

Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police – Detailed Audit Plan 2024

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About Audit Wales

Our aims and ambitions

Assure



the people of
Wales that public
money is well
managed

Explain



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

Inspire



and empower
the Welsh
public sector to
improve



Fully exploit
our unique
perspective,
expertise and
depth of insight



Strengthen our
position as an
authoritative,
trusted and
independent
voice



Increase our
visibility,
influence and
relevance



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

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Introduction

I have now largely completed my planning work.

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

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2024.

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



Adrian Crompton

Auditor General for
Wales

Audit of financial statements

I am required to issue a report on your financial statements (including the Police Pension Fund) which includes an opinion on their 'truth and fairness' and the proper preparation in accordance with accounting requirements.

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

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

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

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

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

Value for Money work

I must satisfy myself that the Commissioner and Chief Constable:

- have made proper arrangements for securing economy, efficiency, and effectiveness in their use of resources; and
- are acting in accordance with the sustainable development principle when setting and taking steps to meet their well-being objectives.

Your audit at a glance



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

My audit planning has identified the following risks:

Significant financial statement risk

- Management override of controls
- Valuation of Defined Benefit Pension Obligations

Other areas of audit focus

- Valuation of Land and Buildings
- Collaboration Arrangements
- Senior Officer Remuneration
- Nil NBV assets



Materiality

Materiality	£2.446m
Police Pension Fund Materiality	£0.858m
Reporting threshold	£0.122m
Police Pension Fund reporting threshold	£0.042m

Financial statements' materiality



Materiality £2.446m

Police Pension Fund Materiality £0.858m

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

Materiality is calculated using the gross expenditure from the 2022-23 financial statements. This will be updated on receipt of the 2023-24 draft financial statements.

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

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

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



Areas of specific interest

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

- Remuneration report £1,000
- Related party disclosures £10,000

Significant financial statements' risks

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

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
<p>Management Override of Controls</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements. • review accounting estimates for bias; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Valuation of Defined Benefit Pension Obligations</p> <p>The Local Government Pension scheme (LGPS) and Police Pension Scheme pension fund liability as reflected in the financial statements are material estimates.</p> <p>The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p> <p>The impact of economic conditions, particularly interest rate levels, has had a significant impact on the obligation over the past two years. At 31 March 2023, for example, there was a net pensions asset on the LGPS, primarily due to higher interest rates.</p> <p>There are several legal cases potentially impacting on the valuation of the net liability.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary's work. • assess the competence, capabilities and objectivity of the actuary who carried out the valuations. • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability. • test the accuracy of the pension fund net liability/surplus and disclosures in the financial statements with the actuarial report from the actuary. • assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's

expert) and undertaking any additional procedures required; and

- assess whether any legal cases could have a material impact on the net liability, and if so, confirm that this has been appropriately recognised and disclosed within the financial statements.

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

Other areas of focus

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

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of Land and Buildings</p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts are material estimates.</p> <p>Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations.</p> <p>Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2024, particularly in the current economic environment.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the information provided to the valuer to assess for completeness. • evaluate the competence, capabilities and objectivity of the professional valuer. • test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and • test the reconciliation between the financial ledger and the asset register.
<p>Collaboration Arrangements</p> <p>Gwent Police engage in a number of collaboration arrangements with other Welsh Police Forces.</p> <p>In recent years, the value of expenditure through these arrangements and the complexity of them has increased.</p> <p>In 2022-23, there was revenue expenditure of £13.8m attributable to Gwent Police incurred through collaborative arrangements.</p> <p>Additionally in conjunction with South Wales Police and Dyfed Powys Police, Gwent Police is contributing towards a joint firearms training unit in Pencoed.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the process for compiling collaborative spend and income and redistributing costs between partners; • confirm that the basis on which costs have been shared is appropriate; • test the expenditure incurred on the new joint firearms training unit during the year.

Audit risk	Our planned response
<p>Senior Officer Remuneration</p> <p>There have been several changes in senior post holders during 2023-24. There is a risk that these are not appropriately disclosed in the financial statements as remuneration paid to senior officers continues to be of high interest and is material by nature. In previous years, issues have been identified with the senior staff remuneration disclosed in the financial statements. Given that our materiality level for senior staff remuneration is only £1,000, there is a risk of material misstatement due to inaccurate or incomplete information.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • compare the individuals disclosed in the senior staff remuneration note to information identified through our planning work; • ensure that remuneration disclosed is consistent with supporting evidence; • ensure that amounts paid are consistent with those approved by Gwent Police; and • ensure that disclosures made are compliant with the statutory and regulatory requirements.
<p>Nil NBV Fleet Assets</p> <p>A recommendation was raised in the Audit of Accounts Report for 2022-23 suggesting a review should be undertaken of fleet assets useful economic lives due to the quantity of assets held at nil net book value. From discussions with officers, we understand a review of fleet asset useful economic lives (UEL) was carried out and ratified by the Capital Strategy Group in 2023 and will be reflected in the 2023-24 Statement of Accounts.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the work undertaken as part of the review of the fleet assets useful economic lives; and • Undertake existence testing on a sample of assets held at nil net book value at the year end.

Financial statements' audit timetable

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

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2024 Detailed Audit Plan	May - June 2024	July 2024
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	Planned September - November 2024	Planned November 2024

Statutory audit functions

Statutory audit functions

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

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

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

Fee and audit team

In January 2024 we published our [Fee Scheme](#) for the 2024-25 year as approved by the Senedd Finance Committee. My fee rates for 2024-25 have increased by an average of 6.4% as a result of unavoidable inflationary pressures and the ongoing need to invest in audit quality.

I estimate your total audit fee will be £104,481.

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Finance.

Our financial audit fee is based on the following assumptions:

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

Exhibit 5: breakdown of audit fee

Audit area	Proposed fee for 2024 (£) ¹	Actual fee for 2023 (£)
Audit of financial statements ²	104,481	£98,196
Total fee	104,481	£98,196

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

² Payable November 2023 to October 2024.

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

Exhibit 6: my local audit team

Name	Role	Contact details
Richard Harries	Engagement Director	Richard.Harries@audit.wales
David Williams	Audit Manager (Financial Audit)	David.Williams@audit.wales
Carys Bates	Audit Lead (Financial Audit)	Carys.Bates@audit.wales

I can confirm that my team members are all independent of the Police and Crime Commissioner for Gwent, the Chief Constable of Gwent Police and your officers.

Audit quality

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

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2023](#).

Our People



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

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

Arrangements for achieving audit quality



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

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

Independent assurance



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






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

* QAD is the quality monitoring arm of ICAEW.

Supporting you

Audit Wales has developed a range of resources to support the scrutiny of Welsh public bodies and to support those bodies in continuing to improve the services they provide to the people of Wales.

Visit our website to find:

	our <u>Good Practice</u> work where we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire.
	our <u>newsletter</u> which provides you with regular updates on our public service audit work, good practice, and events.
	our <u>publications</u> which cover our audit work completed at public bodies.
	information on our <u>forward performance audit work programme 2023-2026</u> which is shaped by stakeholder engagement activity and our picture of public services analysis.
	various <u>data tools</u> and <u>infographics</u> to help you better understand public spending trends including a range of other insights into the scrutiny of public service delivery.

You can find out more about Audit Wales in our [Annual Plan 2024-25](#) and [Our Strategy 2022-27](#).



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.