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Mr Peter Curran and Mr Umar Hussain
Chief Financial Officers
South Wales Police
South Wales Police Headquarters
Cowbridge Road
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Reference: 1648A2019-20

Date issued: 14 January 2020

Dear Peter and Umar

Annual Audit Letter Police & Crime Commissioner for South Wales and Chief Constable of South Wales Police

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 & Crime Commissioner for South Wales and Chief Constable of South Wales Police complied with their responsibilities relating to financial reporting and use of resources

The Police & Crime Commissioner for South Wales (the Commissioner) and the Chief Constable of South Wales Police (the Chief Constable) 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 Police & Crime Commissioner for South Wales and Chief Constable of South Wales Police on 31 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 31 July 2019 I issued unqualified audit opinions on the accounting statements for both the Commissioner and the Chief Constable, 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 Commissioner and the Chief Constable in my Audit of Financial Statements report on 26 July 2019.

I am satisfied that both the Police & Crime Commissioner for South Wales and Chief Constable of South Wales Police 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 Commissioner's and the Chief Constable's systems of internal control, as reported in the Annual Governance Statements;
- the results of the work of other external review bodies, eg HMIC, where relevant to my responsibilities; and
- any other work, including from Internal Audit, that I considered necessary to discharge my responsibilities.

For the purposes of my work, I evaluated the Commissioner's and the Chief Constable's systems against a number of questions. This approach is set out in detail in **Appendix 1** to this letter. For each question, I consider whether there are gaps in the arrangements expected to be in place, and the significance of those gaps.

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

The uncertainty over future funding on top of the legacy of a protracted period of funding cuts to date remains the most significant challenge over the medium term.

In 2018-19 the PCC and CC set and operated within its revenue budget of £272 million after utilising £3.8 million from reserves. As at 31 March 2019, the PCC and CC had closing Useable Reserves of £27.1 million (a decrease of £4.8 million).

For 2019-20, the PCC and CC have set a budget of £287.2 million. This assumes an additional settlement of £3.3 million (2.1%), required savings of £7.2 million and a 10.28% increase in Precept. At 31 August 2019, an underspend of £2.46 million has been reported against the budget. At that stage, a forecast underspend of £0.23 million is being projected at year-end.

These outcomes are in the context of significant changes in the Force's financial position over several years. To respond to these pressures, the PCC and CC have had to make tough decisions about where to devote scarce resource and consider new ways to deliver services. In its medium-term financial plan, the PCC and CC have identified that in the absence of increases in precept and settlement over and above those assumed in the Medium Term Financial Strategy, £35.5 million of savings are required.

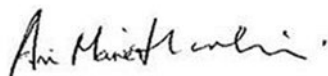
In addition, Useable Reserves have fallen from £33.2 million in 2014-15 to £27.1 million in 2018-19 and in the medium-term financial plan, they are predicted to fall to £9.9 million by 2022/23. Careful consideration of reserves balances and how they might be used to support financial plans is particularly important as it is not sustainable to rely on reserves to support ongoing costs.

I issued certificates confirming that the audit of the accounts for the Police & Crime Commissioner for South Wales and the Chief Constable of South Wales Police have been completed on 31 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 Police & Crime Commissioner for South Wales and the Chief Constable of South Wales Police were complete when I issued my audit opinion.

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

Yours sincerely



Ann-Marie Harkin
Engagement Director
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?

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