

# Audit of Accounts Report – Police and Crime Commissioner for Gwent and Chief Constable of Gwent Police

Audit year: 2020-21

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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We intend to issue an unqualified audit report on your Accounts There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2020-21 accounts in this report.
- 2 We have already discussed these issues with the Chief Finance Officer for the Police and Crime Commissioner and the Assistant Chief Officer – Resources for the Chief Constable.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of ‘materiality’. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set the levels for this year’s audit as follows:

### Exhibit 1: levels of materiality for this year’s audit

	Police and Crime Commissioner	Chief Constable	Police Pension Fund
Income and Expenditure items and other balances	£1.988million	£1.988 million	£0.776 million

- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Remuneration report/senior pay disclosure and exit packages £1,000
  - Related parties – individuals £10,000
- 6 We have substantially completed this year’s audit and are in the final stages of review.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. We have previously notified you of a potential threat to auditor independence and objectivity arising from a relationship between a member of the audit team of Gwent Police and confirm that the planned safeguards set out in our Audit Plan have operated as intended.
- 8 There are no other relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 9 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 10 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 2** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 2** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

### Exhibit 2: impact of COVID-19 on this year's audit

<p><b>Timetable</b></p>	<p>It is pleasing to note that the timetable has not been affected:</p> <ul style="list-style-type: none"> <li>• we received the draft accounts on 28 May 2021, ahead of the statutory deadline of 31 May 2021. We received a second draft accounts on 10 June 2021 following receipt of IAS19 pensions figures from the Government Actuary Department on 9 June.</li> <li>• we commenced our audit on 1 June 2021.</li> <li>• we expect your audit report to be signed on 30 July 2021.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>If still necessary at the time of approval and signing, we will accept electronic signatures and electronic transfer of files.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received the majority of audit evidence in electronic format. We have continued to use various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, eg personnel files, we have devised alternative audit methodologies to obtain sufficient audit evidence, including:</p> <ul style="list-style-type: none"> <li>• use of encrypted secure e-mails to share documents;</li> <li>• some information was verified to screen prints or to the live systems via screen sharing; and</li> <li>• video conferencing has enabled the audit team to correspond effectively with the finance team throughout the audit.</li> </ul> <p>For testing of existence and ownership of assets we have used a combination of visual identification (where this was practical) access to our land registry tool and photographic evidence.</p>

- 11 We will continue to review what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 12 We intend to issue an unqualified audit opinion on this year's accounts for both the Commissioner and the Chief Constable once you have provided us with a Letter of Representation based on that set out in **Appendices 1 and 2**.
- 13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 15 Our proposed audit report for both the Commissioner and the Chief Constable are set out in **Appendices 3 and 4**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 16 Where we identify misstatements that are not trivial, we raise them with management, request amendment and discuss the impact, if any, on the audit opinion if no amendment is made. Where no amendment is made, we must report that fact to those charged with governance to enable scrutiny and consideration of the matter. The trivial level used for both the Police and Crime Commissioner's accounts and those of the Chief Constable is £99,430, and £38,840 for the Police Pension Fund.
- 17 There is one misstatement identified in the Police Pension Fund accounts, which remains uncorrected. Detail is set out below:

### Unreconciled balance within the Police Pension Fund bank account

- 18 Our review of the year-end Police Pension Fund bank account reconciliation identified an unreconciled item of £109,000.
- 19 As a result, 'Transfers in from other schemes' within the Pension Fund Account is understated by £109,000 with a corresponding overstatement in 'Contributions from the Police and Crime Commissioner'. Within the Police and Crime Commissioner's accounts, 'Other operating expenditure' within the Comprehensive Income and Expenditure Statement (CIES) is overstated by £109,000 with a corresponding overstatement of debtors in the Balance Sheet and 'Other receivable amounts' within Note 18 - Debtors.

- 20 Whilst there would be no impact on the Pension Fund Account, the 'Deficit on Provision of Services' is understated by £109,000 and 'Net Assets' and 'Usable Reserves' within the Balance Sheet are overstated by £109,000.
- 21 Management have decided not to amend the 2020-21 accounts for this misstatement as Management believe that the value of the uncorrected misstatement is not material to an understanding of the accounts. We have been informed that this item has been reconciled in 2021-22.

### **Corrected misstatements**

- 22 Based on the audit work undertaken to date, there were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 5 and 6**.

### **Other Significant Issues arising from the Audit**

- 23 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are two matters that we wish to bring to your attention:

#### **Improved draft financial statements**

- 24 It is pleasing to note that the quality of the draft accounts has improved significantly since last year and they are of a good standard. We received the draft accounts on 28 May 2021, three days before the statutory deadline of 31 May 2021. We received the majority of the supporting working papers on 1 June, when the audit began. We received a second version of the draft accounts on 10 June, following receipt of the Police Pension Fund actuary report by the Finance Team.
- 25 Working papers were of a good quality and throughout the audit, we received the majority of information in a timely and helpful manner and were not restricted in our work.

#### **Inability to verify physical existence of assets**

- 26 During our testing of fixed assets as part of the 2019-20 accounts audit, we identified in-year additions amounting to £218,000 which related to laptops purchased in December 2017. When testing the existence of these laptops, Gwent Police were unable to provide us with their location and so we were unable to verify their physical existence. During our existence testing of these laptops as part of the 2020-21 accounts audit, we were still unable to verify the existence of a number of these laptops. Whilst the net book value of these laptops is below our trivial level, we recommend that procedures are improved to ensure all assets can be located and for those that cannot be traced, their net book value written down to nil.

## Recommendations

- 27 There are no recommendations arising from our financial audit work which we want to draw to the attention of those charged with governance in this report other than the recommendation reported above. However, we will be making some additional recommendations which we will discuss with management in our post project learning session and in planning for our 2021-22 audit.
- 28 We will present our Management Letter, containing the recommendations and management's responses to a future Joint Audit Committee. We will also provide an update on progress against recommendations made in previous years.

# Appendix 1

## Final Letter of Representation – Police and Crime Commissioner for Gwent

[Audited body's letterhead]

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

[Date]

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the Police and Crime Commissioner for Gwent for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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; and
- 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.

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. There is one uncorrected misstatement in the Gwent Police Pension Fund accounts:

### **Unreconciled balance within the Police Pension Fund bank account**

Within the year-end Police Pension Fund bank account reconciliation, we have included an unreconciled item of £109,000. As a result, 'Transfers in from other schemes' within the Pension Fund Account is understated by £109,000 with a corresponding overstatement in 'Contributions from the Police and Crime Commissioner'. Within the Police and Crime Commissioner's accounts, 'Other operating expenditure' within the Comprehensive Income and Expenditure Statement (CIES) is overstated by £109,000 with a corresponding overstatement of debtors in the Balance Sheet and 'Other receivable amounts' within Note 18 - Debtors. Whilst there would be no impact on the Pension Fund Account, the 'Deficit on Provision of Services' is understated by £109,000 and 'Net Assets' and 'Usable Reserves' within the Balance Sheet are overstated by £109,000. Management believe that the value of the uncorrected misstatement is not material to an understanding of the accounts, and so no amendment has been made in the accounts for 2020-21, however, the item has been reconciled during 2021-22.

### **Representations by the Police and Crime Commissioner for Gwent**

I acknowledge that the representations made by management, above, have been discussed with me.

I acknowledge my responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. I approved the financial statements on xx xxxx 2021.

I confirm that I 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. I confirm that, as far as I am aware, there is no relevant audit information of which you are unaware.

Signed by:

Chief Financial Officer to the Police and  
Crime Commissioner

Date:

Signed by:

Police and Crime Commissioner for  
Gwent

Date:

# Appendix 2

## Final Letter of Representation – Chief Constable of Gwent Police

[Audited body's letterhead]

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

[Date]

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the Chief Constable of Gwent Police for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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; and
- 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 of Gwent Police 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.

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. There are no uncorrected misstatements in the financial statements for the Chief Constable of Gwent Police. There is one uncorrected misstatement in the Gwent Police Pension Fund accounts:

### **Unreconciled balance within the Police Pension Fund bank account**

Within the year-end Police Pension Fund bank account reconciliation, we have included an unreconciled item of £109,000. As a result, 'Transfers in from other schemes' within the Pension Fund Account is understated by £109,000 with a corresponding overstatement in 'Contributions from the Police and Crime Commissioner'. There is no impact on the Pension Fund Account. Management believe that the value of the uncorrected misstatement is not material to an understanding of the accounts, and so no amendment has been made in the accounts for 2020-21, however, the item has been reconciled during 2021-22.

### **Representations by the Chief Constable of Gwent Police**

I acknowledge that the representations made by management, above, have been discussed with me.

I acknowledge my responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. I approved the financial statements on xx xxx 2021.

I confirm that I 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. I confirm that, as far as I am aware, there is no relevant audit information of which you are unaware.

Signed by:

Assistant Chief Officer – Resources  
– Chief Constable

Date:

Signed by:

Chief Constable of Gwent Police

Date:

# Appendix 3

## Proposed Audit Report of the Auditor General to the Police and Crime Commissioner for Gwent

### The independent auditor's report of the Auditor General for Wales to the Police and Crime Commissioner for Gwent

#### Opinion on financial statements

I have audited the financial statements of:

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

for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for Gwent financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

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

The Police and Crime Commissioner for Gwent Group financial statements comprise, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Movement in Reserves Statement, the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Police and Crime Commissioner for Gwent and the Gwent Police Pension Fund as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial

statements section of my report. I am independent of the Police and Crime Commissioner for Gwent and the Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner for Gwent's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and

the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21; and

- the information given in the joint Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the joint Annual Governance Statement has been prepared in accordance with guidance.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Police and Crime Commissioner for Gwent, the Gwent Police Pension Fund and Police and Crime Commissioner for Gwent Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the joint Annual Governance Statement.

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, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on **page xx** the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Gwent Group's financial statements and the Gwent Police Pension Fund's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Police and Crime Commissioner for Gwent, the Gwent Police Pension Fund and the Police and Crime Commissioner for Gwent Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Police and Crime Commissioner for Gwent, the Gwent Police Pension Fund and the Police and Crime Commissioner for Gwent Group's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias when calculating accounting estimates.
- obtaining an understanding of the Police and Crime Commissioner for Gwent's framework of authority as well as other legal and regulatory frameworks that the Police and Crime Commissioner for Gwent operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Police and Crime Commissioner for Gwent.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Joint Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Police and Crime Commissioner for Gwent, the Gwent Police Pension Fund and the Police and Crime Commissioner for Gwent Group's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
30 July 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ

The maintenance and integrity of the 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 to the Chief Constable of Gwent Police

### The independent auditor's report of the Auditor General for Wales the Chief Constable of Gwent Police

#### Opinion on financial statements

I have audited the financial statements of:

- Chief Constable of Gwent Police; and
- Gwent Police Pension Fund

for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

The Chief Constable for Gwent Police financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet and the related notes, including a summary of significant accounting policies.

Gwent Police Pension Fund's financial 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Chief Constable of Gwent Police and the Gwent Police Pension Fund as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Chief Constable for Gwent Police in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable for Gwent Police ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21; and
- The information given in the joint Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the joint Annual Governance Statement has been prepared in accordance with guidance.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Chief Constable of Gwent Police and the Gwent Police Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the joint Annual Governance Statement.

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, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on **page xx** the responsible financial officer is responsible for the preparation of the statement of accounts, including the Gwent Police Pension Fund's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Chief Constable of Gwent Police and the Gwent Police Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Chief Constable of Gwent Police and the Gwent Police Pension Fund policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias when calculating accounting estimates.
- obtaining an understanding of the Chief Constable of Gwent Police's framework of authority as well as other legal and regulatory frameworks that the Chief Constable of Gwent Police operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Chief Constable of Gwent Police.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Joint Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the

Chief Constable of Gwent Police and the Gwent Police Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of [name of local government body] in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton  
Auditor General for Wales  
30 July 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ

The maintenance and integrity of the Chief Constable for Gwent Police website is their 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 to the draft financial statements of the Police and Crime Commissioner for Gwent (Group) which do not affect the Police Fund Balance

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.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Amalgamation of £32.209 million and £4.451 million (net impact of nil)	<p><b>Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA)</b></p> <p>Amalgamation of 'Police Staff Salaries and Allowances' and 'PCSO Salaries and Allowances' lines within 'Police Service' costs.</p> <p>There is no impact on the total Cost of Services line.</p> <p>These amendments are also reflected within the revised EFA and supporting notes.</p>	<p>To ensure the current service costs for the Local Government Pension Scheme are correctly allocated across relevant lines within Police Services costs.</p> <p>To ensure Police Service costs reflect the internal management accounts reporting structure</p>
Amalgamation of £1.218 million and £0.392 million (net impact of nil)	<p><b>Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA)</b></p> <p>Amalgamation of 'Police Staff Overtime and Enhancements' and</p>	<p>To ensure Police Service costs reflect the internal management accounts reporting structure</p>

	<p>'PCSO Overtime and Enhancements' lines within 'Police Service' costs.</p> <p>There is no impact on the total Cost of Services line.</p> <p>These amendments are also reflected within the revised EFA and supporting notes.</p>	
<p>£15.1 million</p>	<p><b>Note 38 Defined Benefit Pension Scheme Comprehensive Income and Expenditure Statement (CIES), Balance Sheet and Movement In Reserves Statement (MIRS).</b></p> <p>Numerous amendments to IAS 19 accounting entries within Note 38 to correctly reflect the revised Government Actuary Department (GAD) report received after 31 May 2021.</p> <p>These amendments are also reflected within the CIES, Balance Sheet and MIRS.</p>	<p>To correctly reflect the revised GAD report which was re-produced as a result of issues identified by Gwent Police in the original GAD reports provided.</p>

<p>£2.037 million</p>	<p><b>Comprehensive Income and Expenditure Statements (CIES), and Note 10 – Other Operating Expenditure</b>  Increase in ‘Other Income’ and decrease in ‘Other Operating Expenditure’ (Income) within the CIES and decrease in ‘Other’ in Note 10 .</p> <p>These amendments are due to incorrect mapping of ledger codes within Big Red Button (BRB).</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>
<p>£1.519 million</p>	<p><b>Note 33 Related Parties</b>  Increase related party creditor balance with BAM Construction.</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>
<p>£0.964 million</p>	<p><b>Note 25 Cashflow Statement – Operating Activities and Note 26 Cashflow Statement – Investing Activities</b>  Decrease in ‘Creditors’ in Note 25 and decrease in ‘Purchase of property, plant and equipment, investment property and intangible assets’ in Note 26 to correctly reflect Note 26 on a cash basis.</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>

£0.892 million

**Note 32 – Grant Income**

Decrease 'Domestic Abuse Perpetrator Programme' (£0.205 million), Heroin and Crack Action' (£0.063 million), 'Home Office Pension Grant' (£1.325 million) and 'Serious Organised Crime' (£0.245 million).

Increase in 'Police Community Support Officers' income of £0.419million.

Increase in the 'Operation Uplift funding of £0.527million.

These amendments are due to incorrect mapping of ledger codes to Note 32 within Big Red Button (BRB).

To ensure compliance with the requirements of the Local Government Code of Practice.

To ensure that Note 32 includes all 20-21 funding and reconciles to the CIES.

This was identified by Gwent Police finance team at the start of the audit

<p>£0.419 million</p>	<p><b>Comprehensive Income and Expenditure Statement (CIES), Balance Sheet, Movement in Reserves Statement (MIRS) and Cashflow Statement</b></p> <p>Increase in 'Other income' and decrease in 'Net Cost of Services', 'Deficit on provision of Services' and 'Total Comprehensive Income and Expenditure' within the CIES.</p> <p>This amendment will flow through to the Balance Sheet and MIRS, increasing Useable reserves by £0.419 million, the Cashflow Statement and other supporting notes.</p>	<p>To ensure 2020-21 income received from the Welsh Government post 31 March is accounted for in the year to which it relates.</p>
<p>£0.181 million</p>	<p><b>Balance Sheet</b></p> <p>Reclassification of 'Assets Held for Sale' from 'Long Term Assets' to 'Current Assets' within the Balance Sheet</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>
<p>Various</p>	<p><b>Note 22 Provisions</b></p> <p>Reclassification on 'In-year movement' categories within Note 22.</p> <p>There was no impact on the year-end provision balance.</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>

Various	<p><b>Note 29 Police Officer and Staff Remuneration</b></p> <p>Benefits in kind for three senior chief officers was incorrectly stated. As a result:</p> <ul style="list-style-type: none"> <li>• the salary bandings were incorrect; and</li> <li>• the remuneration relationship for the Chief Constable and the median ratio for the Chief Constable required amending.</li> </ul>	<p>To ensure benefit in kind figures agree to the P11D returns, individuals are included within the correct salary bandings and the remuneration relationship and median ratio are correctly calculated in accordance with guidance.</p>
Narrative disclosures	<p>Various narrative disclosures have been made, including changes to the Police Officer and Staff Remuneration disclosures.</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>
Comparative figures	<p>Various amendments have been made.</p>	<p>To ensure previous year's figures agree to the 2019-20 audited financial statements.</p>

# Appendix 6

## Summary of corrections to the draft financial statements of the Chief Constable of Gwent Police which do not affect the Police Fund Balance

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.

### Exhibit 5: summary of corrections made

Value of correction	Nature of correction	Reason for correction
Amalgamation of £32.209 million and £4.451 million (net impact of nil)	<p><b>Comprehensive Income and Expenditure Statement (CIES) and Expenditure</b></p> <p>Amalgamation of 'Police Staff Salaries and Allowances' and 'PCSO Salaries and Allowances' lines within 'Police Service' costs.</p> <p>There is no impact on the total Cost of Services line.</p>	<p>To ensure the current service costs for the Local Government Pension Scheme are correctly allocated across relevant lines within Police Services costs.</p> <p>To ensure Police Service costs reflect the internal management accounts reporting structure</p>
Amalgamation of £1.218 million and £0.392 million (net impact of nil)	<p><b>Comprehensive Income and Expenditure Statement (CIES) and Expenditure</b></p> <p>Amalgamation of 'Police Staff Overtime and Enhancements' and 'PCSO Overtime and Enhancements' lines</p>	<p>To ensure Police Service costs reflect the internal management accounts reporting structure</p>

	<p>within 'Police Service' costs.</p> <p>There is no impact on the total Cost of Services line.</p>	
£15.1 million	<p><b>Note 17 Defined Benefit Pension Scheme Balance Sheet</b></p> <p>Numerous amendments to IAS 19 accounting entries within Note 17 to correctly reflect the revised Government Actuary Department (GAD) report received after 31 May 2021.</p> <p>Increase 'Long Term Debtors' and 'Long Term Creditors' in Balance Sheet.</p>	<p>To correctly reflect the revised GAD report which was reproduced as a result of issues identified by Gwent Police in the original GAD reports provided.</p>
£1.519 million	<p><b>Note 16 Related Parties</b></p> <p>Increase related party creditor balance with BAM Construction.</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>

Various	<p><b>Note 13 Police Officer and Staff Remuneration</b></p> <p>Benefits in kind for three senior chief officers was incorrectly stated. As a result:</p> <ul style="list-style-type: none"> <li>• the salary bandings were incorrect; and</li> <li>• the remuneration relationship for the Chief Constable and the median ratio for the Chief Constable required amending.</li> </ul>	<p>To ensure benefit in kind figures agree to the P11D returns, individuals are included within the correct salary bandings and the remuneration relationship and median ratio are correctly calculated in accordance with guidance.</p>
Narrative disclosures	<p>Various narrative disclosures have been made, including changes to the Police Officer and Staff Remuneration disclosures.</p>	<p>To ensure compliance with the requirements of the Local Government Code of Practice.</p>
Comparative figures	<p>Various amendments have been made.</p>	<p>To ensure previous year's figures agree to the 2019-20 audited financial statements.</p>



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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.