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Dear Darren and Nigel

## Annual Audit Letter Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

### The Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police complied with their responsibilities relating to financial reporting and use of resources

The Police & Crime Commissioner for Gwent (the Commissioner) and the Chief Constable of Gwent Police (the Chief Constable) are responsible for:

- putting systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure the security of assets;
- maintaining proper accounting records;
- preparation of Statements of Accounts in accordance with relevant requirements; and
- the establishment and review of appropriate arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Body's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

**I issued unqualified audit opinions on the statements of accounts of both the Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police on 31 July 2019**

Police bodies in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Body Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 31 July 2019 I issued unqualified audit opinions on the accounting statements for both the Commissioner and the Chief Constable, confirming that they present a true and fair view of each body's financial position and transactions.

The key matters arising from the accounts audit were reported to the Commissioner and the Chief Constable in my Audit of Financial Statements report which was presented to the Joint Audit Committee on 29 July 2019.

2018-19 is the first year where the statutory deadlines for the preparation and audit of the financial statements have been brought forward to 31 May and 31 July respectively. These deadlines were piloted in 2017-18. Completing the production and audit of the accounts within these dates in 2018-19 was a significant achievement by the finance team, considering the challenges that were faced. In particular, operating within a temporary team structure and addressing the legacy issues arising from the 2017-18 mid-year implementation of the new Agresso Business World (ABW) finance system. Nonetheless, the audit process has highlighted some important learning points which we have reported in our Management Letter and, if actioned, will help you further improve the accounts preparation and audit process for next year. We will continue to work with management over the coming months ensure that the deadlines are met in 2019-20.

**I am satisfied that both the Police & Crime Commissioner for Gwent and Chief Constable of Gwent Police have appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

My consideration of the arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the statement of accounts. I have also placed reliance on:

- the results of the audit work undertaken on the Commissioner's and the Chief Constable's systems of internal control, as reported in the Annual Governance Statement;
- the results of the work of other external review bodies, eg HMICFRS, where relevant to my responsibilities; and
- any other work, including from Internal Audit, that I considered necessary to discharge my responsibilities.

For the purposes of my work, I evaluated the Commissioner's and the Chief Constable's systems against a number of questions. This approach is set out in detail in **Appendix 1** to this letter. For each question, I consider whether there are gaps in the arrangements expected to be in place, and the significance of those gaps.

Supplementing this work, I am undertaking a more focused piece of work, reviewing the arrangements in place for securing economy, efficiency and effectiveness when undertaking collaborative working arrangements between police forces in Wales. This work is currently ongoing, and our findings will be shared with the Commissioner and the Chief Constable in early 2020.

### **Police bodies across Wales continue to face significant financial challenges**

Austerity funding remains the most significant challenge facing all police bodies in Wales and these financial pressures are likely to continue for the medium term.

In 2018-19 the PCC and CC set and operated within its revenue budget of £123.5 million after utilising £0.428 million from reserves. As at 31 March 2019, the PCC and CC had closing Useable Reserves of £55.3 million (a decrease of £2.4 million from 1 April 2018).

For 2019-20, the PCC and CC have set a budget of £130.4 million. This assumes an additional settlement of £1.5 million (2.1%), required savings of £1.9 million and a 6.99% Precept. At 30 September 2019, an underspend of £0.385 million has been reported against the 2019-20 budget. At that stage, an underspend of £0.09 million is projected at year-end.

These outcomes are in the context of significant changes in the Force's financial position over several years. To respond to these pressures, the PCC and CC have had to make tough decisions about where to devote scarce resource and consider new ways to deliver services. In its medium-term financial plan, the PCC and CC have identified that £6.4 million of savings are required between 2019-20 and 2023-24.

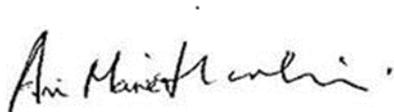
Although, useable Reserves have risen from £46.9 million in 2014-15 to £55.3 million as at 31 March 2019, the medium-term financial plan predicts these reserves will fall to £9.7 million by 2023/24 following the construction of the new headquarters building and a number of other estate schemes. Careful consideration of reserves balances and how they might be used to support financial plans going forward is particularly important as it is not sustainable to rely on reserves to support ongoing costs.

I issued certificates confirming that the audit of the accounts for the Police & Crime Commissioner for Gwent and the Chief Constable of Gwent Police have been completed on 31 July 2019

I received no electors' questions or objections in relation to the 2018-19 audit. Having given an audit opinion on the financial statements and concluded on the arrangements to secure economy, efficiency and effectiveness in its use of resources, I was able to certify that the audit of both the Police & Crime Commissioner for Gwent and the Chief Constable of Gwent Police was complete when I issued my audit opinion.

Due to delays and the challenges experienced during the financial statements audit, the financial audit fee for 2018-19 has exceeded the estimated audit fee set out in the Annual Audit Plan by £7,822.

Yours sincerely



**Ann-Marie Harkin**  
**Engagement Director**  
**For and on behalf of the Auditor General for Wales**

## Appendix 1

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

#### Exhibit 1: Criteria for assessing arrangements

Corporate performance management and financial management arrangements	Questions on arrangements
<b>Establishing objectives determining policy and decision making</b>	Has the Commissioner/Chief Constable put in place arrangements for setting, reviewing and implementing his strategic and operational objectives?
<b>Meeting the needs of users, stakeholders and the local population</b>	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?
<b>Monitoring and reviewing performance</b>	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?
<b>Compliance with established policies</b>	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?
<b>Operational and financial risks</b>	Has the Commissioner/Chief Constable put in place arrangements to manage his significant business risks?
<b>Managing financial and other resources</b>	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 performance management and financial management arrangements	Questions on arrangements
<p><b>Proper standards of conduct etc.</b></p>	<p>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?</p>
	<p>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?</p>