



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

## Annual Audit Report 2013

# North Wales Police and Crime Commissioner

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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 Phoenix.

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# Summary report

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1. During the 2012-13 financial year the Police Reform and Social Responsibility Act 2011 came into effect. This legislation replaced police authorities with an elected Police and Crime Commissioner with effect from 22 November 2012. The Act also created the Police and Crime Commissioner and the Chief Constable as separate legal entities. This Annual Audit Report (the Report) to the North Wales Police and Crime Commissioner (the Commissioner) 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 Chief Constable for North Wales.
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 Commissioner 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 set out the proposed audit fee for both the audits of the Police and Crime Commissioner and Chief Constable for North Wales of £94,233 (plus VAT), and the final fee will be in line with the proposed fee.
5. I have concluded that the Commissioner's resources were, in all material respects, properly used and accounted for in 2012-13:
  - the Commissioner's 2012-13 accounts were properly prepared and materially accurate;
  - the Commissioner met his revenue budget for 2012-13, and continues to be well placed to deliver the response to the significant financial challenges ahead;
  - the Commissioner had an effective internal control environment to reduce the risk of material misstatement to the financial statements; and
  - the Commissioner's significant financial systems were appropriately controlled and operated as intended.
6. The Commissioner has appropriate corporate arrangements in place to support effective use of resources:
  - the Commissioner had proper arrangements in 2012-13 to help him achieve economy, efficiency and effectiveness in his 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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- there is a strong commitment to community engagement and a number of effective methods are used; however, the strategy could be clearer by identifying the levels of engagement and outcomes for the public.
7. This Report has been agreed with the Commissioner, Chief Executive, Chief Financial Officer and other relevant officers. The Report will also be presented to the Joint Audit Committee in February 2014 for information.
  8. I aim to deliver a high standard of audit, which makes a positive and practical contribution and supports the Commissioner'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: December 2013

# Detailed report

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

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

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

11. The introduction of the Police Reform and 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 Commissioner produced his draft financial statements and approved them before 30 September 2013, in accordance with the requirements of the Accounts and Audit Regulations (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 Commissioner) before I issue my audit opinion on the accounts.
15. I reported these issues to the Commissioner and the Joint Audit Committee on 27 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 the majority of 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 received information in a timely and helpful manner and were not restricted in our work.
Expected modifications to the auditor's report.	No modifications were required to the auditor's report.
Unadjusted misstatements.	There are no misstatements identified in the financial statements, which remain uncorrected.
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 Commissioner (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 Commissioner's accounts. I concluded that the accounts give a true and fair view of the financial position of the Commissioner and the Group as at 31 March 2013 and of the income and expenditure, gains and losses and cash flows for the year then ended. I also concluded that the Pension Fund accounts give a true and fair view of the financial transactions for the year ended 31 March 2013 and of the amount and dispositions of the fund's assets and liabilities at that date, other than liabilities to pay pensions and benefits after the end of the scheme year.
17. We have also completed the audit of the Whole of Government Accounts return, and submitted the audited return to the Wales Audit Office central audit team on the required deadline of 30 September 2013. The return was well compiled and there were no matters of significance to report.
18. 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 Commissioner met his revenue budget for 2012-13, and continues to be well placed to deliver the response to the significant financial challenges ahead

19. North Wales 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 £137.57 million, the Commissioner achieved a £3.7 million underspend as a result of the impact from early implementation of identified cost savings. This amount was transferred into the Police Probationer Reserve to assist with the funding and maintenance of officer numbers and to ensure future investment in the front line service.
20. The Commissioner continues to receive regular reports from the Chief Financial Officer on expenditure and the position against budget. These reports have also been presented to the Strategic Executive Board as well as other operational committees. The reported position as at 30 September 2013 showed a predicted 2013-14 underspend of £1.58 million against a net expenditure budget of £141.7 million.
21. As part of our audit we consider the effectiveness of the controls and processes in place for the Commissioner and his staff to monitor budgets and the overall financial position. Our work did not identify any significant weaknesses in the budgetary controls or processes used by management in the year.

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

22. The Commissioner 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 internal control environment was effective with adequate arrangements for governance and risk management. Overall, this provided an adequate assurance level, with the majority of the systems audited achieving a medium level of assurance.
23. 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 Commissioner (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.



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

24. My review of the Commissioner'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.
25. I concluded that the Commissioner'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 Committee) as well as the Commissioner, who monitors their implementation by management. There are no specific matters I need to bring to the attention of the Commissioner.

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

### The Commissioner had proper arrangements in place during 2012-13 to help him achieve economy, efficiency and effectiveness in his use of resources

26. In examining the Commissioner'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 his use of resources. This requirement is also reflected in the Code. My formal conclusion on the Commissioner's Value for Money (VFM) arrangements for 2012-13 is set out in [Appendix 1](#).
27. 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.
28. The Commissioner (and previously the Authority) 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 Commissioner'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.

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- 29.** 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 are reviewing the performance of the arrangements and making adjustments to strengthen them further.
- 30.** The Commissioner'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 Commissioner and his staff 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

- 31.** In July 2013 HMIC carried out a review on how North Wales Police was responding to the funding challenges it faces. HMIC concluded in this review that:
- 'North Wales Police has already made a major proportion of the saving's needed by reorganising its operating model and reducing its work force. As such HMIC considers North Wales Police faces a less difficult financial challenge going forward compared to other forces. It has a smaller savings requirement, a relatively high income and spends comparatively more on police officers and staff.'
- 32.** HMIC reached this conclusion because:
- North Wales Police successfully made 67 per cent (£10.7 million) of the total savings required by March 2015 in the first two years of the spending review period;
  - the force intends to make further savings of £2.9 million in 2013-14 and another £2.3 million in 2014-15;
  - as at January 2014 the expected savings for 2013-14 amounted to £2.857 million with further savings of £4.325 million planned for 2014-15;
  - an additional £1.77 million has been reinvested in front line delivery with the recruitment of 51 additional officers;
  - reductions in police officers and staff are less than in most other forces; and
  - recorded crime levels continue to be below the averages per 1,000 population for England and Wales.
- 33.** Reviews conducted by HMIC support my conclusions about arrangements to secure an efficient and effective police service<sup>1</sup>.

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<sup>1</sup> HMIC, *North Wales Police's response to the funding challenge*, July 2013.

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There is a strong commitment to community engagement and a number of effective methods are used; however, the strategy could be clearer by identifying the levels of engagement and outcomes for the public

- 34.** The introduction of Police and Crime 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. A key role for the Commissioner is therefore to represent and engage with local communities to help ascertain and deliver their policing priorities.
- 35.** Part of our work this year involved reviewing the Commissioner and Chief Constable's engagement and consultation arrangements. The study centred upon identifying learning points for the Commissioner and Chief Constable 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 and acknowledge their assistance.
- 36.** I believe there is a strong commitment to community engagement and a number of effective methods are used; however, the strategy could be clearer by identifying the levels of engagement and outcomes for the public. I came to this conclusion because:
- The Commissioner is committed to engaging with the public and partner organisations on a regular basis in order to gather feedback on his performance and that of North Wales Police.
  - There are effective means for engaging with the public, including: walkabouts, local authority forums, One Voice Wales, local media, public meetings, through the website and public surgeries. We have also observed the Commissioner's office is making effective use of social media, providing useful information to citizens and also promoting the current engagement through this medium.
  - The Commissioner's 'call for evidence' consultation process identified the importance and effect of rural crime on communities in North Wales.
  - Creating action logs to record information at meetings and events and providing feedback from Partner and Community Together (PACT) meetings.
  - Joint public campaigns conducted with the Force to target communities across North Wales.

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<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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- 37.** The Commissioner is developing a community engagement strategy, however, this needs to be clearer in terms of:
- outlining the levels of engagement and consultation, and describing the outcomes from each level;
  - identifying target audiences and how they will engage with harder-to-reach groups; and
  - clarifying communication and engagement activities within the strategy.
- 38.** The Commissioner and his staff have responded constructively to this review and we will be providing more detailed feedback separately and provide further examples of good practice where applicable.
- 39.** The Commissioner and Chief Constable 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 North Wales Police and Crime Commissioner's arrangements for the year ended 31 March 2013 for securing economy, efficiency and effectiveness in his 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 Commissioner's annual accounts whether I am satisfied as to the existence of the arrangements that he had in place during the year to properly support the achievement of his responsibility to secure economy, efficiency and effectiveness in his 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 Commissioner 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 Commissioner had in place during the year to support the achievement of his responsibility to secure economy, efficiency and effectiveness in his 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 Commissioner'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 Commissioner had in place during the year to properly support the achievement of his responsibility to secure economy, efficiency and effectiveness in his use of resources. Based on, and limited to, the work carried out I have raised various issues with, and made recommendations to, improve the Commissioner's arrangements. These matters are further discussed and explained in my Annual Audit Report to the Commissioner.

Anthony Barrett  
Appointed Auditor  
xx November 2013

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## Appendix 2

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

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

# Appendix 3

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## Reports issued since my last annual audit report

Report	Date
Audit Outline 2013	April 2013
Audit of Financial Statements Report	September 2013
Performance audit report on public engagement	November 2013
Annual Audit Report	December 2013



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