Letter of Representation – Chief Constable for Gwent

(Audited body's letterhead)

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of the Chief Constable for Gwent for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

-
- additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - our knowledge of fraud or suspected fraud that we are aware of and that affects the Chief Constable for Gwent and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
 - the identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

Disclosures included within the Police Officer and Police Staff Remuneration note and the Termination note have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Chief Constable for Gwent

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were recommended for approval by the Joint Audit Committee on 15 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Assistant Chief Officer - Resources

Date:

Signed by:

Chief Constable for Gwent

Date:

Appendix 3

Proposed audit report of the Auditor General for Wales to the Police and Crime Commissioner for Gwent

Auditor General for Wales' report to the Police and Crime Commissioner for Gwent

I have audited the accounting statements and related notes of the:

- Police and Crime Commissioner for Gwent;
- Police and Crime Commissioner for Gwent Group; and
- Gwent Police Pension Fund

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for Gwent accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement,

The Police and Crime Commissioner for Gwent's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The Gwent Police Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts as set out on page 8 the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Gwent's Group accounting statements and the Gwent Police Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Gwent's and Police and Crime Commissioner for Gwent Group's and Gwent Police Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the Police and Crime Commissioner for Gwent

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent as at 31 March 2016 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of the Police and Crime Commissioner for Gwent Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Gwent Group as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of the Police Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the Gwent Police Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or

-
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Police and Crime Commissioner for Gwent in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Xx September 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of Police and Crime Commissioner for Gwent's website is his responsibility; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Appendix 4

Proposed audit report of the Auditor General for Wales to the Chief Constable for Gwent

Auditor General for Wales' report to the Chief Constable for Gwent

I have audited the accounting statements and related notes of the:

- Chief Constable for Gwent; and
- Gwent Police Pension Fund.

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

The Chief Constable for Gwent's accounting statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, and related notes.

The Gwent Police Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Gwent Police Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable for Gwent and the Gwent Police Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer; and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the Chief Constable for Gwent

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable for Gwent as at 31 March 2016 and of his income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of the Gwent Police Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions for Gwent Police Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not reflect compliance with guidance..

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Chief Constable for Gwent in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Xx September 2016

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of Police and Crime Commissioner for Gwent's website is his responsibility; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Appendix 5

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Police and Crime Commissioner for Gwent

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£2,194,000 Expenditure £2,137,000 Income £57,000 Police fund	Increase expenditure to recognise the Commissioner's share of costs and income relating to collaborative projects with the other Welsh police forces.	This information was collated and provided on 22 June 2016 by South Wales Police on behalf of all the Welsh police forces. It was not ready in time for inclusion in the first draft account.
£461,000	Additional Lump Sum Benefits in the Commissioner's Group account and the Pension Fund account for amounts relating to 2015-16, but paid in 2016-17.	Additional costs notified to the Commissioner in April 2016 by the Pension Administrator but relating to March 2016, were excluded from draft 1. This increased the funding due from the Home Office and money due to the pension fund.
£2,481,000	To record notional expenditure and funding in the Pension Fund Account to reflect tax payments made by the Home Office directly to Her Majesty's Revenue & Customs on behalf of pensioners who had received payments following the GAD v Milne court case. The net impact on total pension expenditure was £nil.	The payment of these tax liabilities were settled by way of budget transfer between the HM Treasury and HM Revenue & Customs, rather than cash transactions. However in line with Home Office guidance, these accounting transactions needed to be recognised in the Pension Fund accounts.
£1,869,000	Reclassification of expenditure across the headings (SERCOP) in the CIES between Local Policing and Roads Policing. The net impact on total expenditure was £nil.	Following a change in the coding structure in the ledger, the analysis of expenditure across the SERCOP was a manual exercise. Management identified the changes prior to audit, resulting in some changes between drafts.
£166,000	Reclassification of short-term creditors in Note 20 between public corporations and other lines	In draft 1, creditors with Public Limited Companies were included in the public corporation lines. These were corrected analysed in the final draft

Value of correction	Nature of correction	Reason for correction
Various	Changes to the Senior Police Officer and Police Officer Staff disclosures (Note 29 Page 68)	A number of changes were made to add in information that was missing in draft 1 relating to benefits in kind.
Various	<p>A number of other narrative, presentational and minor amendments were made to the accounts. The main notes affected were:</p> <ul style="list-style-type: none"> • Note 39 Collaboration • Note 41 Contingent Liabilities • Note 44 GIFT 	To ensure full compliance with the Code, ensure presentational accuracy in line with International Financial Reporting Standards, and improve or correct narrative disclosures.

Appendix 6

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Chief Constable for Gwent

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£2,194,000	Increase expenditure to recognise the Chief Constable's share of costs relating to collaborative projects with the other Welsh police forces.	This information was collated and provided on 22 June 2016 by South Wales Police on behalf of all the Welsh police forces. It was not ready in time for inclusion in the first draft account.
£166,000	Reclassification of short term creditors in Note 20 between public corporations and other lines	In draft 1, creditors with Public Limited Companies were included in the public corporation lines. These were correctly analysed in the final draft
Various	A number of other narrative, presentational and minor amendments were made to the accounts. The main notes affected were: <ul style="list-style-type: none">• Note 18 Contingent Liabilities• Note 19 Collaboration• Note 20 GIFT	To ensure full compliance with the Code, ensure presentational accuracy in line with International Financial Reporting Standards, and improve or correct narrative disclosures.

Appendix 7

Recommendations arising from our 2015-16 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Matter 1 arising – During the year the meetings and decisions of the Ethics Committee have not been formally recorded

Findings	As noted in the Annual Governance Statement, the Ethics Committee is part of the governance structure of the organisation and provides assurance, advice and comment on governance and operational issue to the Chief Constable. This includes making recommendations to the Chief Constable around decisions, policies and processes. The Governance Statement states that the Committee adheres to the Nolan Principles. As part of our audit planning, we requested to see the minutes of the four meetings held in the year, however we were informed that these meetings are not formally minuted. Going forward, we understand that this will be rectified, and a report of outputs for each meeting will be produced.
Priority	Medium
Recommendation	We recommend that a record is made of the meetings and the decisions or recommendations made by the Committee.
Benefits of implementing the recommendation	The recording of meetings provides evidence of the Committee's commitment to the Nolan Principles. It also demonstrates a robust decision making process, and provides evidence that a key element of the governance framework is working appropriately.
Accepted in full by management	Yes
Management response	The chair of the meeting will be contacted and asked to arrange to record the decisions and recommendations of the Committee.
Implementation date	September 2016

Matter arising 2 – In line with the principles of the Faster Closing agenda, the year-end procedures should be reviewed to ensure all information is received in good time for inclusion in the draft accounts

Findings	<p>As noted in paragraph 6 of this report, the draft accounts were approved and submitted for audit 21 days earlier than the previous year. There were however a number of omissions from these draft accounts as information had yet to be obtained or was being revisited by Finance.</p> <p>In addition a number of changes to the draft accounts identified by management and us during the audit may have been picked up if there had been a more robust management review. These included disclosure of the changes to the status of GIFT; updates of the contingent liability for A19 cases; and application and disclosure of the new IFRS13 requirement for non-operating/surplus assets.</p>
Priority	Low
Recommendation	<p>Review and update the accounts preparation plan timetable to ensure that:</p> <ul style="list-style-type: none"> • all information is received in good time; • there is sufficient time for detailed management review and liaison with colleagues in other forces; and • there are sufficient and sustainable resources to deliver earlier draft accounts.
Benefits of implementing the recommendation	<p>The Finance Department lost a key member of staff in 2015-16 and in 2016-17 they will be stretched further. The FIRMS project will be in progress, with the transfer of the Payroll and HR records for changeover to the new system FIRMS in July 2017, and the general ledger in April 2018.</p> <p>Therefore learning the lessons from 2015-16 faster closing of the accounts and updating the detailed plan will help to ensure a good quality account is produced, and identify any resource shortfalls within the Finance Department.</p>
Accepted in full by management	Yes
Management response	2016/17 plans will be updated to include the above recommendation and other lessons learnt from 2015/16 accounts preparing including working arrangements with the other Welsh Forces to improve the timeliness of collaborative information.
Implementation date	January 2017. Workshops with SWP/DPP/NWP to be arranged and held to meet the required timescales.

Matter arising 3 – Arrangements should be put in place to ensure that any Non-operating / Surplus assets are valued at each year end in line with the requirements of IFRS13

Findings	<p>The 2015-16 Code required the adoption of IFRS13 for the first time which required Non-operating/Surplus Assets to be revalued at fair value ('the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.'). No revaluation was carried out in 2015-16.</p> <p>We note that the net book value of these assets in the account is £548,000 and therefore any change in value is unlikely to have a material impact on the accounts. Management already plan to carry out a full revaluation of all properties in 2016-17.</p>
Priority	Low
Recommendation	<p>Management need to ensure the valuer is aware of all non-operating/surplus assets and that he is instructed to value them in line with IFRS13 as part of the 2016-17 revaluation exercise.</p> <p>For years in which there is no revaluation exercise, management should ensure that valuations are obtained for any non-operating/surplus assets in line with IFRS13.</p>
Benefits of implementing the recommendation	To ensure compliance with the requirements of the Code in the valuation of these assets.
Accepted in full by management	Yes
Management response	Year-end accounts plan will be updated to ensure compliance with IFRS 13 in full. There will a valuation of the estate in 2016/17 which will include those assets classified as non-operating/surplus assets.
Implementation date	March 2017 (date of valuation tbc.)

Matter arising 4 – The in-year changes to GIFT’s constitution and directorship should be notified to Companies House and the Charities Commission

Findings	<p>A number of changes were made to the membership and directorship of the Gwent Independent Film Trust, following the withdrawal of the University of South Wales from the Trust and the changes in key Finance staff.</p> <p>Companies House and the Charities Commission have not been informed of the departure of the Head of Finance and the new Articles of Association have not been submitted to Companies House.</p> <p>We also note that the revised Bank Mandate has yet to be sent to the bank following the departure of the Head of Finance.</p>
Priority	Low
Recommendation	The appropriate submissions to Companies House and the Charity Commission need to be sent as soon as possible. The Bank Mandate should also be sent to the Board’s bankers
Benefits of implementing the recommendation	Ensures compliance with the requirements of Companies House and the Charity Commission, and that information held by them is accurate and up to date. Also ensures controls over banking arrangements are operating appropriately.
Accepted in full by management	Yes
Management response	Revised bank mandates have been completed and are awaiting review and signing by the two GIFT Directors. Companies House and the Charities Commission will be notified of the new Articles of Association and the resignation of a Director.
Implementation date	Banking mandates will be signed at the next GIFT meeting later this year (date to be confirmed). Companies House and Charities Commission will be notified within two weeks of this meeting.

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