



# Audit Completion Report

Office of the Police and Crime Commissioner  
for Cleveland and the Chief Constable for  
Cleveland

Year ended 31 March 2019

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Mr B Coppinger, Office of the Police and Crime Commissioner for Cleveland  
Mr R Lewis, Chief Constable for Cleveland

Cleveland Police  
Police Headquarters  
Community Safety Hub  
1 Cliffland Way  
Middlesbrough  
TS9 9GL

17 July 2019

Dear Sirs

**Audit Completion Report – Office of the Police and Crime Commissioner for Cleveland and Chief Constable for Cleveland, Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 dated 14 February 2019 and which we presented to the Joint Independent Audit Committee on 28 February 2019. 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 0191 383 6300.

Yours faithfully

*Gavin Barker*

Gavin Barker  
Mazars LLP

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of the Office of the Police and Crime Commissioner for Cleveland and Group, and the Chief Constable for Cleveland ('PCC and Group' and 'Chief Constable') for the year ended 31 March 2019, and forms the basis for discussion at the Joint Independent Audit Committee meeting on 25 July 2019. We will provide an update prior to completion of the audit.

The detailed scope of our work as your appointed auditor for 2018/19 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, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the PCC and Group and Chief Constable's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit significant risks and areas of management judgement in our Audit Strategy Memorandum.

## Status of our work

As we outline on the following page, our work is substantially complete. 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 for both the PCC and Group and the Chief Constable. 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 and Chief Constable had proper arrangements in place to secure economy, efficiency and effectiveness in their 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, which has a deadline of 13 September 2019. The PCC / Chief Constable is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline.




### 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 PCC and Group and Chief Constable and to consider any objection made to the accounts. We have not received any questions or objections.




# 1. EXECUTIVE SUMMARY (CONTINUED)

## 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 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Various areas of the Financial Statements, including: <ul style="list-style-type: none"><li>Cash and cash equivalents</li><li>Disclosure checklist</li></ul>		We are in the process of finalising our work on the financial statements in these areas. We are reviewing responses to earlier queries and awaiting requests to officers for supporting evidence.
Pensions		We are checking the revised financial statements, reflecting the material adjustments to pension liabilities arising from the McCloud judgement and Guaranteed Minimum Pensions issue as reported on page 8 and in the adjusted misstatements on page 12. We are also awaiting assurance from the pension fund auditor.
Closure procedures		Review and closure processes, including final consideration of post balance sheet events and checking the revised financial statements.

### Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the PCC and Chief Constable with an update in relation to these outstanding matters prior to signing the auditor's report.

# 1. EXECUTIVE SUMMARY (CONTINUED)

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £3.788 million for the Group, £2.688 million for the PCC and £3.506 million for the Chief Constable using a benchmark of 2% of Gross revenue Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £4.480 million for the Group, £3.021 million for the PCC and £3.922 million for the Chief Constable. We set our trivial threshold (the level under which individual errors are not communicated to the PCC and Chief Constable) at £91,000 (PCC) and £134,000 (Group) and £118,000 (Chief Constable) based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

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 and Chief Constable prior to signing the opinion.





## 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 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- significant matters discussed with management; and
- 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 the PCC and Group and Chief Constable's financial statements that required special audit consideration. Although we 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

Management override of controls (PCC and Group and Chief Constable)

#### Description of the risk

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; and
- 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 audit work has not identified any material issues to bring to your attention.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Property, plant and equipment valuation (PCC only)	<p>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 contracts a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations.</p>
<b>How we addressed this risk</b> <p>We addressed this risk by undertaking the following:</p> <ul style="list-style-type: none"><li>• considering the PCC's arrangements for ensuring that PPE values are reasonable and we 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.</li><li>• performing further audit procedures on individual assets to ensure that the basis and level of valuation was appropriate.</li></ul>	
<b>Audit conclusion</b> <p>Subject to the completion of outstanding work, our audit work has not identified any material issues to bring to your attention.</p>	

Significant risk	Description of the risk
Defined benefit liability valuation (PCC and Group and Chief Constable)	<p>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.</p>
<b>How we addressed this risk</b> <p>We discussed with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"><li>• evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; and</li><li>• 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.</li></ul>	
<b>Audit conclusion</b> <p>Subject to the completion of outstanding work, our work has provided the assurance sought. The material amendments relating to the impact of the McCloud legal case and the issue relating to Guaranteed Minimum Pensions on the pension liabilities is a national issue and the PCC and Group and Chief Constable has agreed to adjust the accounts. This is described on page 8 in more detail and adjustments are summarised on page 12. Note that we are still awaiting assurance from the pension fund auditor.</p>	



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of PCC and Group and Chief Constable’s accounting practices

We have reviewed the PCC and Group and Chief Constable’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 the PCC and Group and Chief Constable’s circumstances.

There were no particularly sensitive financial statement disclosures, involving the exercise of significant management judgement other than those relating to significant risks discussed in the previous section.

Draft accounts were received from the PCC and Group and Chief Constable on 31 May 2019 as planned and were of a good quality.

### Significant matters discussed with management

There have been significant issues this year relating to accounting for pensions. These issues are not specific to the PCC and Group and Chief Constable, but are national issues impacting on all local government and related bodies. There have been three issues, but the most significant issue has been the impact of what is known as the McCloud judgement. This relates to claims of discrimination in respect of protections offered to some, but not all, pension scheme members as part of reforms to public sector pensions. In December 2018, the Court of Appeal ruled in a test case that this did amount to unlawful discrimination. At the time PCC and Group and Chief Constable was producing its draft financial statements, the Government intended to appeal to the Supreme Court and the outcome was uncertain.

During the audit period, the Government has not been granted leave to appeal, meaning that some form of restitution across all public sector pension schemes seems more certain, requiring the estimated impact of this to be reflected in the pension disclosures in the financial statements, subject to materiality considerations.

The other two issues have been:

- Guaranteed Minimum Pension (GMP) indexation and equalisation, which relate to the move to a single-tier new State Pension and equalisation of the GMP benefits between males and females, which has been accounted for to varying degrees by each actuary; and
- Asset values – The issue is whether the estimation of assets by the actuary using asset values at the end of December 2018 / end of January 2019 was accurate, given higher than expected returns in the final quarter of 2018/19.

For each of these issues, our approach has been to suggest that the PCC and Chief Constable engages with the actuary of each scheme, to assess the potential impact of these issues, to see whether the impact is material, and if so, to make amendments to the financial statements. The outcomes of this process were:

- The impact of McCloud and GMP, which is material, has been reflected in amendments for both the police pension scheme and the LGPS; and
- An amendment has not been made to the LGPS as the change in asset values was assessed as in the region of £250k; this has not been reported as an unadjusted error as this is a change in an estimate and not an error.

This has now been completed and the revised actuarial reports have been received and reflected in the amended financial statements. The adjustments are summarised on page 12 of this report.

None of these issues impact on the PCC and Group and Chief Constable in terms of a bottom-line impact on the General Fund balance, although in practice, both McCloud and GMP will place upward pressure on employers pension contributions reflecting an increased pension liability to recover over the life of the scheme.

### 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.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### 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 2018/19 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.

We have not received any questions or objections.

### 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 statements 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.

Our work has not identified any significant deficiencies in our 2018/19 audit to report, and there were none in 2017/18 to follow up.



# 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £91,000 (PCC) and £134,000 (Group) and £118,000 (Chief Constable)

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements 2018/19

		Comprehensive Income and Expenditure Statement and MIRS		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	Dr: Revaluation reserve Cr: CIES Revaluation gain		371	371	

Revaluation gains on fixed asset revaluations were taken straight to the revaluation reserve but should have been credited to the CIES to offset revaluation losses charged in previous years first with the balance being taken to the revaluation reserve.

# 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

## Adjusted misstatements 2018/19

		Comprehensive Income and Expenditure Statement and MIRS		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension Reserve			26,117	
	Cr: Pension Liability				26,117
	Dr CIES: Police officer pay costs	24,931			
	Dr CIES: Community support pay costs	323			
	Dr CIES: Police staff support costs	863			
	Cr. Adjustments between accounting basis and funding basis		26,117		

The adjustments noted above are in relation to the McCloud judgement and Guaranteed Minimum Pensions issue and all relate to the entries in the Chief Constable's financial statements and subsequently in the Group financial statements. These are separately disclosed below for information:

**McCloud:** The Supreme Court has rejected an appeal against the decision in the McCloud case that transitional protection should have applied to all members of the Police Pension Scheme and not just existing members. This materially increases the long-term pension liability by £18.9 million for the Police Pension Schemes and £0.883 million for the Local Government Pension Scheme.

**Guaranteed Minimum Pension (GMP):** The GMP element in relation to the Police Pension Scheme 1987 has been calculated at £6.031 million and the Local Government Pension Scheme is calculated at 0.303 million.

This also impacts on disclosures within the narrative report (Group and Chief Constable) and a number of notes including the Expenditure and Funding Analysis (Note 2 in Group and Chief Constable), pension notes (Note 20 for Group and Notes 13 and 14 for the Chief Constable) and 'Assumptions made about the future and other Major sources of estimation uncertainty' (Note 5 in Group and Chief Constable). Some of the detail within note 5 was previously shown within contingent liabilities and this has now been removed for both the Group and Chief Constable.

It is important to note that the above misstatement does not impact on the Group and Chief Constable's general fund balance.

# 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

## Disclosure amendments

During our review of the financial statements we have identified a number of errors within disclosure notes, most of which were trivial and have not been separately reported. Non-trivial disclosures have been noted below:

### PCC and Group

PPE Note 12: The revaluation movements for land and buildings (including PFI) were disclosed on a net basis but should have been shown gross, split between cost and depreciation. This has now been amended and there is no impact on the net book value of assets in the balance sheet. Detailed entries are shown below (in total):

- Revaluations to the revaluation reserve was £2,110k now -£1,474k
- Revaluations to surplus/deficit within the CIES was -£12,040k now -£13,838k
- Depreciation written out to the revaluation reserve was nil now £3,584k
- Depreciation written out to surplus/deficit within the CIES was nil now £1,799k

There was also a further £163k relating to PFI assets where cost and depreciation were overstated. There was no impact on the net book value and therefore this was not adjusted.

Grants Note 35: The PCC received a special grant of £2,945k during 2018/19 which has been accounted for correctly in the CIES but has not been disclosed correctly in the grants note as this only shows £2,487k. The full amount of £2,945k was also omitted from the Related Party Transactions Note 26. The notes have been amended.

### PCC and Group and Chief Constable

Expenditure and Funding Analysis: This was included as part of primary statements but should be disclosed within the notes. Also, the notes do not include opening, movement and closing balance of general fund at the foot of the statement as required by the Code. This has been amended.

# 5. VALUE FOR MONEY CONCLUSION

## Our approach to Value for Money

We are required to form a conclusion as to whether the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their 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 and Chief Constable had proper arrangements to ensure they 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>There is a Code of Corporate Governance in place for the PCC and Chief Constable, supported by Contract Standing Orders, Financial Regulations and Schemes of Delegation. Decisions of the Chief Constable are scrutinised by the PCC and meetings are published on the PCC's website. When making key decisions, consideration is given to the appropriate legal, financial, human resources and other professional advice.</p> <p>The Annual Governance Statement of the PCC and Chief Constable includes an assessment of the effectiveness of the governance arrangements and identifies areas for further improvement. The independent Joint Audit and Risk Committee review the governance issues contained within the Annual Governance Statement.</p> <p>The PCC and Chief Constable both maintain corporate risk registers along with operational risk registers. The risk management process is managed by the Head of Corporate Services with corporate risks being reviewed on a bi-monthly basis at the Risk and Governance Board as well as being presented to the Joint Independent Audit Committee on a six monthly basis.</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>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 challenge by the Joint Independent Audit Committee over coverage and risk areas.</p>	Yes



# 5. VALUE FOR MONEY CONCLUSION

Sub-criteria`	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Overall the PCC and Group delivered a surplus of £3.3 million in 2018/19 before contributions to/from reserves. As part of this overall performance, the Force achieved a break even position for 2018/19. Usable reserves have increased by £3.1 million to £17.6 million including general fund balances of £6 million, earmarked reserves of 10.1 million and unapplied capital grants of £1.5 million.</p> <p>There is a four year Long Term Financial Plan (LTFP) in place up to 2022/23 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 was agreed in February 2019. 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, the PCC and Chief Constable have a good record of delivering on efficiency targets and has sufficient reserves in place to manage any shortfall over the LTFP.</p>	Yes

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

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. The PCC has a broad framework of partners which includes statutory partners and partners from the local authority/voluntary sector and the private sector.</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.</p> <p>The Chief Constable has regular meetings with each of the Chief Executives of the local councils, and the Chief Fire Officer. In addition, the Force works in partnership with other stakeholders on a range of issues, for example: multi-agency children's hub, community safety partnerships, local safeguarding boards, health and wellbeing boards, youth offending boards and the strategic contest delivery group.</p> <p>Cleveland Police is part of the North East Regional Special Operations Unit (NERSOU) which provides additional specialist capacity to deliver an increased response to tackling serious organised crime that transcends force borders. The mission of the unit is to tackle those organised crime groups causing the greatest levels of harm to communities in the North East. The Force is also part of a national collaboration for the provision of air support, the National Police Air Service (NPAS).</p>	Yes

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

## 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 PCC and Chief Constable being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks.

## Other matters to report in respect of our Value for Money Conclusion

The Force is subject to an extensive inspection regime by Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and the results of these are published on their website to ensure appropriate scrutiny of decision making. Whilst the formal outcome of the Integrated PEEL Assessment carried out by HMICFRS in May 2019 is not anticipated until later in the year, the new Chief Constable and the Chief Officer team have already recognised that performance needs to be improved and a detailed service improvement plan is currently being developed. The key areas of focus within the plan include:

- Protection of vulnerable people;
- Neighbourhood policing; and
- Professional standards

Delivery of the Service Improvement Plan will be governed via a monthly Service Improvement Board, chaired by the Deputy Chief Constable. A force wide Operational Performance Board will also meet on a monthly basis to consider current and emerging performance threats and agree what remedial action is required to bring about the required performance improvement. This is reflected in the Chief Constable’s Annual Governance Statement as a significant governance issue.

The PCC has also recognised this as a significant governance issue in the Annual Governance Statement and has emphasised a concern over the extent to which the PCC can place reliance on the information provided by the Force. The PCC also comments that the Governance, Assurance and Scrutiny arrangements that are currently in place need to be revisited to provide independent assurance to the PCC on the performance of the Force.

The identified improvements are clearly very important issues that need to be a priority and focus for both the PCC and Chief Constable in the coming year.

## 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 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Letter required from:  
Chief Finance Officer to the Police and Crime Commissioner for Cleveland

To:  
Mr Gavin Barker  
Director  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: X July 2019

**Police and Crime Commissioner for Cleveland - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of the Police and Crime Commissioner and Group for the year ended 31 March 2019 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 2018/19 (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 myself 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 I am 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 me for the purpose of the audit; and
- unrestricted access to individuals within the Police and Crime Commissioner and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Financial 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 have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority 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 them appropriate for the year.

**Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used 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.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

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 Police and Crime Commissioner and Group 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 Police and Crime Commissioner and Group 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 Chief Financial 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 Police and Crime Commissioner 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 Police and Crime Commissioner and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Police and Crime Commissioner and Group'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.

**Charges on assets**

All Police and Crime Commissioner's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

We have no 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.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**Going concern**

To the best of my knowledge there is nothing to indicate that the Police and Crime Commissioner and Group will cease to 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 are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Finance Officer to the Police and Crime Commissioner for Cleveland

Date.....

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Letter required from:  
Chief Finance Officer to the Chief Constable for Cleveland

To:  
Mr Gavin Barker  
Director  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: xx July 2019

### Chief Constable for Cleveland - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of the Chief Constable for the year ended 31 March 2019 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 2018/19 (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 myself 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 I am 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 me for the purpose of the audit; and
- unrestricted access to individuals within the Chief Constable you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Financial 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 have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority 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 them appropriate for the year.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used 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.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

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.

The Chief Constable 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 Chief Financial 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 the Chief Constable's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) 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.

**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.

**Charges on assets**

All Chief Constable's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

We have no 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.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**Going concern**

To the best of my knowledge there is nothing to indicate that the Chief Constable will cease to 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 are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Finance Officer to the Chief Constable for Cleveland

Date.....

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the Office of the Police and Crime Commissioner for Cleveland and Group

#### Report on the financial statements

##### Opinion

We have audited the financial statements of the Office of the Police and Crime Commissioner for Cleveland (PCC) and Group for the year ended 31 March 2019, which 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 notes to the financial statements, including a 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cleveland and Group as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### 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 Police and Crime Commissioner for Cleveland and Group 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 as applicable to public interest entities, 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 the Police and Crime Commissioner for Cleveland and Group'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 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.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

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.

**Responsibilities of the Chief Finance Officer for the financial statements**

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 2018/19, 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 2018/19 and prepare the financial statements on a going concern basis, unless the Police and Crime Commissioner for Cleveland and Group 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 the Police and Crime Commissioner for Cleveland and Group 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 Authority’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

**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.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

**Conclusion on Police and Crime Commissioner for Cleveland’s arrangements for securing economy, efficiency and effectiveness in the 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 in November 2017, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Cleveland has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

**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 Police and Crime Commissioner 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 Police and Crime Commissioner for Cleveland put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Police and Crime Commissioner for Cleveland had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Responsibilities of the Police and Crime Commissioner for Cleveland**

The Police and Crime Commissioner for Cleveland 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 for the 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 Police and Crime Commissioner for Cleveland has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 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 Police and Crime Commissioner for Cleveland’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Use of the audit report**

This report is made solely to the members of the Police and Crime Commissioner for Cleveland and Group, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 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 members of the Police and Crime Commissioner for Cleveland and Group 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 members of the Police and Crime Commissioner for Cleveland and Group, 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 Office of the Police and Crime Commissioner for Cleveland and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Gavin Barker  
Director  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

July 2019



# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the Chief Constable for Cleveland

#### Report on the financial statements

##### Opinion

We have audited the financial statements of the Chief Constable for Cleveland for the year ended 31 March 2019, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Police Pension Fund Statement and Net Assets Statement and notes to the financial statements, including a 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Chief Constable for Cleveland as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### 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 Chief Constable for Cleveland 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 as applicable to public interest entities, 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 the Chief Constable for Cleveland'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 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.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

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.

### Responsibilities of the Chief Finance Officer for the financial statements

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 2018/19, 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 2018/19 and prepare the financial statements on a going concern basis, unless the Chief Constable for Cleveland 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 the Chief Constable for Cleveland 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 Authority’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

### 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.





# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

### Conclusion on the Chief Constable for Cleveland ’s arrangements for securing economy, efficiency and effectiveness in the 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 in November 2017, we are satisfied that, in all significant respects, the Chief Constable for Cleveland has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### 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 Chief Constable for Cleveland 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 Chief Constable for Cleveland put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Chief Constable for Cleveland had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Responsibilities of the Chief Constable for Cleveland

The Chief Constable for Cleveland 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 for the 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 Chief Constable for Cleveland has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 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 Chief Constable for Cleveland’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Use of the audit report

This report is made solely to the members of the Chief Constable for Cleveland, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 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 Chief Constable for Cleveland 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 members of the Chief Constable for Cleveland, 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 Chief Constable for Cleveland in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Gavin Barker  
Director  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

July 2019



# 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.

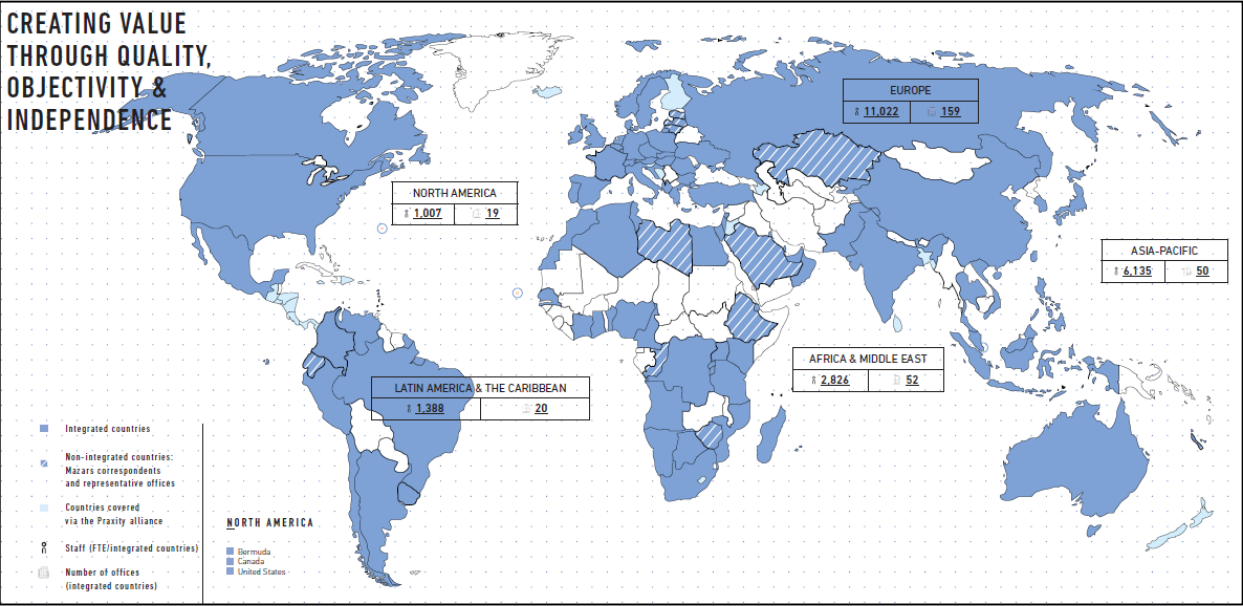
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

# MAZARS AT A GLANCE

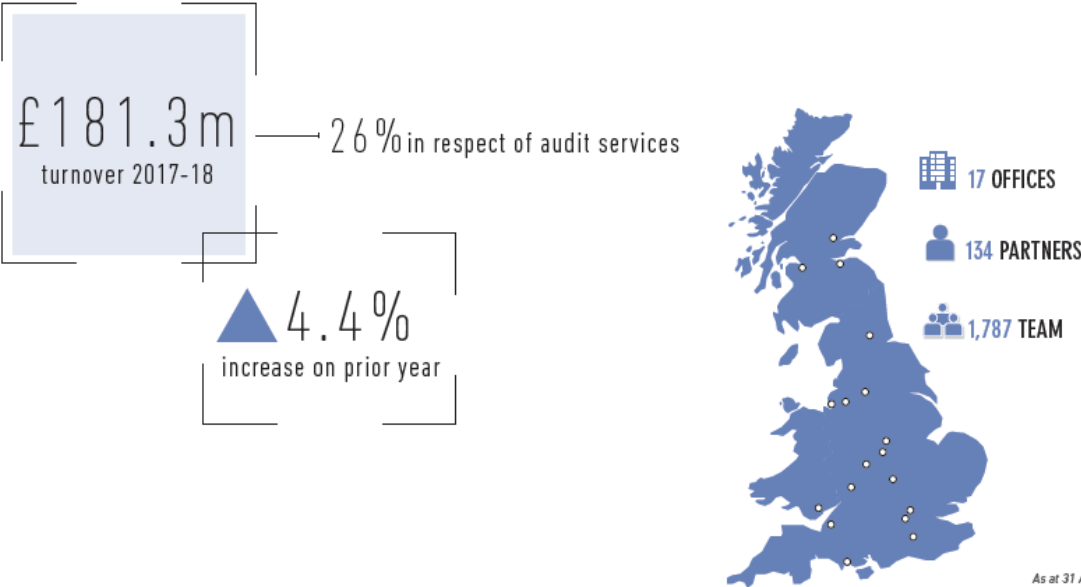
## Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

## Mazars Internationally



## Mazars in the UK



## CONTACT

### **Engagement lead**

Gavin Barker

Phone: 0191 383 6300

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### **Engagement manager**

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