



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

# Annual Audit Report 2012

## **North Wales Police Authority**

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# Status of report

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The team who delivered the work comprised Derwyn Owen, Jason Garcia, Andy Bruce and Michelle Pheonix.

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# Summary report

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1. This Annual Audit Report (the Report) to members of the North Wales Police Authority (the Authority) summarises the conclusions from my 2011-12 audit. It reports for Authority members the significant issues arising from my audit, together with my comments on other current issues.
2. More detail on the specific aspects of my audit can be found in the separate reports that have been issued during the year. These reports are discussed and agreed with officers and presented to the Authority. 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 2012 sets out the proposed audit fee of £83,482 (plus VAT), and the final fee will be in line with the proposed fee.
5. I have concluded that the Authority's resources were, in all material respects, properly used and accounted for in 2011-12:
  - the Authority's 2011-12 accounts were properly prepared and materially accurate;
  - the Authority met its revenue budget for 2011-12, and continues to be well placed to deliver its response to the significant financial challenges ahead;
  - the Authority had an effective internal control environment to reduce the risk of material misstatement to the financial statements; and
  - the Authority's significant financial systems were appropriately controlled and operated as intended.
6. The Authority has appropriate corporate arrangements in place to support effective use of resources:
  - the Authority had proper arrangements in 2011-12 to help it achieve economy, efficiency and effectiveness in its use of resources;
  - financial pressures are being managed through a long-term plan and which is supported by a number of initiatives to maintain effective policing; and
  - appropriate arrangements are in place for the transition to the Police and Crime Commissioner (PCC).

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7. This Report has been agreed with the Treasurer and the Director of Finance and Resources and other relevant officers. The Report will be presented to the Authority in November 2012 and a copy provided to every member of the Authority.
  8. I aim to deliver a high standard of audit, which makes a positive and practical contribution and supports the Authority'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.

Derwyn Owen  
For and on behalf of the Appointed Auditor

Date: XXXXXXXXX

# Detailed report

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

9. The financial statements are an essential means by which the Authority accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.
10. As the Authority'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 Authority's financial position at the year-end.

## The Authority's 2011-12 accounts were properly prepared and materially accurate

11. The Authority produced its draft financial statements and approved them before 30 September 2012, in accordance with the requirements of the Accounts and Audit Regulation (Wales) 2010.
12. Police authorities in Wales prepare 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.
13. I am required by International Standards on Auditing 260 to report issues arising from my work to 'those charged with governance' (the Authority) before I issue my audit opinion on the accounts.
14. I reported these issues to the Authority meeting on 26 September 2012. The key issues are set out in [Exhibit 1](#).

## 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 had no concerns about the qualitative aspects of your accounting practices and financial reporting. The Authority has responded well to our recommendations from the 2010-11 audit and has provided good quality documentation to support the transactions and balances in the 2011-12 financial statements.
Expected modifications to the auditor's report.	No modifications were required to the auditor's report.
Unadjusted misstatements.	There were no uncorrected misstatements in the financial statements.
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 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.	We reported one other matter to the Authority: <ul style="list-style-type: none"> <li>We have reported in previous years that the method of allocating the Authority's share of the income and expenditure assets and liabilities of Police Authorities of Wales (PAW) had not been agreed. Instead, each police authority included the actual transactions and enhanced disclosures relating to PAW in their 2010-11 financial statements. The position for 2011-12 was unchanged and there was no material impact on the financial statements.</li> </ul>

15. On 28 September 2012, I issued my opinion on the Authority's accounts. I concluded that the accounts give a true and fair view of the financial position of the Authority as at 31 March 2012 and of its income and expenditure, gains and losses, and cash flows for the year then ended.
16. We have also completed the audit of the Whole of Government Accounts return, and we then submitted the audited return to the Wales Audit Office central audit team on the required deadline of 28 September 2012. The return was well compiled and there were no matters of significance to report.
17. We have, however, not yet formally closed the audit. This is due to an item of correspondence recently being received from an elector relating to this audit year. We are working with management to respond to the issues raised.

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## The Authority met its revenue budget for 2011-12, and continues to be well placed to deliver its response to the significant financial challenges ahead

18. The Authority has a good track record of operating within its revenue budget and this continued in 2011-12. Against a net expenditure revenue budget of £141 million, the Authority recorded an underspend of £7.5 million. This amount was transferred to specific reserves to meet future operational changes, the estates strategy and a new probationer's reserve. The General Reserve balance as at 31 March 2012 remained unchanged at £7.2 million.
19. The Authority continues to receive regular reports from the Treasurer and Director of Finance and Resources on expenditure and position against budget. The reported position at 31 July 2012 showed that the Authority was expecting to achieve its targeted efficiency savings in 2012-13. The report to the policy working group in September 2012 predicted a year-end surplus of £2.5 million in 2012-13. This will help strengthen the position of the Authority, and its successor bodies, to meet financial and future operational and non-operational challenges arising from the comprehensive spending review in October 2010.

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

20. The Authority 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, 'North Wales Police Authority has 'a sound system of internal control'. Overall, this provided an adequate assurance level, with the majority of the systems audited achieving a good or satisfactory rating.
21. 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 arrangements for ensuring that the Authority only entered into material transactions where there is specific provision for it 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.

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## The Authority's significant financial systems were appropriately controlled and operated as intended

22. My review of the Authority'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.
23. I concluded that the Authority'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 Authority, which monitors their implementation, by management. There are no specific matters I need to bring to the attention of members.

## The Authority has appropriate corporate arrangements in place to support effective use of resources

### The Authority had proper arrangements in 2011-12 to help it achieve economy, efficiency and effectiveness in its use of resources

24. In examining the Authority's accounts each year, I am required under Section 17(2)(d) of the Public Audit (Wales) Act 2004 to satisfy myself that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This requirement is also reflected in the Code. My formal conclusion on the Authority's value for money arrangements for 2011-12 is set out in [Appendix 1](#).
25. 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.
26. The Authority was responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Authority's use of resources. For the purposes of my work, I have evaluated the Authority'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.
27. There were no matters arising from my work in this area for 2011-12 that I wish to draw to your attention.

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## Financial pressures are being managed through a long-term plan which is supported by a number of initiatives to maintain effective policing

- 28.** Our aligned work programme with HMIC involved jointly reviewing whether the Force and Authority savings programmes are delivering positive and measurable changes towards a sustainable police service. Our overall conclusion was that financial pressures are being managed through a long-term plan and which is supported by a number of initiatives to maintain effective policing. I have reached this conclusion because:
- a transformational change project is addressing funding cuts but the existing plan will have to be revised to achieve the efficiency targets;
  - the numbers of officers are reducing but steps are being taken to more effectively organise the workforce including the development of mobile technology;
  - the Force is making savings, particularly through collaboration and is developing further opportunities for joint working and savings in the long term; and
  - reviews conducted by HMIC support my conclusions about arrangements to secure an efficient and effective police service<sup>1</sup>.

## Appropriate arrangements are in place for the transition to Police and Crime Commissioners

- 29.** A directly elected PCC will replace the Authority in November 2012 and it is important the planning and arrangements for handover are effective. Part of our work this year is to monitor the progress being made and I believe appropriate arrangements are in place for the transition. I have reached this conclusion because:
- a transformational change management programme for the handover to PCCs is in place and identifies evolving issues and risks;
  - there is appropriate engagement with the public, stakeholders, Welsh Local Government Association and Welsh Government to ensure the policing issues that affect Wales are taken into account;
  - a standard framework has been established with other Welsh police authorities for the transition to PCCs;
  - authority officers, members and police staff are responding constructively and responsibly to the transition process; and
  - a review conducted by HMIC support my conclusions about arrangements for the transition to PCCs<sup>2</sup>.

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<sup>1</sup> HMIC Policing in austerity: one year on July 2012

<sup>2</sup> HMIC Preparing for Police and Crime Commissioners July 2012

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- 30.** The Authority is developing a number of options for how the PCC and Police and Crime Panel may operate from day one, although the arrangements are not yet complete. However, under such revised terms of working, I acknowledge that the Authority, Force and PCC face a particularly challenging period ahead and I will continue to monitor progress and work with HMIC on performance-related audit work throughout 2012-13. 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 North Wales Police Authority's arrangements for the year ended 31 March 2012 for securing economy, efficiency and effectiveness in its use of resources

### Accountable Officer's responsibilities

The Accountable Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Authority's use of resources, and to ensure proper stewardship and governance. The Accountable Officer 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 Authority's annual accounts whether I am satisfied as to the existence of the arrangements that it had in place during the year to properly support the achievement of its responsibility to secure economy, efficiency and effectiveness in its 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 Authority 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 2011-12 accounts to establish, in all significant respects, what arrangements the Authority had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its 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 Authority's Annual Governance Statement and as a result of the work carried out, as described above as part of my audit of the 2011-12 accounts, and all other information that I have considered to be relevant, I am satisfied as to the existence of the arrangements that the Authority had in place during the year to properly support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. Based on, and limited to, the work carried out I have raised various issues with, and made recommendations to, improve the Authority's arrangements. These matters are further discussed and explained in my Annual Audit Report to the Authority.

Anthony Barrett  
Appointed Auditor  
xx November 2012

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## Appendix 2

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### Criteria for assessing the Authority's arrangements during 2011-12 for securing economy, efficiency and effectiveness in its use of resources

Corporate performance management and financial management arrangements	Questions on arrangements
<b>Establishing objectives, determining policy and decision making</b>	Has the Authority put in place arrangements for setting, reviewing and implementing its strategic and operational objectives?
<b>Meeting the needs of users, stakeholders and the local population</b>	Has the Authority 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 Authority 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 Authority?
<b>Compliance with established policies</b>	Has the Authority 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 Authority put in place arrangements to manage its significant business risks?
<b>Managing financial and other resources</b>	Has the Authority put in place arrangements to evaluate and improve the value for money it achieves in its use of resources?
	Has the Authority put in place arrangements to ensure that its spending matches its available resources?
	Has the Authority 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 Authority?
<b>Proper standards of conduct etc</b>	Has the Authority put in place arrangements for monitoring and scrutinising performance, to identify potential variances against strategic objectives, standards and targets for taking action and, where necessary, reporting to members?
	Has the Authority put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business?

# Appendix 3

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## Reports issued since my last audit letter

Report	Date
Audit Outline 2012	February 2012
Delivering a Redesigned Police Service	April 2012
Audit of Financial Statements Report	September 2012
Annual Audit Report	November 2012





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