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Arfon Jones
Police and Crime Commissioner for
North Wales
Carl Foulkes
Chief Constable for North Wales
Glan Y Don
Abergele Road
Colwyn Bay
LL29 8AW

Reference: 1560A2019-20

Date issued: 18 November 2019

Dear Mr Jones and Mr Foulkes

Annual Audit Letter Police and Crime Commissioner for North Wales and Chief Constable for North Wales

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Police and Crime Commissioner for North Wales and the Chief Constable for North Wales complied with their responsibilities relating to financial reporting and use of resources

The Police and Crime Commissioner (P&CC) and the Chief Constable (CC) are responsible for:

- putting systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure the security of assets;
- maintaining proper accounting records;
- preparation of Statements of Accounts in accordance with relevant requirements; and
- the establishment and review of appropriate arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;

- review the Body's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

I issued unqualified audit opinions on the statements of accounts of both the P&CC and the CC on 30 July 2019

Police bodies in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Body Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 July 2019 I issued unqualified audit opinions on the accounting statements for both the P&CC and the CC, confirming that they present a true and fair view of each body's financial position and transactions.

The key matters arising from the accounts audit were reported to the P&CC and CC in my Audit of Financial Statements report on 30 July 2019.

I am satisfied that both the P&CC and the CC have appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the arrangements to secure economy, efficiency and effectiveness has been based on:

- the audit work undertaken on the statement of accounts;
- the results of the audit work undertaken on the P&CC's and CC's systems of internal controls as reported within the Annual Governance statements;
- the results of previous work carried out by the Auditor General;
- the results of work of other external review bodies such as Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS); and
- any other work, including that undertaken by Internal Audit, that I considered necessary to discharge my responsibilities.

For the purposes of my work I evaluated the P&CC's and the CC's systems against a number of questions. This approach is set out in detail 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.

Consideration of the responses from the P&CC and CC to these questions has highlighted an area of good practice with the creation of an Operational Improvement Programme (OIP) and an Operational Improvement Board (OIB) against the backdrop of austerity and the changes identified in crime patterns.

The OIP was established to review operational effectiveness and efficiency in a specific number of areas following changes in crime patterns and feedback from HMICFR reviews combined with the impact of austerity. Detailed operational and financial modelling has been undertaken for each of the areas under review with business cases presented as part of the 2019-20 budget planning process with implementation during the coming year. The success of these changes is being monitored by the OIB.

Supplementing this work, I am undertaking a more focused piece of work, reviewing the arrangements in place for securing economy, efficiency and effectiveness when undertaking collaborative working arrangements between place forces in Wales. This work is currently ongoing, and our findings will be shared with the Commissioner and the Chief Constable in early 2020.

Police bodies across Wales continue to face significant financial challenges

Levels of funding remain a significant challenge facing all police bodies and these financial pressures are likely to continue for the medium term. The police funding settlement for 2019-20 will see the P&CC's settlement increase by 2.1%. In 2018-19, the P&CC group generated a surplus on the provision of services of £0.044m. For 2019-20, the group projects that it will deliver a surplus on the provision of services of £0.145m and has identified further pressure points coming from additional demand for services, overtime costs and IT costs.

To respond to these pressures, the P&CC and CC have made decisions about where to devote resources and are considering new ways to deliver services. The medium term financial plan identifies the following targets and savings to achieve those targets for the period 2019-20 to 2023-24:

- Operational improvement programme £3.6m;
- Digital reviews £1.25m; and
- Back office and support services £1.5m.

As part of their medium-term plan, they expect to apply £14m of their usable earmarked reserves.

The P&CC's reserves have decreased by £17m since 2016-17. Total usable reserves represent 15% of the net cost of services, 12.5% of which are earmarked for specific purpose.

Careful consideration of reserves balances and how they might be used to support financial plans is particularly important as it is not sustainable to rely on reserves to support ongoing costs. Once reserves have been depleted, other sources of funds or efficiencies must be identified. North Wales Police have used reserves in a planned manner rather than to support on-going costs.

I issued certificates confirming that the audit of the accounts for the P&CC and the CC have been completed on 30 July 2019

I received no electors' questions or objections in relation to the 2018-19 audit. Having given an audit opinion on the financial statements and concluded on the arrangements to secure economy, efficiency and effectiveness in its use of resources, I was able to certify that the audit of both the P&CC and the CC was complete when I issued my audit opinion.

The financial audit fee for 2018-19 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Derwyn Owen
For and on behalf of the Auditor General for Wales

Appendix 1

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

Exhibit 1: 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? |

| Corporate performance management and financial management arrangements | Questions on arrangements |
|--|--|
| | 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? |