



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

Annual Audit Report 2013

Chief Constable for Dyfed Powys Police

Issued: November 2013

Document reference: 661A2013

Status of report

The team who delivered the work comprised John Herniman, Phil Pugh, Andy Bruce and Julie Owens.

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Summary report

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 Dyfed Powys 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 Dyfed Powys (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 total proposed audit fee for both the Chief Constable and the Commissioner as set out in our Audit Outline 2013 was £77,459 (plus VAT). I can confirm that 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 Group met its revenue budget for 2012-13, and continues to be well placed to respond to the significant financial challenges ahead;
 - the Chief Constable had 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 resources;
 - effective arrangements are in place to manage financial pressures and there is a framework to support sustainable policing for the public; and

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- the Force has appropriate arrangements for engagement with the public and its partners.
7. This Report has been agreed with the Chief Constable and the Policing Board. The Report will also be presented to the Joint Audit Committee on 10 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: 27November 2013

Detailed report

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 his 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. The Commissioner and Chief Constable 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 26 September 2013. 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 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 were no identified mis-statements that were not corrected. |
| 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 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. | 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.

The Group met its revenue budget for 2012-13, and continues to be well placed to respond to the significant financial challenges ahead

17. Dyfed Powys Police Authority (the Authority) had a good track record of operating within its revenue budget and this continued under the Commissioner and the Chief Constable in 2012-13. The budget for 2012-13 approved by the former Dyfed Powys Police Authority and adopted by the Commissioner upon his appointment was £95.699 million. The Group achieved a balanced position against its net revenue budget requirement of £95.699 million. Within the Group, the Chief Constable's out-turn position was an overspend of £25,000 and the Commissioner's out-turn position was an underspend of £25,000.
18. The balanced position for the Group was achieved following a transfer to reserves from the Chief Constable's budget of £4.868 million compared to a budgeted reduction in reserves of £0.911 million, that is a net difference of £5.779 million.

Approximately, £5.6 million of this was transferred to Capital reserves to support future spending plans. The Chief Constable's operating expenses (eg Employee, Premises, Transport costs etc.) were underspent by £4.107 million.

19. The general reserve balance for the Group remained at £4.5 million which is in line with the target as determined in the Authority's Medium Term Financial Plan.
20. The Chief Constable continues to receive regular reports from the Head of Financial Management on expenditure and position against budget. As part of the cost reduction plan, a savings target of £8.962 million has been set for the period 2013-14 to 2017-18 with £10.430 million having been identified between 2010-11 to 2012-13.
21. 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 during the year.

The Chief Constable has an effective internal control environment to reduce the risk of material misstatement to the financial statements and an emerging legal issue relating to discretionary pay allowances is being dealt with appropriately

22. The Chief Constable has an effective internal control environment which reduces the risk of material misstatement to the financial statements.
23. In their annual report, Internal Audit concluded that based on the work completed during the year, the Chief Constable has 'a basically sound system of internal control' although there are weaknesses which may put some of the system objectives at risk'. Internal Audit's assessment was that this provided a 'Reasonable Assurance' level overall regarding the achievement of the objectives of Dyfed-Powys Police.
24. In particular, I concluded that:
 - 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 controls recommended by Internal Audit; and
 - the arrangements for preventing and detecting material fraud and corruption operated effectively.
25. Generally, 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.
26. However, a matter has recently arisen nationally which raises concerns about the lawfulness of some discretionary allowances paid to a small number of Chief Officers at forces throughout England and Wales. This matter is being dealt with jointly by the Commissioner and the Chief Constable. As the responsibility for the contracts of Chief Officers has transferred to the Commissioner, more detail on this matter is

included within the Commissioner's Annual Audit Report 2013. We plan to keep this matter under review over the coming months.

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

27. 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.
28. 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 Review Committee) as well as the Chief Constable, who monitor the action taken by management to address the recommendations. 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

29. 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 he has 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 the Chief Constable's Value for Money (VFM) arrangements for 2012-13 is set out in [Appendix 1](#).
30. 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.
31. 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.

32. Following the election of the Commissioner in November 2012, the arrangements operating previously under the former Police 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 Chief Officer Group. These new arrangements operated for only part of the 2012-13 financial year and have continued to evolve after 31 March 2013 with the introduction of the Policing Board. The Chief Constable together with the Commissioner and other senior management are reviewing the performance of the arrangements and making adjustments to strengthen them further.
33. The Chief Constable's Annual Governance Statement includes the detail of the various governance 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

34. Our aligned work programme with HMIC involved jointly gathering evidence on whether the savings programmes are delivering positive and measurable changes towards a sustainable police service. HMIC concluded that:
"Dyfed-Powys Police is on track to deliver its planned savings by March 2015. It has responded well and made significant savings, while at the same time maintaining performance – crime has continued to fall and satisfaction with policing remains high."
35. HMIC reached this conclusion because:
 - Despite Dyfed Powys Police needing to save £13.6 million over the four years of the spending review (ie March 2011 - March 2015), as a proportion of its overall budget (12 per cent) this savings requirement is less than the average of 17 per cent across England and Wales.
 - Officer numbers are being reduced by limiting recruitment and holding vacancies but there is a smaller reduction than in most other forces. Dyfed Powys Police will be broadly protecting frontline posts and plans to increase the number of community support officers funded by the Welsh Government.
 - Reductions in police staff are less than in most other forces.
 - Recorded crime has fallen broadly in line with the average rate for England and Wales.
 - Victim satisfaction rates are also broadly in line with other forces.

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36. Reviews conducted by HMIC support my conclusions about arrangements to secure an efficient and effective police service¹.

The Force has appropriate arrangements for engagement with the public and its partners

37. The introduction of Police and Crime Commissioners aims to provide strong and transparent accountability of the police. Police and Crime 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 the Commissioner's engagement and consultation arrangements. The study centred upon identifying learning points for the Chief Constable and the Commissioner to consider for future engagement, including applying the National Principles for Public Engagement and using the evaluation toolkit². We conducted this work in collaboration with Participation Cymru and acknowledge their assistance, throughout the review.
38. I believe the Force has appropriate arrangements for engagement with the public and its partners. I came to this conclusion because:
- the Force is committed to engaging with the public and partner organisations on a regular basis in order to gather feedback on crime and social issues;
 - there are effective means for engaging with the public, including, the use of local media, its website and through four citizen panels, three of which are managed by the Force;
 - the Force makes effective use of social media, providing useful information to citizens and promoting crime prevention;
 - working collaboratively with the third sector, including Victim Support surveying individuals on the Force's behalf;
 - policing teams including PCSOs capture evidence on local intelligence and provide feedback to the Force;
 - engaging with children and young people and those considered Not in Education, Employment, or Training (NEETS); and
 - engaging with Mental Health Services and providers and using trusted mediators to engage with harder to reach groups.
39. The Force has responded constructively to this review and we will be providing more detailed feedback separately and provide examples of good practice where applicable.

¹ HMIC "Dyfed Powys Police's response to the funding challenge" July 2013

² 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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- 40.** 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

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

Accountable Officer's responsibilities

The Chief Constable for Dyfed Powys Police 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 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
3 December 2013

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

Appendix 3

Reports issued since my last annual audit report

| Report | Date |
|--------------------------------------|----------------|
| Audit Outline 2013 | March 2013 |
| Audit of Financial Statements Report | September 2013 |
| Annual Audit Report | November 2013 |



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