



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

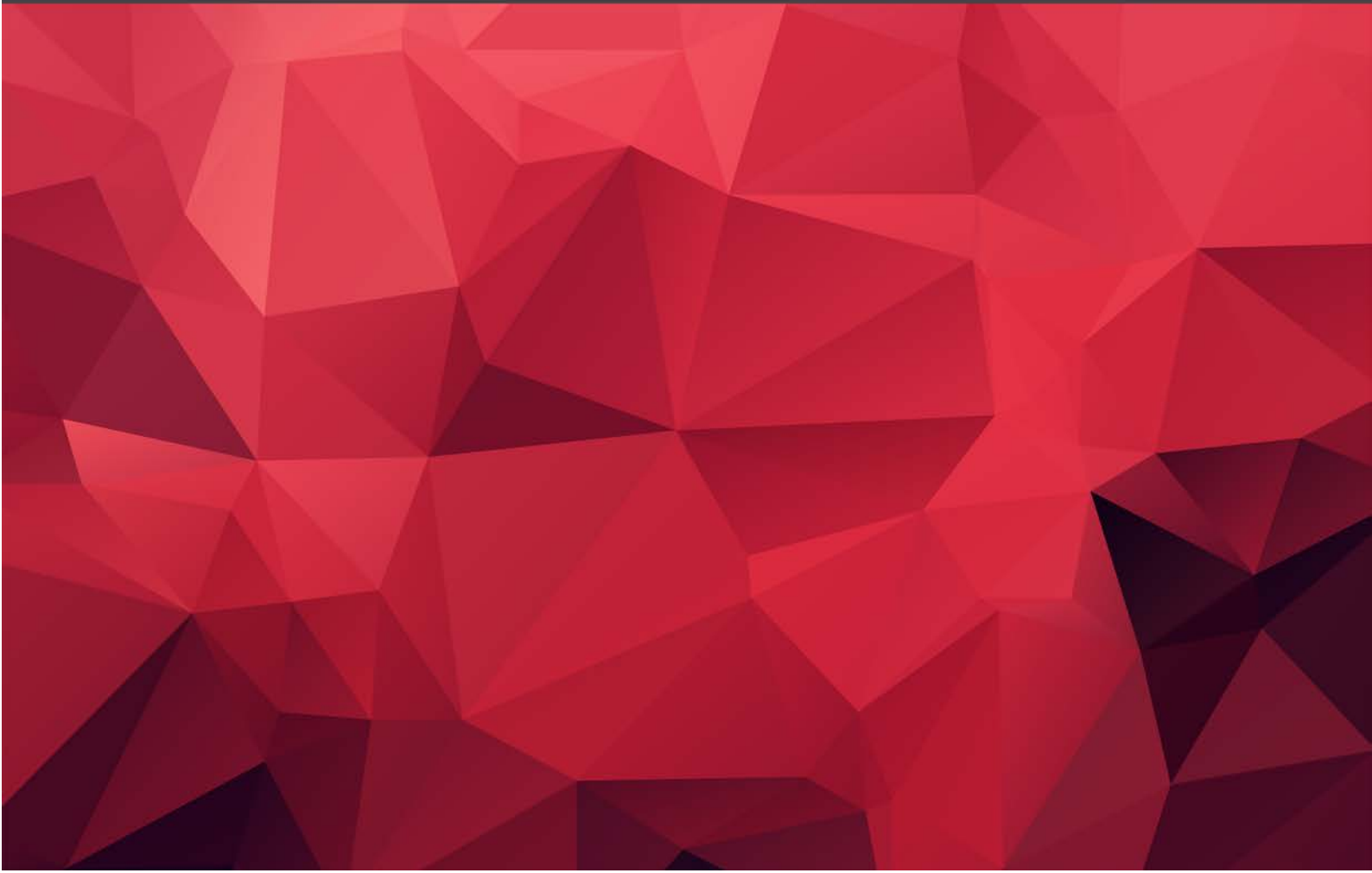
Archwilydd Cyffredinol Cymru
Auditor General for Wales

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

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This document was produced by John Herniman, Tracy Veale and David Burrridge

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2017 Audit Plan

Summary

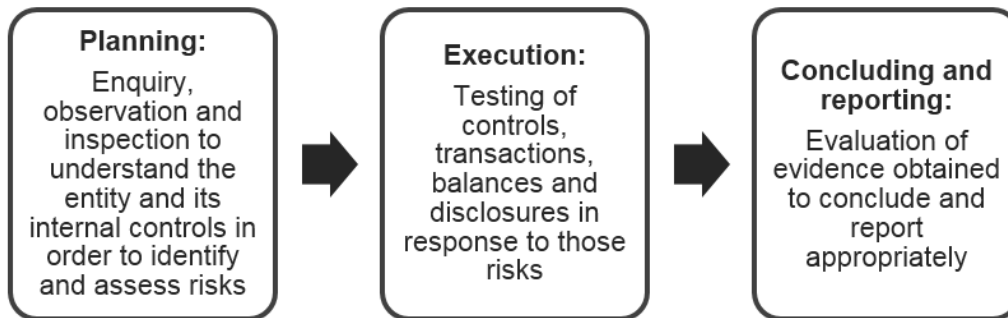
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004 and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are 'true and fair'; and
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements of both the Police & Crime Commissioner for Gwent (the Commissioner) and Chief Constable of Gwent Police (the Chief Constable) which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- 6 I also consider whether or not the Commissioner and the Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources and report by exception if the Annual Governance Statements do not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach

My audit approach involves three key stages: planning, execution and finally concluding and reporting



- 9 The risks identified from my initial audit planning work that will impact on my financial statements audit, are set out in **Exhibit 2**, along with the work I intend to undertake to address them. **Exhibit 2** identifies risks common to both the Commissioner and the Chief Constable and, where appropriate, risks that are specific to either the Commissioner or to the Chief Constable.

Exhibit 2: Financial statements audit risks

Financial statements audit risk	Proposed audit response
Management override 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 in accordance with International Standard on Auditing 240. In particular, ongoing financial constraints (and cost savings requirements) increase the risk of management over-ride.	My audit team will: <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 biases; and• evaluate the rationale for any significant transactions outside the normal course of business.
Accounting for jointly controlled operations Work is ongoing to identify jointly-controlled operations which require disclosure under the Code and audit regulations. This work will require co-ordination with other Welsh forces to determine agreed outcomes and consistency across Wales.	My audit team will liaise with management and offer assistance during this work, where required, to ensure that all jointly controlled operations are identified and reported upon accurately in the financial statements. This will be covered at a workshop for all Welsh police bodies to help ensure consistency.

Financial statements audit risk	Proposed audit response
<p>Material financial transactions</p> <p>We understand that a decision has been made to give notice to voluntary terminate the Ystrad Mynach PFI contract. If Welsh Government approval is obtained prior to this year end this will give rise to a number of material entries in the financial statements. This will also impact on the PFI reserve.</p> <p>As was the case in 2016-17, the intention is to make another significant contribution into the Local Government Pension Fund.</p>	<p>My audit team will review the impact of this transaction on the financial statements, and ensure it is appropriately accounted for in line with the requirements of the Code and are in line with relevant guidance and regulations.</p>
<p>Earlier closing of year-end accounts</p> <p>From 2018-19, the Police and Crime Commissioner and Chief Constable have to prepare their accounts by 31 May and the audit opinion has to be provided by 31 July. To work towards these revised deadlines, the Finance team have committed to producing their 2017-18 draft financial statements by 31 May 2018.</p>	<p>My audit team will work with management to address the challenge of earlier closure and audit. We will provide a detailed audit deliverables document that will outline our working paper requirements and will structure our audit in such a way that will allow us to meet the revised deadlines.</p>
<p>Transfer to a new financial system</p> <p>In July 2017, a new financial system Agresso Business World (ABW) was implemented as part of the FIRMS project, replacing the unsupported LAWSON financial system.</p> <p>This could result in a potential risk that the financial information transferred from the old financial system to the new financial system is not complete, leading to incomplete and inaccurate production of the financial statements.</p>	<p>My audit team will review the controls in place to enable the complete and accurate migration of financial information from the old financial system to the new financial system.</p> <p>In addition, my audit team will undertake detailed testing of the transactions processed through the old financial system prior to the old system being 'switched off'.</p>
<p>Implementation of a new financial system</p> <p>The introduction of the new financial system ABW has resulted in a number of workflow problems around the authorising and paying of invoices. A backlog of £4.2 million of invoices was reported to the Chief Operating Team in January 2018. These problems may increase the risk of erroneous entries (eg incorrect payments, or their classification and recording) in the accounts.</p>	<p>My audit team will monitor the progress in clearing this backlog of invoices and, for our sample of invoices selected for testing, we will look to ensure that the amounts paid were properly due and properly authorised and classified.</p>

Financial statements audit risk	Proposed audit response
<p>Loss of corporate knowledge with the Finance Department</p> <p>During 2017-18 staff roles and responsibilities were reassigned within the Finance Team following the departure of key finance officers in June and July 2017. The Finance team has since had to use a number of agency staff to fill vacancies, however, these agency staff have now become permanent members of the Finance Team. Whilst there are no vacancies now within the core Finance Team, there remains a risk of a loss of knowledge within the Finance Department compared to previous years, which could impact on the timely preparation of the financial statements to the required standards.</p>	<p>My audit team will continue to liaise with staff to fully assess the impact of these changes and consider any resultant risks arising and tailor our approach as required.</p> <p>My team will also review closedown plans to assess that arrangements are in place to produce robust accounts within the prescribed timetable.</p>
<p>Financial governance arrangements</p> <p>In a period of financial constraint, there are risks that governance arrangements may be weakened. It is important, therefore, that the Commissioner and the Chief Constable report in their Annual Governance Statements, how they are mitigating this risk, for example by ensuring the existence of:</p> <ul style="list-style-type: none"> • robust internal financial controls such as comprehensive standing orders and financial regulations, strong budgetary control and effective Internal Audit; • the operation of recognised standards of financial conduct; • arrangements to ensure that the Commissioner and the Chief Constable only enter into transactions where there is specific legal provision for them to do so; and • well-established and understood procedures to prevent and detect fraud and corruption. 	<p>My audit team will undertake a detailed review of the revised arrangements for the production of the Annual Governance Statements.</p> <p>My team will also consider the work of others including Internal Audit and Her Majesty's Inspectorate of Constabulary (HMIC).</p>

- 10 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 will be reported to the Commissioner and the Chief Constable prior to completion of the audit.

- 11 For reporting purposes, I will treat any misstatements below a 'trivial' level (5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees are based on the following assumptions:
- controls within key financial systems operate effectively during the year;
 - working papers will be well documented and evidenced providing clear audit trails to source information, and documenting processes and judgements;
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the respective Responsible Financial Officers to provide all the assurances that I require in the Letters of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 13 In addition to my responsibilities in respect of the audit of Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police to support preparation of Whole of Government Accounts.

Statutory audit functions

- 14 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.
- 15 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

Use of Resources

- 17 It is my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. **Appendix 2** shows the criteria we need to assess in coming to our conclusion on your arrangements.
- 18 In considering these criteria I shall place reliance upon:
- the results of the audit work undertaken on the financial statements;
 - the results of the work of other external review bodies, eg HMIC and the National Audit Office, where relevant to my responsibilities;
 - the Commissioner and the Chief Constable's systems of internal control, as reported in the Annual Governance Statements and my report thereon; and
 - the results of other work carried out by the Auditor General and data-matching exercises.
- 19 We will identify audit areas where we need to supplement the audit assurance from the reliance obtained from the audit work outlined in paragraph 14. This work will relate to specific elements of the corporate governance and financial management processes in place for the Commissioner and Chief Constable and will include a focus on the financial pressures faced, the monitoring arrangements in place and the financial resilience of the Offices of the Commissioner and Chief Constable.

Fee, audit team and timetable

Fee

- 20 Your estimated fee for 2018 is set out in **Exhibit 3**. This figure remains static compared to the fee set out in the 2017 audit plan.
- 21 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than 1%) which we have looked to offset by a reduction in audit days and skill mix.

Exhibit 3: Audit fee

The total audit fee will be £82,600, made up of £77,900 for the audit of accounts and £4,700 for the review of use of resources

Audit area	Proposed fee for 2018 (£) ¹	Actual fee for 2017 (£)
Audit of accounts	77,900	77,900
Use of Resources	4,700	4,700
Total fee	82,600	82,600

Notes:

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you. Fees are payable November 2017 to October 2018

- 22 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 Chief Finance Officers.
- 23 Further information on my fee scales and fee setting can be found on our [website](#).

Audit team

- 24 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

Exhibit 4: My team

This table provides contact details for the audit team.

Name	Role	Contact number	E-mail address
John Herniman	Engagement Director	029 20 320 500	john.herniman@audit.wales
Tracy Veale	Financial Audit Manager	029 20 320 596	tracy.veale@audit.wales
David BurrIDGE	Financial Audit Team Leader	029 20 320 634	dave.burridge@audit.wales

- 25 I can confirm that my team members are all independent of Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention other than that referred to in paragraph 28 below.

- 26 There is one potential conflict of interest, which I need to bring to your attention. Several members of David Burrridge's family are police officers at Gwent Police. Our Compliance and Ethics department has already undertaken 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 is considered remote. However, we have taken steps to ensure that David is 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.
- 27 I can confirm that my other team members are all independent of the Commissioner, the Chief Constable and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

- 28 I will provide reports, or other outputs as agreed, to the Commissioner and Chief Constable covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: Timetable

This table sets out my proposed timetable for completion and reporting of my audit work at the Authority.

Planned output	Work undertaken	Report finalised
2018 Audit Plan	November 2017 – February 2018	March 2018
<ul style="list-style-type: none">Audit of Financial Statements ReportOpinion on Financial StatementsFinancial Accounts Memorandum	February – July 2018	July 2018 July 2018 July 2018
Annual Audit Report for 2018	October - November 2018	November 2018
2019 Audit Plan	November – December 2018	January 2019

Future developments to my audit work

- 29 Details of future developments including changes to key IFRS and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 3](#).
- 30 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates.

Appendix 1

Respective responsibilities

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their ‘truth and fairness’, providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Commissioner and the Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Commissioner and the Chief Constable systems of internal control, as reported in the Annual Governance Statements and my report thereon;
- the results of other work carried out including performance audit work and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Commissioner’s and the Chief Constable’s financial statements and related documents, to ask me, as the auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Appendix 2

Criteria to assess arrangements for securing economy, efficiency and effectiveness in the use of resources

Exhibit 6: Corporate arrangements

Corporate arrangements	Questions on arrangements
Establishing objectives determining policy and decision making	Has the Commissioner/Chief Constable put in place arrangements for setting, reviewing and implementing his strategic and operational objectives?
Meeting the needs of users, stakeholders and the local population	Has the Commissioner/Chief Constable put in place channels of communication with the local population, users of the service, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account?
Monitoring and reviewing performance	Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary and reporting to the Commissioner/Chief Constable?
Compliance with established policies	Has the Commissioner/Chief Constable put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures?
Operational and financial risks	Has the Commissioner/Chief Constable put in place arrangements to manage his significant business risks?
Managing financial and other resources	Has the Commissioner/Chief Constable put in place arrangements to evaluate and improve the value for money he achieves in his use of resources?
	Has the Commissioner/Chief Constable put in place arrangements to ensure that his spending matches his available resources?
	Has the Commissioner/Chief Constable put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Commissioner/Chief Constable?

Corporate arrangements	Questions on arrangements
Proper standards of conduct etc	Has the Commissioner/Chief Constable put in place arrangements for monitoring and scrutinising performance, to identify potential variances against strategic objectives, standards and targets for taking action?
	Has the Commissioner/Chief Constable put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of his business?

Appendix 3

Other future developments

Forthcoming key IFRS changes

Exhibit 7: forthcoming key IFRS changes

There are three key changes to accounting rules that will impact on the Authority over the next three years.

Standard	Effective date	Further details
IFRS 9 Financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on an expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 Revenue from contracts with customers	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 Leases	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

Exhibit 8: Planned forthcoming GPX webinars and Seminars.

My planned GPX programme includes 11 subject areas.

Date	Format	Topic
April 2018	Webinar	Sustainable Procurement. Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
May 2018	Webinar	Measuring Outcomes. Supporting the WFG Act 44 bodies shift their focus from outputs to outcomes and impact.
June 2018	Seminar	Adverse Childhood Experiences. In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
June 2018	Seminar	Digital. Seminar, taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
July 2018	Seminar	Building Resilient Communities. Focusing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
September 2018	Seminar	Partnership working between Voluntary bodies and Public Sector Bodies. Will also include the launch of the Good Practice Guide to Grants Management.

Date	Format	Topic
October 2018	Webinar	Financial Audit – Early Closure of Local Government Accounts. Focusing on cultural and behaviour changes.
December 2018	Seminar	Alternative Service Delivery Models. In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confed and Good Practice Wales.
January 2019	Webinar	Cybersecurity. Focusing on governance arrangements.
February 2019	Seminar	Preventing Hospital Admissions. Jointly with NHS, Social Care, Housing and partners from the Third Sector.
March 2019	Seminar	Youth. Following thematic reports from Estyn, CSSIW, HIW and Wales Audit Office on the topic of Youth. The GPX team will follow on with a seminar to share the learning.

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