

# Annual Audit Letter 2013/14

Office of the Police and Crime Commissioner for Cleveland

October 2014



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Durham  
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Mr B Coppinger  
Police and Crime Commissioner for Cleveland  
Police Headquarters  
Ladgate Lane  
Middlesbrough TS8 9EH

21 October 2014

Dear Mr Coppinger

**Annual Audit Letter 2014**

We are delighted to present to your Annual Audit Letter.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

2013/2014 has been another challenging year for the finances of the Police and Crime Commissioner and like most others in the North East and across the country you, working with the Chief Constable, made some tough decisions on spending priorities and plans for the future. We reflect on these matters in the value for money part of this letter. However, we were pleased to issue an unqualified opinion on the statement of accounts and the value for money conclusion.

I would like to express my thanks for the assistance of your finance teams during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me or the Senior Manager (Gill Gittins) on 0191 383 6300.

Yours sincerely

Mark Kirkham  
Director and Engagement Lead  
Mazars LLP

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# 01 Overall messages

## Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2013/14 audit period for the Police and Crime Commissioner and other interested parties.

In addition to this letter, we presented our Audit Completion Report to the Police and Crime Commissioner on 17 September which provides more detail of the work we have undertaken as the Police and Crime Commissioner's external auditor in 2013/14. We also issued a follow up letter on 29 September concluding on matters that were outstanding at the date we presented our Audit Completion Report. This report was also presented to the Audit Committee on 25 September.

## Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Police and Crime Commissioner's statement of accounts on 29 September 2014.

In our Audit Completion Report we noted that:

- the Police and Crime Commissioner's accounting policies and disclosures complied with the requirements of the CIPFA Accounting Code of Practice (the Code);
- there were no significant internal control deficiencies;
- there were no significant difficulties encountered during the audit, and
- our audit provided assurance on the significant audit risks identified in the Audit Strategy Memorandum and there were no issues to report.

We had discussions with management around the valuation and classification of the Ladgate Lane site as reported in the draft statement of accounts. Following the audit the site was reclassified as an asset held for sale with a value commensurate with the price offered by the developer. This amendment did not have any impact on the surplus on the provision of services or the net worth of the Police and Crime Commissioner.

## Our Value for Money conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money conclusion for 2013/14. Our audit report included a conclusion that the Police and Crime Commissioner had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Our work focused on the two criteria specified by the Audit Commission, namely:

- financial resilience; and
- economy, efficiency and effectiveness in the use of resources.

Work carried out included consideration of a range of evidence in respect of both criteria, including:

- your Annual Governance Statement;
- your Medium-Term Financial Strategy, and
- Reports by Her Majesty's Inspectorate of Constabulary (HMIC).

The focus of our audit was on the arrangements in place for securing efficiencies to address the resource gap of £17m over the life of the long term financial plan to 2017. The Police and Crime Commissioner is working closely with the Chief Constable to ensure that the objectives of the Police and Crime Plan are achievable within a budget which has seen a real terms reduction in resources of £37 million between 2011/12 and 2017/18.

Cleveland Police has been rated as outstanding for ensuring financial security in the long term by HMIC, who praised the strong vision and effective leadership of the Police and Crime Commissioner and Chief Constable. HMIC has complimented the Force on how it has worked hard to protect its frontline crime fighting roles whilst transforming the way policing is delivered through new models and collaboration to get better value for money from fewer resources

### **Whole of Government Accounts (WGA)**

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of the group (Police and Crime Commissioner and Chief Constable) WGA consolidation pack with the audited statement of accounts. As the group's activity is below the threshold set by the NAO for a full review of WGA, the procedures we were required to carry out were limited to consideration of Property, Plant and Equipment and pensions entries. We reported that the group's consolidation pack was consistent with the audited statement of accounts on 29 September 2014.

### **Our other responsibilities**

As the Police and Crime Commissioner's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions or objections in relation to the Police and Crime Commissioner's 2013/14 accounts from local electors, nor did we exercise our wider reporting powers.

# 02 Fees

As outlined in our Audit Strategy Memorandum the Audit Commission sets a scale fee for our audit and certification work. The fees applicable to our work in 2013/14 are summarised below.

Element of work	2012/13 Final Fee	2013/14 As previously reported	2013/14 Final Fee
Code audit work	£50,000	£45,100	£45,100

We confirm that we did not undertake any non-audit work during the year.

# 03 Future challenges

The Police and Crime Commissioner, like others nationally, is facing the pressures of meeting increasing public expectations of the police service against a background of decreasing resources. The delivery of an underspend in 2013/14 and success in identifying savings in 2014/15 and 2015/16 should not allow stakeholders to underestimate the challenge ahead in meeting the resource gap reported by the Chief Financial Officers to both the Police and Crime Commissioner and the Chief Constable.

The scope for reducing expenditure without affecting the key priorities of the Police and Crime Plan is becoming harder and the Police and Crime Commissioner, working with the Chief Constable may have to make some tough decisions to balance priorities and resources. In terms of expenditure on services controlled by the Police and Crime Commissioner some 77 per cent is tied into two PFI contracts which are a fixed cost, offering little headroom for savings. However, as reported by HMIC during 2014, the Force in Cleveland has managed to get better value for money through innovative ways of working to protect front line neighbourhood policing and focusing on key areas that are having an impact on reducing crime.

The Police and Crime Commissioner is developing new collaborative arrangements with counterparts in the North East and a key focus for the future is ensuring strong governance arrangements are in place for partnerships. Good governance will ensure that the objectives of the partnership continue to support the objectives of the Police and Crime Plan.

Another key element that will realise savings in the future is the move to a fit for purpose headquarters at Hemlington. The management of the transfer is vital to ensure that the move is completed within the deadline specified in the contract with the developer so that the benefits can be realised within the medium term financial plan.

We will continue to work closely with officers and will monitor the Police and Crime Commissioner's response to the issues outlined during next year's audit.

Should you require any further information on this letter or on any other aspects of our work, please contact:

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