



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Police and Crime Commissioner for Dyfed Powys and Chief Constable for Dyfed Powys

Audit year: 2016-17

Date issued: July 2017

Document reference:



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infoofficer@audit.wales.

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.

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

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The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements of the Police and Crime Commissioner for Dyfed Powys (the Commissioner) and of the Chief Constable for Dyfed Powys (the Chief Constable) give a true and fair view of their financial position at 31 March 2017 and of their income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material are:

| | Police and Crime Commissioner | Chief Constable | Police Pension Fund |
|---|--------------------------------------|------------------------|----------------------------|
| Income and Expenditure items and other balances | £1.532 million | £1.532 million | £0.613 million |

Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and reader sensitivity.

- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. For Police bodies, those charged with governance are the Police and Crime Commissioner and Chief Constable.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Commissioner and the Chief Constable, for 2016-17, that require reporting under ISA 260. We have not included any specific recommendations in this report and we will issue a separate report to summarise the less significant issues identified during the audit along with any relevant recommendations

Status of the audit

- 6 In 2016-17 we agreed with both the Commissioner and Chief Constable to pilot earlier deadlines for both the accounts preparation and audit delivery. The statutory deadlines remain as 30 June for accounts preparation and 30 September for audit certification, however for 2018/19 onwards these dates will be brought forward to 31 May and 31 July respectively.
- 7 As agreed, we received the draft financial statements for both the Commissioner and the Chief Constable for the year ended 31 March 2017 on 16 June 2017. We have now substantially completed the audit work and are planning on signing off

the 2016-17 financial statements for both the Commissioner and Chief Constable by end of July 2017, two months ahead of the statutory deadline.

- 8 This is a significant achievement by the finance team and we would like to thank them for helping us achieve these tight deadlines. Undertaking the production and audit of the accounts to these earlier deadlines has identified a number of learning points for both the finance team and ourselves. We will consider these in more detail at a future post project learning session to ensure they are captured and built into processes for future years.
- 9 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Chief Finance Officer of the Police and Crime Commissioner's office and the Director of Finance for the Chief Constable.

Proposed audit report

- 10 It is the Auditor General's intention to issue an unqualified audit report on the financial statements of both the Commissioner and Police Constable once you have provided us with a Letter of Representations based on those set out in [Appendix 1 and 2](#).
- 11 The proposed audit reports are set out in [Appendix 3 and 4](#).

Significant issues arising from the audit

Uncorrected misstatements

- 12 Where we identify misstatements that are not trivial but have no impact on our opinion, we raise them with management who have the option to amend for them. Where they decide not to amend, their decision needs to be ratified by those charged with governance to ensure they agree. We set out below the misstatement we identified in the financial statements, which has been discussed with management who have decided not to amend it due to it not being material and therefore not having a significant impact on the accounts or our opinion.

£114k of receipts relating to the disposal of the Police Helicopter was incorrectly included in the 2016-17 financial statements

- During 2015-16 the Force disposed of the Police helicopter. The Force received £233k receipts from the sale of the helicopter and this was agreed to be paid over a 4 year period in different instalments. These receipts were included in the calculation for the loss on disposal included in the 2015-16 financial statements.

However in 2016-17, the second year's payment of £114k was received but this has been recognised once again in the Comprehensive Income and Expenditure account as income, rather than reversing out the debtor balance that had been set up in 2015-16.

Corrected misstatements

- 13 There are 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. They are set out with explanations in [Appendix 5](#).

Other significant issues arising from the audit

- 14 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

- **We did not encounter any significant difficulties during the audit.**

We received information in a timely and helpful manner and were not restricted in our work.

- **There were no significant matters discussed and corresponded upon with management, which we need to report to you.**

We have addressed the risks identified in the audit plan and there are no issues that need to be brought to your attention.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**

- **We did not identify any material weaknesses in your internal controls**

- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

- 15 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 16 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and either the Police and Crime Commissioner for Dyfed Powys or the Chief Constable for Dyfed Powys that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation – Chief Constable for Dyfed Powys

[Audited body's letterhead]

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

[Date]

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of the Chief Constable of Dyfed Powys for the year ended 31st March 2017 for the purpose of expressing an opinion on their truth and fairness.

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.
- 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 for Dyfed Powys 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.
- 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.

Representations by the Chief Constable for Dyfed Powys

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 25th July 2017.

I confirm that I have taken all the steps that I ought to have taken in order to make myself 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:

Director of Finance – Chief Constable

Date:

Signed by:

Chief Constable for Dyfed Powys

Date:

Appendix 2

Final Letter of Representation – Police and Crime Commissioner for Dyfed Powys

[Audited body's letterhead]

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

[Date]

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of Police and Crime Commissioner for Dyfed Powys for the year ended 31st March 2017 for the purpose of expressing an opinion on their truth and fairness.

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.
- 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 Dyfed Powys 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.
- 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. A summary of these items is set out below:

[Include here an additional representation outlining the reasons for non amendment of a non trivial error.](#)

Representations by the Police and Crime Commissioner for Dyfed Powys

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 for 2016-17 on 25th July 2017.

I confirm that I have taken all the steps that I ought to have taken in order to make myself 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 PCC

Date:

Signed by:

Police and Crime Commissioner for
Dyfed Powys

Date:

Appendix 3

Auditor General for Wales' report to the Chief Constable for Dyfed Powys

I have audited the accounting statements and related notes of:

- Chief Constable for Dyfed Powys; and
- Dyfed Powys Police Pension Fund

for the year ended 31st March 2017 under the Public Audit (Wales) Act 2004.

The Chief Constable for Dyfed Powys' accounting statements comprise the Comprehensive Income and Expenditure Statement and Balance Sheet.

The Dyfed Powys Police Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 12, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Dyfed Powys Police Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable for Dyfed Powys and the Dyfed Powys Police Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing

the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the Chief Constable for Dyfed Powys

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Chief Constable for Dyfed Powys as at 31st March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the Dyfed Powys Police Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Dyfed Powys Police Pension Fund during the year ended 31st March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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;
- the accounting 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;
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Chief Constable for Dyfed Powys and the Dyfed Powys Police Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 4

Auditor General for Wales' report to the Members of the Police and Crime Commissioner for Dyfed Powys

I have audited the accounting statements and related notes of:

- Police and Crime Commissioner for Dyfed Powys;
- Police and Crime Commissioner for Dyfed Powys Group; and
- Dyfed Powys Police Pension Fund

for the year ended 31st March 2017 under the Public Audit (Wales) Act 2004.

The Police and Crime Commissioner for Dyfed Powys' accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The Police and Crime Commissioner for Dyfed Powys' Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The Dyfed Powys Police Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts as set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including the Police and Crime Commissioner for Dyfed Powys' Group accounting statements and the Dyfed Powys Police Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police and Crime Commissioner for Dyfed Powys', the

Police and Crime Commissioner for Dyfed Powys Group's and the Dyfed Powys Police pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the Police and Crime Commissioner for Dyfed Powys

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Dyfed Powys as at 31st March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the Police and Crime Commissioner for Dyfed Powys Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Dyfed Powys Group as at 31st March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the Dyfed Powys Police Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the Dyfed Powys Police Pension Fund during the year ended 31st March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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;
- the accounting 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;
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
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CF11 9LJ
25th July 2017

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Police and Crime Commissioner and Chief Constable for Dyfed Powys

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.

| Value of correction | Nature of correction | Reason for correction |
|----------------------|--|--|
| £83,000 | Capital Adjustment Account - £83k of amortisation of intangible assets had been incorrectly included in the charge for depreciation and impairment. The note has been reclassified for this oversight. | To correct an error in the classification between the charge for depreciation and impairment and the amortisation of intangible assets. No overall effect on the closing balance for this amendment. |
| £223,000 | Note 21 Financial Instruments, fair values - Long term Investments were over stated and an adjustment to move this figure into short term Investments was made. | To correct an error in the categorisation between long term and short term investments. No overall effect on the closing balance for this amendment. |
| £15,000 | Amendment to the exit package disclosed for the departure of the Director of Legal and Compliance | To correctly reflect the requirements of the Accounts and Audit regulations 2014 |
| Narrative disclosure | There were two minor narrative adjustments made to the Annual Governance Statement included the Police and Crime Commissioner financial statements | To ensure the Annual Governance Statement was factually correct |
| Various | There were several other narrative, presentational and minor amendments made to both sets of accounts. | To ensure full compliance with the Code and ensure presentational accuracy in line with International Financial Reporting Standards. |

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