



Audit Completion Report

Office of the Police and Crime Commissioner for
Cleveland

Year ending 31 March 2018



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited.

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

18 July 2018

Dear Sir

Audit Completion Report for the Office of the Police and Crime Commissioner for Cleveland (and Group) – year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 22 March 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signature: *C W Waddell*

C W Waddell (Jul 18, 2018)

Email: cameron.waddell@mazars.co.uk

Cameron Waddell
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1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Office of the Police and Crime Commissioner for Cleveland and Group (the PCC) for the year ended 31 March 2018, and forms the basis for discussion at the Joint Audit Committee meeting on the 26 July.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on PCC's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the PCC had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PCC and consider any objection made to the accounts. There have been no objections or questions from local electors.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the PCC in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March. At the time of preparing this report the following matters remain outstanding.

Audit area	Description of outstanding matters
Movements in reserves statement	Work to be completed.
Provisions	Work to be completed.
Property, plant and equipment	Revaluations
Pensions	Pensions work to be completed including assurance from the Pension Fund auditor to be considered.
Closure procedures	Review and closure processes, including final consideration of post balance sheet events and checking the revised financial statements.

We will provide the PCC with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

There have been no changes in our audit approach as set out in our Audit Strategy Memorandum presented in March 2018.

Materiality

We set materiality at the planning stage of the audit at £2.65 million for the PCC and £2.79 million for the Group using a benchmark of 2% of gross operating expenditure. **Our** final assessment of materiality, based on the final financial statements and qualitative factors is £2.67 million for the PCC and £2.94 million for the Group, based on the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the PCC), at £0.08 million for the PCC and £0.09 million for the Group based on 3% of overall materiality.

We set a lower materiality for exit packages of £0.020 million based on individual bandings in the disclosure note and remuneration of senior employees of £0.232 million (being 25% of the value disclosed).



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework;
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in PCC's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business;
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought, with no significant matters arising.

2. SIGNIFICANT FINDINGS (CONTINUED)

Revenue recognition

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk.

How we addressed this risk

We:

- tested cut-off to assess whether transactions were included in the appropriate year;
- tested material year end receivables;
- tested adjustment journals; and

Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought, with no significant matters arising.

**Significant risk
Defined benefit liability valuation**

Description of the risk

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We:

- discussed with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts;
- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and
- considered the reasonableness of the actuaries outputs, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought, with no significant matters arising.

2. SIGNIFICANT FINDINGS (CONTINUED)

Valuation of buildings

Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the PCC's holding of buildings. Although the PCC employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of buildings due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of buildings to be an area of enhanced risk.

How we addressed this risk

We:

- considered the PCC's arrangements for ensuring that building valuations are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the PCC's valuer. We also assessed the competence, skills and experience of the valuer.
- We also performed further audit procedures on individual assets to ensure that the basis and level of valuation was appropriate.

Audit conclusion

Subject to the completion of outstanding work, our work has provided the assurance sought, with no significant matters arising.

Qualitative aspects of the entity's accounting practices

We have reviewed PCC's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to PCC's circumstances.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Draft accounts as well as supporting working papers were received from PCC on the 28th May, ahead of the deadline of 31st May 2018 and were of a good quality.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. There have been no questions or objections.

Our draft audit report, in full, is set out in Appendix B.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

In summary, our work did not identify any significant deficiencies in internal control for 2017/18.



4. SUMMARY OF MISSTATEMENTS

We did not identify any misstatements for adjustment during the course of the audit above the level of the trivial threshold of £0.08 million for the PCC and £0.09 million for the Group. There were no unadjusted misstatements that were identified during the course of our audit which management has assessed as being material either individually or in aggregate to the financial statements.

Amendments made to disclosure notes are detailed below

Disclosure and other amendments

We identified a number of minor arithmetic, rounding and other errors in the financial statements which have been amended. There have been a number of other amendments to disclosures, as summarised below. There are no material unadjusted disclosure errors.

- PFI future payments (Note 30): The future years scheme costs for Action Stations PFI (11-15 years finance cost) should be £4.136 million not £3.998 million as currently shown in the disclosure note. There is no impact on the primary statements as this is a disclosure amendment only.
- Grant income (Note 40): In the disclosure note, £86k has been omitted in error from the Police Transformation Fund grant in the amounts credited to services. There is no impact on the primary statements as this is a disclosure amendment only.



5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to whether the PCC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the PCC being inadequate. In our Audit Strategy Memorandum, presented in April 2018, we reported that we had not identified any significant Value for Money risks for 2017/18. We have not identified any significant risks since then.

Work carried out

The following section of the report sets out our commentary against each of the sub-criteria, and an indication of whether arrangements are in place.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2017/18 financial year.



5. VALUE FOR MONEY CONCLUSION

Commentary against the sub-criteria

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>There is a comprehensive Code of Corporate Governance in place which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. In addition, the Policing Protocol 2011 requires all parties to abide by the 7 Nolan Principles. The Financial Management Code of Practice also requires the PCC to ensure that the good governance principles are embedded within the way that the organisations operate. The scheme of governance highlights the parameters for decision making, including consents, financial regulations and standing orders for contracts and covers the key roles within the organisation.</p> <p>The PCC's Annual Governance Statement includes a balanced assessment of the effectiveness of the governance arrangements and identifies areas for further improvement where appropriate. The independent Joint Audit and Risk Committee review the governance issues contained within the Annual Governance Statement.</p> <p>Scrutiny of the performance of the Chief Constable is undertaken by the PCC who is scrutinised by the independent Police and Crime Panel. The forward plan of decisions combined with open and transparent information schemes enables the Police and Crime Panel to be properly sighted on the decisions of the PCC. The decision making protocol sets out principles for how decisions will be taken by the PCC and the standards to be adopted. The PCC has developed arrangements for effective engagement with key stakeholders, ensuring that where appropriate they remain closely involved in the decision making process.</p> <p>The PCC receives and scrutinises financial and performance information from the Chief Finance Officer for the PCC and also the Chief Constable and this is also reported to the Police and Crime Panel. This includes regular budget monitoring throughout the year. The objectives of the PCC are included in the Police and Crime Plan and all monitoring and reporting is measured against these objectives. The Police and Crime Plan sets out the strategic direction and objectives and is aligned to the Long Term Financial Plan.</p> <p>The risk management strategy establishes how risk is embedded throughout the various elements of corporate governance of the organisation. Risks are managed using strategic and operational risk registers and all strategic risks are reported to the Joint Audit Committee.</p> <p>An internal audit plan is in place which takes into account the strategic priorities of the PCC and the different sources of assurance. There is appropriate challenge by the Joint Audit Committee over coverage and risk areas.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Commentary against the sub-criteria (continued)

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The PCC's outturn for the 2017/18 financial year was £1.9 million. There is a four year Long Term Financial Plan (LTFP) in place up to 2021/22 which is regularly updated and is linked to the strategic priorities in the Police and Crime Plan. The LTFP is produced jointly by the PCC and Chief Constable as the latter is responsible for the policing service funded by the Police and Crime Commissioner. The annual budgets are taken from the LTFP and are monitored monthly and reported to the Police and Crime Panel where they are scrutinised and challenged.</p> <p>The LTFP and Capital Plan up to 2021/22 were agreed in February 2018. The Force produces monthly reports on progress against the plan which are reviewed by the Force's Management Board, and discussed with the PCC's Chief Finance Officer. In addition, the Force reports directly to the PCC on progress on a quarterly basis.</p> <p>The strategic priorities of the PCC are detailed in the Police and Crime Plan. The Police and Crime Plan is linked to the LTFP and hence ensures that there are sufficient financial resources for the delivery of the Plan.</p> <p>Regular budget monitoring reports are produced for all budget holders and are underpinned by monthly 'budget clinics' between the budget holder and Finance Business Partner.</p> <p>There are balanced budgets in place for the next four years although this is challenging and does rely on the delivery of efficiency savings as in previous years. However, it has a good record of delivering on its efficiency targets and has reserves in place to manage any shortfall over the LTFP. However, the level of general fund reserves is expected to reduce to £4.2 million by 2019/20 and by 2021/22 this would reach the target of 3%. This would be the level at which it would not be prudent to draw any further on the reserves.</p> <p>All capital schemes are appraised and prioritised to ensure they reflect the key investment requirements in the strategy. The capital programme to 2021/22 is based on spending just under £14m over the next 4 years. However, the funding of the programme is factored into the LTFP and are considered to be affordable.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Commentary against the sub-criteria (continued)

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>Working with third parties continues to be developed through the use of collaborative arrangements. The PCC supports over 70 areas of collaboration locally, regionally and nationally ranging from a shared dog unit with North Yorkshire and Durham to a national air support service, and other aspects of the National Strategic Policing Requirement.</p> <p>Collaboration arrangements with other Police and Crime Commissioners and Chief Constables are being actively pursued as are arrangements with other emergency service providers.</p> <p>The PCC has a broad framework of partners which includes statutory partners and partners from the local authority/voluntary sector and the private sector. Some other examples of partnership arrangements include</p> <ul style="list-style-type: none"> • Firearms training - Private Finance Initiative (PFI) • District and custody accommodation (PFI) • Special Operations Unit collaboration • Street Triage initiative with the NHS. <p>The PCC is also involved in a number of groups including the Young People Services Strategic Planning Group and the Victims Strategic Planning Group.</p> <p>The PCC awards grant and funding to community groups to deliver services in the community. Which are linked to the strategic objectives in the Police and Crime Plan. It has supported over 100 local community safety projects and continues to work with communities to draw up new plans for the future.</p> <p>The organisation has written procurement policies in place which are included within its Code of Corporate Governance. Services are commissioned by the PCC but the main commissioning is by the Chief Constable which is scrutinised by the PCC. The PCC ensures that the commissioning offers value for money and supports his strategic priorities and scrutinises commissioning on an individual project basis.</p>	Yes

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on headed paper

Date:

Dear Cameron

Office of the Police and Crime Commissioner for Cleveland (and Group) - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for Police and Crime Commissioner for Cleveland and Group (PCC) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the PCC you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all PCC and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the PCC's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the PCC in making accounting estimates, including those measured at fair value, are reasonable.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the PCC have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The PCC has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the PCC involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the PCC's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code. I have disclosed to you the identity of the PCC's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the PCC will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Michael Porter
Chief Finance Officer

APPENDIX B

DRAFT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR CLEVELAND (AND GROUP)

Opinion on the financial statements

We have audited the financial statements of the Police and Crime Commissioner for Cleveland (the PCC) and Group for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the PCC and Group Movement in Reserves Statement, the PCC and Group Comprehensive Income and Expenditure Statement, the PCC and Group Balance Sheet, the PCC and group Cash Flow Statement, the Group Police Pension Fund Statement and Net Assets Statement and the related notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Office of the Police and Crime Commissioner for Cleveland (and Group) as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities section of our report. We are independent of the PCC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about PCC's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless PCC is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for PCC to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting PCC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Police and Crime Commissioner and the auditor

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, the PCC has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the PCC had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the PCC put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the PCC had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Police and Crime Commissioner

The PCC is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the PCC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the PCC' arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the PCC, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the PCC those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the PCC, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of the Police and Crime Commissioner for Cleveland in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Cameron Waddell, Partner
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

XX July 2018

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

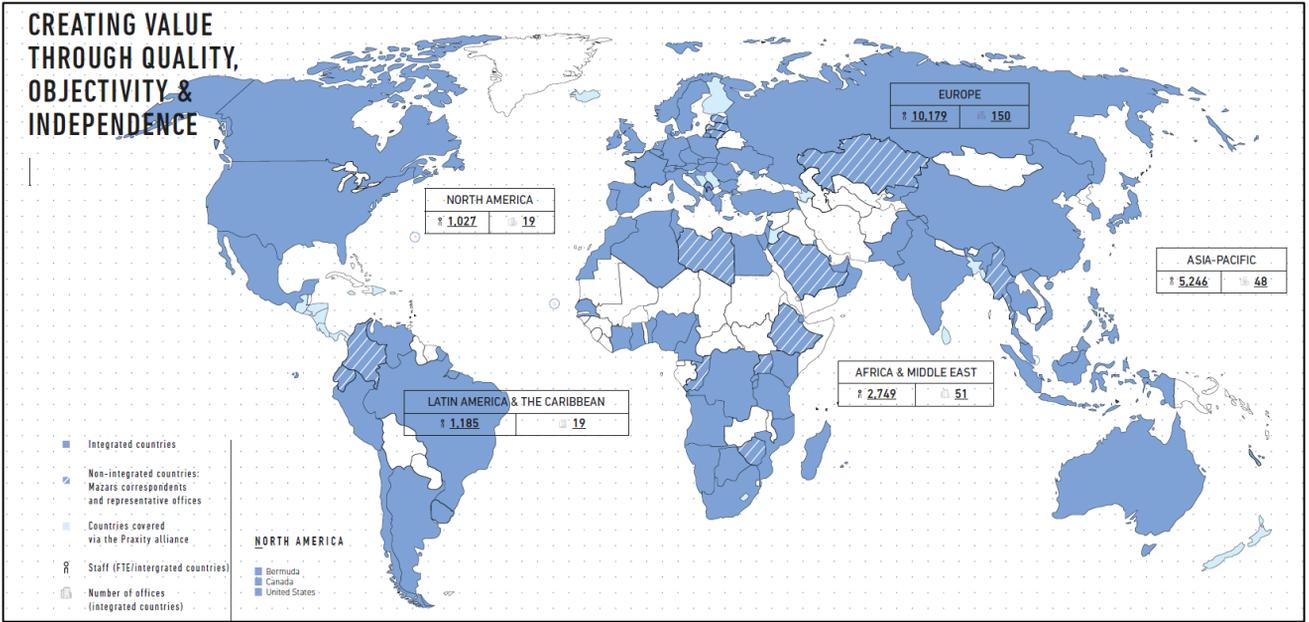
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

MAZARS AT A GLANCE

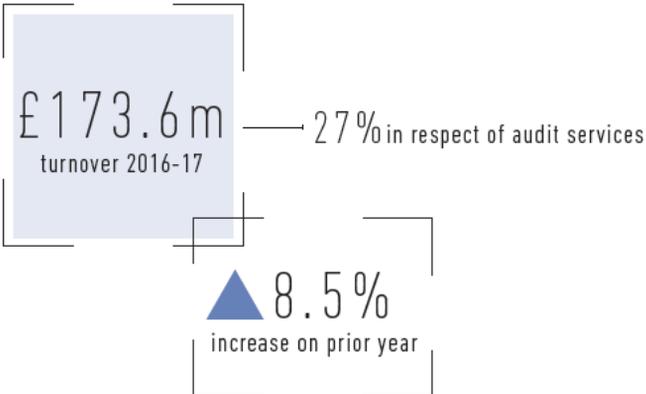
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Mazars in the UK



As at 31 August 2017

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