



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Annual Audit Report for 2015-16 – **Police and Crime Commissioner for Dyfed Powys and Chief Constable of Dyfed Powys Police**

Audit year: 2015-16

Date issued: December 2016

Document reference: 669A2016



This document has been prepared for the internal use of Police and Crime Commissioner for Dyfed Powys and the Chief Constable of Dyfed Powys Police as part of work performed in accordance with statutory functions.

No responsibility is taken by the Auditor General or the staff of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

The team who delivered the work comprised John Herniman, Jason Garcia, Andy Bruce and Leanne Malough.

Contents

Summary report

Introduction	4
I issued unqualified opinions on the 2015-16 financial statements of the Police and Crime Commissioner, Chief Constable and Police Pension Fund	4
I am satisfied that the Commissioner and Chief Constable had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources	6
I issued a certificate confirming that the audit of the accounts had been completed on 29 September 2016	9

Appendices

Appendix 1 – Criteria to assess arrangements for securing economy, efficiency and effectiveness in his use of resources	10
Appendix 2 – Significant audit risks	11

Summary report

Introduction

- 1 This report summarises my findings from the audit work I have undertaken in relation to both the Police and Crime Commissioner for Dyfed Powys (the Commissioner) and the Chief Constable of Dyfed Powys (the Chief Constable) during 2016.
- 2 The work I have done allows me to discharge my responsibilities under the Public Audit (Wales) Act 2004 (the 2004 Act) in respect of the audit of accounts and both corporations' sole arrangements to secure efficiency, effectiveness and economy in their use of resources.
- 3 More detail on the specific aspects of my audit can be found in the separate reports that I have issued during the year. My team has discussed and agreed these reports with officers, the Commissioner and the Chief Constable and presented them to the Joint Audit Committee. My 2016 Audit Plan set out the financial statements audit risks for 2016, and [Appendix 2](#) shows how they were addressed as part of the audit.

I issued unqualified opinions on the 2015-16 financial statements of the Police and Crime Commissioner, Chief Constable and Police Pension Fund

- 4 The financial statements are an essential means by which the Commissioner and the Chief Constable account for their stewardship of the resources at their disposal and their financial performance in the use of those resources. It is their responsibility to:
 - put in place systems of internal control to ensure the regularity and lawfulness of transactions;
 - maintain proper accounting records; and
 - prepare financial statements in accordance with relevant requirements.
- 5 I am required to audit the financial statements and to issue audit reports which include an opinion on whether the financial statements give a 'true and fair' view of the state of affairs of the Commissioner, the Chief Constable and the Police Pension Fund. The reports also give my opinion on whether the financial statements have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and relevant regulations.
- 6 On 29 September 2016, the Auditor General for Wales issued unqualified audit reports on the Commissioner's, Chief Constable's and the Police Pension Fund's financial statements.

- 7 We received the draft financial statements for the year ended 31 March 2016 on 30 June 2016, which was in line with the agreed deadline.
- 8 We found the information and working papers provided to support the accounts to be relevant, reliable, comparable, and easy to understand. We concluded that accounting policies and estimates were appropriate and financial statement disclosures unbiased, fair and clear. There were no significant difficulties encountered during the audit. We received information in a timely and helpful manner and were not restricted in our work.
- 9 International Standard on Auditing (ISA) 260 requires auditors to report to ‘those charged with governance’ the findings of the audit of the financial statements. The Audit of the Financial Statements Report was presented to the Commissioner and Chief Constable, and to the Joint Audit Committee at their meeting on 20 September 2016. A summary of the findings is set out in [Exhibit 1](#).

Exhibit 1: Audit of Financial Statements Report to the Commissioner and Chief Constable

Reporting requirement	Audit findings
Modifications to the auditor’s report	No modifications required, clear (unqualified) opinions were given.
Unadjusted misstatements	There were no unadjusted misstatements.
Views about the qualitative aspects of the entity’s accounting practices and financial reporting	No matters reported.
Matters corresponded upon with management	<p>There were two matters reported that were discussed with management during the audit.</p> <ul style="list-style-type: none"> We identified that control account reconciliations were not always being undertaken promptly and for each month during the year. Year-end reconciliations were however undertaken in all cases. Milne v Government Actuary’s Department (GAD) court ruling. <p>Payments totalling £3,191,000 were made from the Police Pension Fund in 2015/16 to settle amounts arising from the error made by GAD which resulted in incorrect commuted lump sum payments to pensioners on a national basis.</p> <p>Under HMRC rules, the above payments were classed as ‘unauthorised’ payments and an additional charge was levied on all Police Forces. The Home Office settled these charges centrally within the Government’s accounts. A note explaining the position and notional impact was included in the Pension Fund financial statements.</p>

Reporting requirement	Audit findings
Matters significant to the oversight of the financial reporting process	No matters reported.
Material weaknesses in internal controls	No material weaknesses identified.
Matters specifically required by other auditing standards to be communicated to those charged with governance	No matters reported.

I am satisfied that the Commissioner and Chief Constable had appropriate arrangements in place in the year to secure economy, efficiency and effectiveness in their use of resources

- 10 My consideration of the Commissioner's and Chief Constable's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the 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 Statements;
 - the results of work carried out by the Auditor General;
 - the results of the work of other external review bodies, eg HMIC, where relevant to my responsibilities; and
 - any other work, including from Internal Audit, that I considered necessary to discharge my responsibilities.
- 11 For the purposes of my work, I evaluated the Commissioner's and the Chief Constable's systems against a number of questions as set out in [Appendix 1](#). For each question, I consider whether there are gaps in the arrangements expected to be in place, and the significance of those gaps.

The Commissioner and Chief Constable have robust planning processes in place with well-established links between financial planning and strategic planning. However, performance measures included in the historic Police and Crime Plan could be more robust.

- 12 We found that the Commissioner and Chief Constable have robust planning arrangements in place with clear links between the processes for setting objectives and financial planning. A detailed timetable is in place for the annual planning processes which involves all relevant officers. The Force and Commissioner's office have demonstrated sound project management techniques to ensure the set timetable is achieved.
- 13 Operational performance is monitored at various levels throughout the Force by senior officers, and also by the Commissioner's office. This includes financial performance against budgets and savings plans. In addition to this internal performance monitoring, the independent Police and Crime Panel (the Panel) also receives and discusses regular performance and out-turn reports on a wide range of operational issues from the Chief Constable. The Panel also scrutinises and comments on strategy papers produced by the Commissioner, including the annual update to the Police and Crime Plan.
- 14 The new Commissioner has undertaken consultation with stakeholders on the priorities for his Police and Crime Plan which needs to be published by 31 March 2017. We have reviewed the current Police and Crime Plan and an early draft of the new plan and identified that the performance measures included in the historic plan did not always make it easy to demonstrate the achievement of specific objectives. We have provided feedback on these performance measures to the Commissioner's office and he has committed to consider these comments in finalising his new Police and Crime Plan.
- 15 The Force and Commissioner's systems of control and governance have continued to develop in 2015-16. The Commissioner's Policing Board has met regularly in the year to consider Force performance. The Corporate Governance Group has continued to review and revise as appropriate the Corporate Governance Framework.
- 16 The Joint Audit Committee (JAC) met four times in 2015-16 to consider the results of the work of Internal Audit and ourselves, and has carried out a self-assessment exercise of its own performance in the year. The JAC continues to work well providing appropriate assurances and making recommendations to the Commissioner and Chief Constable. This year the JAC produced an annual report summarising its work. Risk management is embedded throughout the Force and the Commissioner's office with regular reports being provided to the joint audit committee.

- 17 Our audit work on the Commissioner's and Chief Constable's 2015-16 financial statements and Annual Governance Statements did not identify any significant weaknesses in the systems of control, with only minor improvements recommended to management.
- 18 The Commissioners and Chief Constables of the four forces in Wales meet regularly in the All Wales Policing Group to consider issues and co-ordinate responses. This group developed a standard Memorandum of Understanding for all Wales collaborative work, which sets out the monitoring and scrutiny arrangements for that collaborative work. This Memorandum of Understanding has also been adopted by the Commissioner across his collaborative arrangements.
- 19 Reviews conducted by HMIC support my conclusions about arrangements to secure an efficient and effective police service. Alongside their reviews of specific aspects of the Force's operations, HMIC also conduct an overall review of police effectiveness, efficiency and legitimacy (PEEL). HMIC published its 2015 PEEL assessment in February 2016, and the efficiency element of the 2016 PEEL assessment was published in November 2016. Further details of the PEEL methodology and the detailed PEEL assessment conclusions relating to Dyfed Powys Police are available on HMIC's website at <http://www.justiceinspectors.gov.uk/hmic/>.

The Commissioner and Chief Constable met their revenue budgets for 2015-16, and continue to respond positively to significant financial challenges

- 20 The Commissioner and Chief Constable have continued to demonstrate robust control over their revenue budget for 2015-16. The net revenue budget for the year was £93.3 million and a balanced budget was delivered. The Police Fund General Reserve remained at £4.5 million at 31 March 2016 but other reserves decreased as planned from £41 million to £28.4 million. This includes £18.7 million set aside to fund specific capital projects including the development of a new custody suite in Carmarthenshire.
- 21 The Commissioner and the Chief Constable continue to receive regular reports on expenditure and position against budget. The Force has estimated that £16.8 million of cost reductions will need to be found between 2016/17 and 2019/20 and detailed plans are in place to achieve these savings.

The Commissioner maintains a clear focus on community safety but some weaknesses remain in managing performance

- 22 In the 2015 Audit Plan to the Commissioner and Chief Constable, we stated our performance work programme would focus on a review of the effectiveness of the Commissioner's collaboration and partnership arrangements, focusing primarily on Community Safety activities. Our force-level review of community safety formed part of a national study, undertaken at an all Wales (Welsh Government), regional (Commissioner area) and local (local authority/Community Safety Partnership) levels.
- 23 The Auditor General for Wales published his national report on 18 October 2016 and provided conclusions on the work of all of the partners involved in the management of community safety in Wales. The national report [Community safety in Wales](#) is available on our website.
- 24 We also produced a specific report for the Commissioner and Chief Constable setting out our local findings on community safety partnership working, taking account of the broader findings from evidence gathered for the national study. In this local report we concluded that **the Commissioner maintains a clear focus on community safety but some weaknesses remain in managing performance**. We reached this conclusion because:
- the Commissioner provides leadership on community safety;
 - the Commissioner has appropriate plans and strategies for addressing community safety issues but priorities are not always clearly set out and integration with partners' plans could be better;
 - the Commissioner works reasonably well with key partners but could do more to demonstrate the impact of his contribution to improving community safety;
 - the Commissioner is improving value for money in the delivery of community safety work; and
 - The Commissioner needs to do more to effectively scrutinise performance and manage the impact of community safety work.
- 25 We are aware that since our fieldwork was completed some organisations have further developed their work on community safety.

I issued a certificate confirming that the audit of the accounts had been completed on 29 September 2016

- 26 I issued a certificate confirming that the audit of the accounts for the Commissioner and the Chief Constable had been completed on 29 September 2016.
- 27 I estimated in the Audit Plan 2016 that the 2015-16 audit fee would be £82,516. The actual audit fee is in line with my original estimate.

Appendix 1

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

Exhibit 2: Criteria for assessing arrangements

Corporate performance management and financial management 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?
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 2

Significant audit risks

My 2016 Audit plan set out the significant financial audit risks for 2016. The table below lists these risks and sets out how they were addressed as part of the audit.

Exhibit 3: Significant audit risks

Significant audit risk	Proposed audit response	Work done and outcome
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business. 	<p>No issues were noted from our review and testing of journal entries. There were no issues noted in relation to other significant estimates in the accounts.</p>
<p>The financial statements need to comply with International Financial Reporting Standards (IFRS). The Commissioner and Chief Constable and their staff must:</p> <ul style="list-style-type: none"> • ensure that each set of accounts are prepared to appropriately reflect the substance of day-to-day control of activities as well as legal positions; and • have a full understanding of IFRS requirements, keeping up-to-date with new requirements and ensure risks and issues are identified and dealt with appropriately. 	<p>We will continue to work with and support the Commissioner and Chief Constable and their staff to agree the most appropriate presentation in both sets of financial statements and the group statements.</p> <p>We will also agree improvements to the methodology and working papers supporting the financial statements, where necessary.</p>	<p>Some changes to the notes to the accounts were made as a result of this work and disclosures are in line with accounting requirements.</p>
<p>There will be Police and Crime Commissioner elections in May 2016 which could impact on production and audit of key documents during the year.</p>	<p>My audit team will liaise with management to identify areas of the accounts production process that could be affected by these upcoming elections, and will work to ensure that any potential disruption is minimised.</p>	<p>No significant issues were noted.</p>

Significant audit risk	Proposed audit response	Work done and outcome
<p>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.</p>	<p>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.</p>	<p>Appropriate adjustments were made to the 2015-16 financial statements to reflect the calculated share of benefit from collaborative operations. Further work with other Welsh forces is needed to provide this information earlier for 2016-17.</p>
<p>In a period of financial constraint, there are risks that governance arrangements may be weakened, for example as a result of the departure of key staff from the organisation. 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 carry out a detailed review of the revised arrangements for the production of the Annual Governance Statements. We will also consider the work of others including Internal Audit and Her Majesty's Inspectorate of Constabulary (HMIC).</p>	<p>No significant issues were noted.</p>

Significant audit risk	Proposed audit response	Work done and outcome
<p>During 2015-16 the Commissioner negotiated a settlement to buy out the remaining period of the PFI contract on Ammanford Police Station. There is a risk that this asset acquisition will not be correctly accounted for in the 2015-16 financial statements.</p>	<p>My audit team will work with the finance department in agreeing all the relevant accounting entries for this transaction to ensure the 2015-16 financial statements are accurate in this regard.</p>	<p>Appropriate accounting entries were agreed with the finance department to record this transaction and processed correctly in the 2015-16 financial statements.</p>

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru