

Audit Completion Report

Chief Constable for Cleveland

For the year ended 31 March 2017



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1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of Chief Constable for Cleveland for the year ended 31 March 2017, and forms the basis for discussion at the Joint Audit Committee meeting on 21 September 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 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 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum, we reported that materiality for the financial statements as a whole was set at £2.737 million. We have updated our assessment as part of our continuous planning processes and have set materiality at £2.605 million. Our clearly trivial threshold for reporting matters to you has been set at £78,000.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in March 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate having no matters to report in respect of the Chief Constable's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We anticipate completing our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 29 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.</p>

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017. At the time of preparing this report the following significant matters remain outstanding:

Review and closure processes	Including internal quality checks, consistency reviews, agreeing amendments in the statement of accounts and post balance sheet events.
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We will provide an update to you in relation to these outstanding matters in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks

As part of our planning procedures we considered the risks of material misstatement in the Chief Constable'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 will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
Management override of control In all entities, 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 overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	Our testing strategy included the following: <ul style="list-style-type: none">• review of material accounting estimates which may be subject to management bias included in the financial statements;• consideration and review of unusual or significant transactions outside the normal course of business; and• testing of journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.	We reviewed key areas of management judgement including estimation techniques and concluded that, taking account of materiality, the judgements are reasonable and there is no evidence of unfair bias. We tested journal entries recorded in the general ledger and other adjustments made in preparing the financial statements and identified no inappropriate transactions. We found no significant transactions that we considered outside the normal course of your activities. Our work has provided us with the assurance we sought and has not highlighted any material issues to bring to your attention.
Pension Estimates for IAS 19 disclosures The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a	We addressed this risk by discussing with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard	Our work has provided us with the assurance we sought and has not highlighted any material issues to bring to your attention.

Significant risk	How we addressed the risk	Audit conclusion
complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	<p>programme of work in this area, we also completed the following:</p> <ul style="list-style-type: none"> evaluating the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and considering the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by PSAA. 	

Qualitative aspects of the Chief Constable's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Chief Constable's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	We have reviewed the Chief Constable's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code). In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.
Quality of the draft financial statements	We received draft financial statements from management on 30 June 2017 and they were of good quality.
Quality of supporting working papers	Producing high-quality working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. The Chief Constable produced good quality working papers supporting the financial statements in 2016/17. The audit has progressed smoothly and officers have been very responsive to our queries.

Significant matters discussed with management

There are no significant matters we would like to report that are not covered elsewhere in this report.

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.

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 that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or 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.

We have not identified any significant weaknesses in internal control to bring to your attention. There were no issues raised in previous years to follow up.

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Authority 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 Authority 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.
- Working with partners and other third parties.

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>A Code of Corporate Governance is in place which jointly applies to the Police and Crime Commissioner (PCC) and the Chief Constable. Decisions and performance of the Chief Constable are scrutinised by the PCC and scrutiny meetings are published on the PCC's website.</p> <p>The objectives of the Chief Constable are included in the Police and Crime Plan and all monitoring and reporting is measured against these objectives. The Police and Crime Plan is aligned to the Long Term Financial Plan which is regularly updated and includes the budget that is delegated to the Chief Constable.</p> <p>The Chief Constable produces monthly finance reports which are scrutinised by the PCC and Police and Crime Panel. The PCC considers the financial reports alongside the performance reports and the performance is measured in terms of the delivery of the Police and Crime Plan. The Force Performance Management Framework is well established through the monthly Tactical Performance Group, and the quarterly Strategic Performance Group. The Force has developed a performance 'dashboard' to take a holistic view to assessing performance and outcomes. The 'dashboard' takes a balanced scorecard approach and links directly to the areas of HMIC inspection activity: organisational effectiveness; organisational efficiency; leadership & people, and legitimacy & integrity.</p> <p>The Force maintains Strategic and Corporate Risk Registers along with operational risk registers for each service unit. Risk management updates are presented to the Joint Independent Audit Committee on a six monthly basis. Strategic risks are reviewed on a quarterly basis at the Risk, Audit & Inspection Monitoring</p>	Yes

Sub-criteria	Commentary	Arrangements in place?
	<p>Board (RAIMB). A comprehensive internal audit plan is in place which takes into account the strategic priorities of the Chief Constable and the different sources of assurance available.</p> <p>The Joint Audit Committee reviews the Code of Corporate and the Annual Governance Statement.</p>	
Sustainable resource deployment	<p>The force has agreed a balanced Long Term Financial Plan (LTFP) and sustainable scalable policing model over the next 4 years which is linked to the Police and Crime Plan. The financial balance is dependent upon the delivery of a programme of reviews and cost reduction initiatives. Budgets are monitored monthly and reported to the PCC and also the Police and Crime Panel.</p> <p>The LTFP is built on a service model that can effectively respond to threat, harm and risk and bring about safer and stronger communities. 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 Chief Constable has a plan in place for the recruitment and retention of officers who are key to the delivery of the Police and Crime Plan.</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. The HMIC report notes that the force has made a good start in developing its capability to predict likely future demand, and has an innovative resource and service modelling capability. In addition, the force has developed a comprehensive policing plan, 'Towards 2020', which sets out its strategic intent in relation to planning service provision and reshaping services along with partner organisations to make them more efficient and effective.</p>	Yes
Working with partners and other third parties	<p>Working with third parties continues to be developed through the use of collaborative arrangements. The PCC and Chief Constable have a collaborative agreement with North Yorkshire and Durham for the Evolve Programme where there has been the introduction of an integrated dogs unit for the three Forces.</p> <p>Cleveland Police and Durham Constabulary have an established Specialist Operations Unit incorporating: armed response; road policing; collision investigation; motorcycles; camera enforcement and traffic management. They also work closely on their public order teams, training, and chemical, biological, radioactive and nuclear (CBRN) capacity. During the year, the Force entered into a collaborated Major Investigation Team with North Yorkshire Police, significantly increasing the level of resources available to tackle some of the most complex and serious incidents.</p> <p>Cleveland Police is part of the North East Regional Special Operations Unit which provides additional specialist capacity to deliver an increased response to tackling serious organised crime that transcends force borders.</p> <p>The Force is also part of a national collaboration for the provision of air support, the National Police Air Service.</p> <p>All collaborative arrangements are subject to Section 22 agreements and are formally approved by the PCC once operationally agreed by the Chief Constable. All arrangements are linked to the strategic</p>	Yes

Sub-criteria	Commentary	Arrangements in place?
	<p>objectives in the Police and Crime Plan. 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 main commissioning of services by the Chief Constable has been the outsourcing of the back office services to Steria in 2010. The contract was reviewed in 2015/16 with significant savings achieved. The contract is monitored monthly and key performance indicators are measured. The Chief Constable ensures that the commissioning offers value for money and supports strategic priorities and scrutinises commissioning on an individual project basis.</p> <p>Procuring supplies and services is regulated by the Code of Corporate Governance.</p> <p>The HMIC report notes that the force is managing its resources well and collaborates with other blue light services, local authorities and private sector firms. The force has reviewed its contracts with private sector providers in the context of a changing financial position. For example, in 2016/17, there has been the re-tendering of custody services with additional savings made.</p> <p>The force is working with partners to develop its understanding of likely future demand and has set out its strategic intent up to the year 2020. The force has medium and long-term financial plans in place as well as a people strategy, workforce plan and a recruitment plan.</p>	

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 work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. We have not identified any significant Value for Money risks.

Our overall Value for Money conclusion

Our draft auditor's report, included in Appendix C, states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £78,000 are set out below. The table outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements 2016/17					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: CIES: Police Officer Pay Costs	2,163			
	Cr: CIES: Police Non Pay Costs		2,163		
	Dr: CIES: OCC Staff Pay Costs	132			
	Cr: CIES: OCC Non Pay Costs		132		
	Explanation: Police and other staff overtime should be included in the pay line in the CIES rather than the non-pay line. This is therefore just a classification amendment. Amounts relating to 2015/16 were also amended totalling £2.128 million (Police) and £104,000 (staff). Related notes were also amended (e.g. Expenditure and Funding Analysis).				

Disclosure amendments

We identified a few minor disclosure errors which have been amended in the financial statements. There was one material amendment outlined below which was due to late guidance.

Police Pension Fund

Late guidance was issued by the Government on 7 September 2017 in relation to the contributions to the Police Pension Schemes for 2016/17. The 'normal contributions receivable' line from the employer of £11.016 million was reduced by £1.32 million as this is now to be shown as 'additional funding payable by the PCC to fund the deficit for the year'. The 2015/16 comparatives were also amended totalling £1.339 million and a disclosure note added. This is a presentational change only as the overall contributions remain the same.

Appendix B – Draft management representation letter

[Client address]

[Date]

Dear [Name]

Chief Constable for Cleveland financial statements - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for the Chief Constable for Cleveland for the year ended 31 March 2017 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 2016/17 (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 organisation you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance 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 relevant 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 Chief Constable'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 Chief Constable in making accounting estimates, including those measured at fair value, are reasonable.

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 Chief Constable 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.

We have 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 Chief Finance 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 Chief Constable 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 Chief Constable'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 Chief Constable's related parties and all related party relationships and transactions of which I am aware.

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.

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 Chief Constable 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

Chief Finance Officer

Date.....

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE CHIEF CONSTABLE FOR CLEVELAND

Opinion on the financial statements

We have audited the financial statements of the Chief Constable for Cleveland for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the Police Pension Fund Statement and Net Assets Statement and the related notes. 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 2016/17.

This report is made solely to the Chief Constable for Cleveland as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable for Cleveland for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Chief Constable and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Cleveland as at 31 March 2017 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Chief Constable and the auditor

The Chief Constable 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.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Chief Constable has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

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

Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Cameron Waddell

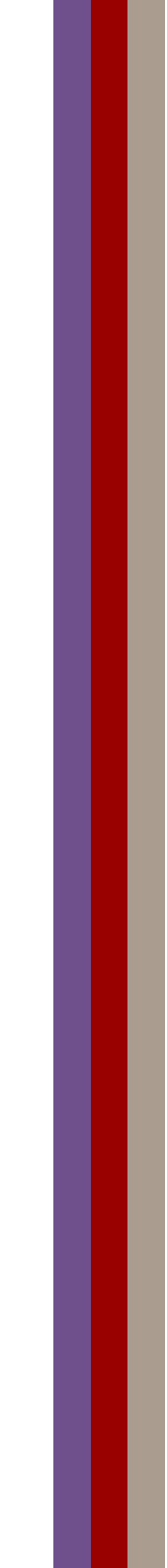
For and on behalf of Mazars LLP

Salvus House

Aykley Heads

Durham DH1 5TS

21 September 2017



Appendix D – 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.