



WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

# Annual Audit Report 2013

## **Chief Constable for Gwent Police**

**Issued:** November 2013

**Document reference:** 595A2013

# Status of report

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The team who delivered the work comprised: John Herniman, Matthew Coe, Andy Bruce and Kathryn Watts.

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# Summary report

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1. During the 2012-13 financial year the Police Reform & Social Responsibility Act 2011 came into effect. This legislation replaced police authorities with an elected Police & Crime Commissioner with effect from 22 November 2012. The Act also created the Police & Crime Commissioner and the Chief Constable as separate legal entities. This Annual Audit Report (the Report) to the Chief Constable of Gwent Police (the Chief Constable) summarises the conclusions from my 2012-13 audit. It reports the significant issues arising from my audit, together with my comments on other current issues. I will report separately to the Police and Crime Commissioner for Gwent (the Commissioner).
2. More detail on the specific aspects of my audit can be found in the separate reports that have been issued during the year. We discussed and agreed these reports with officers and presented them to the Chief Constable and Joint Audit Committee. The reports issued are shown in [Appendix 3](#).
3. A number of references are made within this Report to guidance and documentation issued by the Auditor General, including the Code of Audit Practice (the Code). The Code refers to the Statement of Responsibilities of Auditors and of Audited Bodies summarising the key responsibilities of auditors. My audit has been conducted in accordance with the principles set out in that Statement. What I say about the results of my audit should be viewed in the context of that more formal background.
4. I adopt a risk-based approach to planning the audit, and my audit work has focused on your significant financial and operational risks that are relevant to my audit responsibilities. The audit work is structured around the key elements of my responsibilities as set out in the Code. The Audit Outline 2013 sets out the proposed audit fee of £80,106 (plus VAT), and the final fee will be in line with the proposed fee.
5. I have concluded that the Chief Constable's resources were, in all material respects, properly used and accounted for in 2012-13:
  - the Chief Constable's 2012-13 accounts were properly prepared and materially accurate;
  - the Chief Constable met the revenue budget for 2012-13, and continues to be well placed to deliver the response to the significant financial challenges ahead;
  - the Chief Constable has an effective internal control environment to reduce the risk of material misstatement to the financial statements; and
  - the Chief Constable's significant financial systems were appropriately controlled and operated as intended to produce materially accurate accounts.
6. The Chief Constable has appropriate corporate arrangements in place to support effective use of resources:
  - the Chief Constable had proper arrangements in place during 2012-13 to help achieve economy, efficiency and effectiveness in the use of resource;
  - effective arrangements are in place to manage financial pressures and there is a framework to support sustainable policing for the public; and
  - appropriate arrangements are developing for engagement and consultation to enable citizens help shape the police service it receives.

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7. This Report has been agreed with the Chief Constable, Assistant Chief Officer – Resources and other relevant officers. The Report will also be presented to the Joint Audit Committee on 3 December 2013 for information.
  8. I aim to deliver a high standard of audit, which makes a positive and practical contribution and supports the Chief Constable’s own agenda. I recognise the value of your co-operation and support in achieving this aim, and would like to express my appreciation for the assistance and co-operation provided during the course of the audit.

John Herniman  
For and on behalf of the Appointed Auditor

Date: 14 November 2013

# Detailed report

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## The Chief Constable's resources were, in all material respects, properly used and accounted for

9. The financial statements are an essential means by which the Chief Constable accounts for the stewardship of the resources at their disposal and the financial performance in the use of those resources.
10. As the Chief Constable's external auditor, I am required to audit the financial statements and to issue an auditor's report, which includes an opinion on whether the financial statements reflect a true and fair statement of the Chief Constable's financial positions at the year end.

## The Chief Constable's 2012-13 accounts were properly prepared and materially accurate

11. The introduction of the Police Reform & Social Responsibility Act 2011 meant that both the Commissioner and the Chief Constable are responsible for producing their own set of individual financial statements for 2012-13. In addition, the Commissioner is also responsible for producing the police pension fund financial statements and consolidated or 'group' financial statements that incorporate the Commissioner's and Chief Constable's financial statements.
12. The Chief Constable produced draft financial statements and approved them before 30 September 2013, in accordance with the requirements of the Accounts and Audit Regulation (Wales) 2010.
13. Police and Crime Commissioners and Chief Constables have prepared their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.
14. I am required by International Standards on Auditing (ISA) 260 to report issues arising from my work to 'those charged with governance' (the Chief Constable) before I issue my audit opinion on the accounts.
15. I reported these issues to the Chief Constable and the Joint Audit Committee on 19 September 2013. The key issues are set out in [Exhibit 1](#).

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### Exhibit 1: Issues identified in the Audit of Financial Statements Report

Reporting requirement	Auditors' response
Views about the qualitative aspects of the entity's accounting practices and financial reporting.	We found that the majority of information provided to be relevant, reliable, and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
Expected modifications to the auditor's report.	No modifications were required to the auditor's report.
Unadjusted misstatements.	There was one uncorrected misstatement that we reported to the Chief Constable: <ul style="list-style-type: none"><li>• The audit fee should be split equally between the Police and Crime Commissioner and the Chief Constable for Gwent. The full audit fee for 2012-13 has been included within the Police and Crime Commissioner accounts with a narrative statement to this affect in the Chief Constable accounts. We are content with this treatment this year but request that the audit fee be correctly split between both accounts going forward.</li></ul>
Material weaknesses in the accounting and internal control systems identified during the audit.	We did not identify any material weaknesses in internal controls that we had not reported to the Chief Constable (and previously Authority) already.
Matters specifically required by other auditing standards to be communicated to those charged with governance.	No matters arose.
Any other relevant matters relating to the audit.	No matters arose.

16. On 30 September 2013, I issued my opinion on the Chief Constable's accounts. I concluded that the accounts give a true and fair view of the financial position of the Chief Constable as at 31 March 2013 and of the income and expenditure for the year then ended.

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## **The Chief Constable met the revenue budget for 2012-13, and continues to be well placed to deliver the response to the significant financial challenges ahead**

17. Gwent Police Authority (the Authority) had a good track record of operating within its revenue budget and this continued under the Commissioner and Chief Constable in 2012-13. Against a revenue budget requirement for the year of £117.5 million, efficiency savings of £1.8 million were achieved under the Staying Ahead programme earlier than planned. This amount was transferred to specific reserves to meet future operational changes. The decrease of £0.4 million to the Police Fund General Reserve reduced the total held at 31 March 2013 to £8.5 million.
18. The Chief Constable continues to receive regular reports from the Assistant Chief Officer – Resources on expenditure and position against budget. These have also been presented to the Joint Audit Committee and, from May 2013, the Strategy and Performance Board. The reported position at 31 July 2013 showed that the Commissioner and Chief Constable were on course to deliver the £2.3 million of efficiency schemes required in 2013-14.
19. However, there is increasing pressure to identify savings that cover the cumulative financial deficit of £44 million to 31 March 2018 identified from the 2013 Comprehensive Spending Review. Total savings/cost reductions of £26.4 million have been delivered at 31 July 2013 and further savings of £8 million have been identified under the Staying Ahead Programme. This leaves an additional savings requirement of £9.6 million to bridge the overall funding gap and work is ongoing to identify how these savings will be made in future years.
20. As part of our audit, we consider the effectiveness of the controls and processes in place for the Chief Constable and his staff to monitor budgets and the financial position. Our work did not identify any significant weaknesses in the budgetary controls or processes used by management in the year.

## **The Chief Constable has an effective internal control environment to reduce the risk of material misstatement to the financial statements**

21. The Chief Constable has an effective internal control environment which reduces the risk of material misstatement to the financial statements. Internal Audit concluded in their annual report that, based on the work completed during the year, the Chief Constable has 'a basically sound system of internal control'. Overall, this provided an adequate assurance level, with the majority of the systems audited achieving a substantial or adequate level of assurance.



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22. In particular, I concluded that:

- as in previous years, Internal Audit has met the required professional standards and our planned reliance on their work has therefore been possible;
- the IT control environment was found to be generally operating effectively and management are taking action to respond to improvements in systems and control recommended by Internal Audit;
- the arrangements for ensuring that the Chief Constable (and previously the Authority) only entered into material transactions where there is specific provision to do so, were found to be in place and had continued to operate effectively; and
- the arrangements for preventing and detecting material fraud and corruption operated effectively.

### **The Chief Constable's significant financial systems were appropriately controlled and operated as intended to produce materially accurate accounts**

23. My review of the Chief Constable's financial systems involved documenting the significant financial systems. Where appropriate, we sought assurance that the key controls of these significant systems were operating effectively, either by undertaking specific testing of their operation, or by relying on the work of Internal Audit.
24. I concluded that the Chief Constable's significant financial systems can be relied upon to produce materially correct outputs. There are some minor areas for improvement, which have been discussed with management, and appropriate actions are already being considered and implemented. All recommendations made by Internal and External Audit are reported to the Joint Audit Committee (and previously the Audit and Resources Committee) as well as the Chief Constable, who monitors their implementation by management. There are no specific matters I need to bring to the attention of the Chief Constable.

### **The Chief Constable has appropriate corporate arrangements in place to support effective use of resources**

### **The Chief Constable had proper arrangements in place during 2012-13 to help achieve economy, efficiency and effectiveness in the use of resources**

25. In examining the Chief Constable's accounts each year, I am required under Section 17(2)(d) of the Public Audit (Wales) Act 2004 to satisfy myself that they have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. This requirement is also reflected in the Code. My formal conclusion on

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the Chief Constable's Value for Money (VFM) arrangements for 2012-13 is set out in [Appendix 1](#).

26. In addition to the audit of the annual accounts, other important sources of assurance have come from performance and inspection work undertaken by Her Majesty's Inspectorate of Constabulary (HMIC) and Internal Audit.
27. The Chief Constable was responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. For the purposes of my work, I have evaluated the Chief Constable's systems against a number of questions. This approach is set out in detail in [Appendix 2](#). For each question, I consider whether there are gaps in the arrangements expected to be in place, and the significance of those gaps.
28. Following the election of the Commissioner in November 2012, the arrangements operating previously under the Authority have continued at an operational level. At a monitoring and corporate level they have been replaced by a number of new arrangements, which include the Joint Audit Committee, the Police and Crime Panel, and revised internal performance monitoring. These new arrangements operated for only part of the 2012-13 financial year and have continued to evolve after 31 March 2013. The Commissioner, the Chief Constable and management staff are reviewing the performance of the arrangements and making adjustments to strengthen them further.
29. The Chief Constable's Annual Governance Statement contains more detail on the various arrangements in place during the year. We reviewed the content of the Statement and concluded that it was consistent with our knowledge of the organisation. There are a number of development areas identified in the Statement and we will continue to work with the Chief Constable and his staff and officers to address these going forward.

## **Effective arrangements are in place to manage financial pressures and there is a framework to support sustainable policing for the public**

30. Our aligned work programme with HMIC involved jointly gathering evidence on whether the Staying Ahead savings programmes are delivering positive and measurable changes towards a sustainable police service. HMIC concluded that:  
*'Gwent Police has made good progress in meeting its financial challenge and has developed a detailed change programme, which will allow it to reduce costs while continuing to fight crime. However the recent departure of the Chief Constable brings instability at a crucial time.'*
31. HMIC reached this conclusion because:
  - Whilst Gwent Police has a mixed geography with pockets of high demand in urban areas, dispersed rural communities and limited opportunities for economies of scale, it has developed a detailed change programme to reduce costs while continuing to fight crime.

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- As a proportion of its overall budget, Gwent's savings requirement is broadly in line with other forces.
  - Officer numbers are being reduced by limiting recruitment and holding vacancies, but there is a smaller reduction than in most other forces. Gwent Police will be broadly protecting frontline posts and benefits from an extra 101 community support officers funded by the Welsh Government.
  - Reductions in police staff are less than in most other forces and there are plans to increase the number of community support officers.
  - Recorded crime has fallen at a considerably higher rate than the average rate for England and Wales.
32. Following the publication of HMIC's report, the recruitment process for a replacement Chief Constable has now been completed. Reviews conducted by HMIC support my conclusions about arrangements to secure an efficient and effective police service<sup>1</sup>.

### **Appropriate arrangements are developing for engagement and consultation to enable citizens help shape the police service it receives**

33. The introduction of Commissioners aims to provide strong and transparent accountability of the police. Commissioners are elected by the public to hold the Chief Constable and the Force to account; effectively making the police answerable to the communities they serve. The Chief Constable and Force therefore, have a role to support the Commissioner to represent and engage with local communities to help ascertain and deliver their policing priorities. Part of our work this year involved reviewing the Force and Commissioner's engagement and consultation arrangements. The study centred upon identifying learning points for Chief Constable and Commissioner to consider for future engagement, including applying the National Principles for Public Engagement and using the evaluation toolkit<sup>2</sup>. We conducted this work in collaboration with Participation Cymru.
34. I believe appropriate arrangements are developing for engagement and consultation. I have reached this conclusion because:
- Prior to the Commissioner's appointment, the Force and Police Authority consulted on policing priorities and these were mapped with the strategic priorities gathered by the Commissioner during his election campaign.
  - The police and crime plan includes community engagement as one of the strategic outcomes and principles for joint engagement working are established.

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<sup>1</sup> HMIC "Gwent Police's response to the funding challenge" July 2013

<sup>2</sup> The National Principles for Public Engagement in Wales were developed under the direction of the Participation Cymru partnership and endorsed by Welsh Government in March 2011.

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- There are effective means for engaging with the public, including extensive use of social media, public meetings, through the website and the development of public surgeries. We have also observed that the Commissioner and Force are making effective use of social media, providing useful information to citizens and also promoting the current engagement through this medium.
  - Engagement feedback is collected through a neighbourhood management database and local priorities are highlighted and then referred for action.
  - Progress is being made in developing the ways communities are involved at local policing meetings, including redesigning the PACT (Partners and Communities Together) model.
- 35.** The Chief Constable, Commissioner and their staff have responded constructively to this review and adopted the National Principles for Public Engagement in Wales. We will be providing more detailed feedback to them separately and provide further examples of good practice where applicable.
- 36.** The Commissioner and Force face a particularly challenging period ahead and I will continue to monitor progress and work with HMIC for performance audit work in 2013-14. The benefit of a co-ordinated approach between the Wales Audit Office and HMIC is to ensure the programmes of work avoid duplication and promote sharing between our respective organisations. Our approach also helps guide our programmes of work and helps ensure that intelligence is actively and promptly shared and ensure that key risks and concerns are being examined.

# Appendix 1

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## Conclusion on the Chief Constable for Gwent Police's arrangements for the year ended 31 March 2013 for securing economy, efficiency and effectiveness in the use of resources

### Chief Constable for Gwent Police's responsibilities

The Chief Constable for Gwent Police is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Chief Constable's use of resources, and to ensure proper stewardship and governance. The Chief Constable is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities

I have a responsibility under Section 17(2) of the Public Audit Wales Act 2004 to conclude from my audit of the Chief Constable's annual accounts whether I am satisfied as to the existence of the arrangements that they had in place during the year to properly support the achievement of their responsibility to secure economy, efficiency and effectiveness in their use of resources. For the purposes of my work in this area, I have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in Paragraph 48 of the Code.

I report if significant matters have come to my attention which prevent me from concluding that the Chief Constable has made such proper arrangements. In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered as part of this aspect of my work, the effectiveness of the arrangements in place in securing value for money during the year under review.

### Conclusion

The following conclusion has been based on, and limited to, work carried out as part of my audit of the 2012-13 accounts to establish, in all significant respects, what arrangements the Chief Constable had in place during the year to support the achievement of their responsibility to secure economy, efficiency and effectiveness in their use of resources.

In carrying out my work, I have not considered whether the arrangements in place represent all those that could be in place. I am also not required to consider, nor have I considered, the effectiveness of the arrangements in place in securing value for money during the year under review.

Based on the Chief Constable's Annual Governance Statement and as a result of the work carried out, as described above as part of my audit of the 2012-13 accounts, and all other information that I have considered to be relevant, I am satisfied as to the existence of the arrangements that the Chief Constable had in place during the year to properly support the achievement of their responsibility to secure economy, efficiency and effectiveness in their use of resources. Based on, and limited to, the work carried out I have raised various issues with, and made recommendations to, improve the Chief Constable's arrangements. These matters are further discussed and explained in my Annual Audit Report to the Chief Constable.

Anthony Barrett  
Appointed Auditor  
14 November 2013

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

## Appendix 2

### Criteria for assessing the Chief Constable's arrangements during 2012-13 for securing economy, efficiency and effectiveness in the use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
<b>Establishing objectives determining policy and decision making</b>	Has the Chief Constable put in place arrangements for setting, reviewing and implementing strategic and operational objectives?
<b>Meeting the needs of users, stakeholders and the local population</b>	Has the 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 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 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 Chief Constable put in place arrangements to manage significant business risks?
<b>Managing financial and other resources</b>	Has the Chief Constable put in place arrangements to evaluate and improve the value for money he achieves in his use of resources?
	Has the Chief Constable put in place arrangements to ensure that spending matches available resources?
	Has the 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, the Chief Constable and the Commissioner?
<b>Proper standards of conduct etc</b>	Has the 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 Chief Constable put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of their business?

# Appendix 3

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## Reports issued since my last annual audit report

Report	Date
Audit Outline 2013	March 2013
External Audit Update Reports	December 2012 January, April, July, September 2013
Audit of Financial Statements Report	September 2013
Police public engagement	November 2013
Annual Audit Report	November 2013



**WALES AUDIT OFFICE**  
**SWYDDFA ARCHWILIO CYMRU**

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Tel: 029 2032 0500

Ffôn: 029 2032 0500

Fax: 029 2032 0600

Ffacs: 029 2032 0600

Textphone: 029 2032 0660

Ffôn Testun: 029 2032 0660

E-mail: [info@wao.gov.uk](mailto:info@wao.gov.uk)

E-bost: [info@wao.gov.uk](mailto:info@wao.gov.uk)

Website: [www.wao.gov.uk](http://www.wao.gov.uk)

Gwefan: [www.wao.gov.uk](http://www.wao.gov.uk)