Audit Strategy Memorandum

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

Year ending 31 March 2020

MAZARS

CONTENTS

Mazars LLP

Salvus House

Durham

DH1 5TS

Mr B Coppinger, Office of the Police and Crime Commissioner for Cleveland

Mr Richard Lewis, Chief Constable for Cleveland

Cleveland Police

Police Headquarters

Community Safety Hub

1 Cliffland Way

Middlesbrough

TS9 9GL

6 February 2020

Dear Mr Coppinger and Mr Lewis

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for the Office of the Police and Crime Commissioner for Cleveland (the PCC) and the Chief Constable for Cleveland (the CC) for the year ending 31 March 2020

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the PCC and the CC which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0191 383 6300.

Yours faithfully

Gavin Barker

Gavin Barker (Feb 7, 2020)

Gavin Barker

Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of the PCC and the CC for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the PCC, CC and the group for the year.

Value for Money

We are required to conclude whether the PCC and the CC have proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Reporting to the NAO

We report to the NAO on the consistency of the PCC and the CC's financial statements with its Whole of Government Accounts (WGA) submission. We do this by issuing an assurance certificate which confirms that the PCC, CC and the group are below the threshold set by the NAO.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PCC and the CC and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities (including policing bodies) in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The PCC and the CC are required to prepare their financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Police and Crime Commissioner for Cleveland and the Chief Constable for Cleveland as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

- **Gavin Barker, Director and Audit Engagement Lead**
- E: gavin.barker@mazars.co.uk
- M: 07896 684 771

- **Campbell Dearden, Manager**
- E: campbell.dearden@mazars.co.uk
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- **Tatjana Griener, Team Leader**
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- M: 0191 383 6300

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

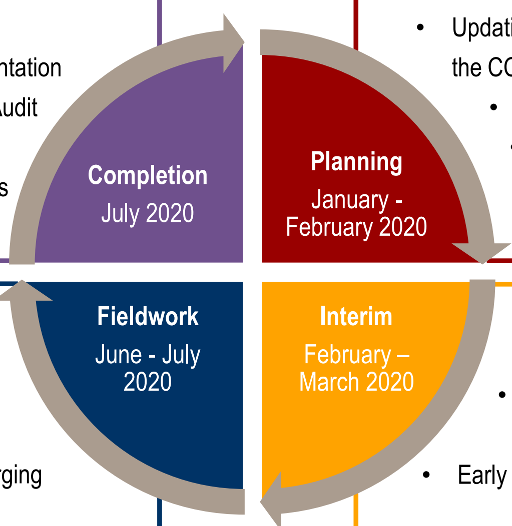
If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.

- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Joint Independent Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

- Initial opinion and value for money risk assessments
- Updating our understanding of the PCC and the CC
- Development of our audit strategy
- Agreement of timetables
- Preliminary analytical procedures



- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will liaise with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the PCC and the CC's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Government Actuary's Department (GAD) for police officers; and AON Hewitt Limited for all other employees.	NAO's consulting actuary (PWC)
Property, plant and equipment valuation	Valuer - Sanderson Wetherall	We will carry out appropriate testing and consider available third party information

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the PCC and the CC that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the PCC and CC and our planned audit approach.

Items of account	Service organisation	Audit approach
Back office services for all support functions. This includes all financial statements, control room functions, IT and HR.	Sopra Steria	We have full access to Sopra Steria systems, therefore no additional procedures are required.
Payment of pension lump sums and monthly pension payroll to retirees under the Police Pension schemes.	XPS (previously Kier)	Walkthrough of transactions as part of planning work. Testing of pensions at the year-end.

Group audit approach

The group consists of the PCC and CC. We are responsible for the direction, supervision and performance of the group audit. We are the external auditor for both the PCC and the CC.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of the financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

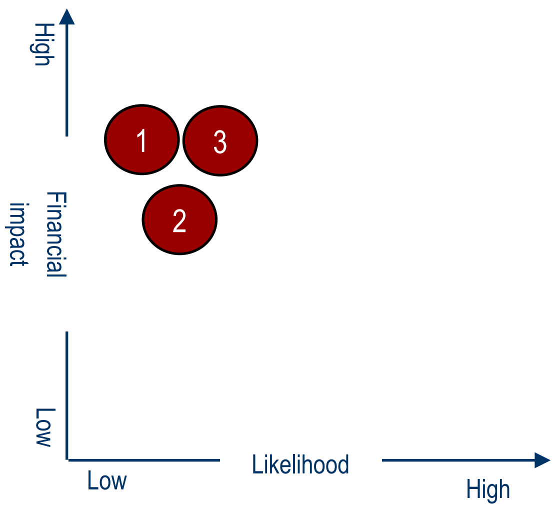
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Property valuations
3	Defined benefit liability valuation

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process; should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the PCC, the CC and the Joint Independent Audit Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls (PCC and the CC)** 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.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	**Property, plant and equipment valuation (PCC)** The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the PCC's holding of buildings. Although the PCC employs an external 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.	We will consider the PCC's arrangements for ensuring that PPE values are reasonable and, if required, will consider available data to enable us to assess the reasonableness of the valuations provided by the PCC's valuer. We will also assess the competence, skills and experience of the valuer. Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.
3	**Defined benefit liability valuation (PCC and the CC)** 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.	We will discuss 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 will: • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuaries; • consider 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; and • We will also seek assurance from the auditor of the Teesside Pension Fund.

5. VALUE FOR MONEY

Our approach to Value for Money

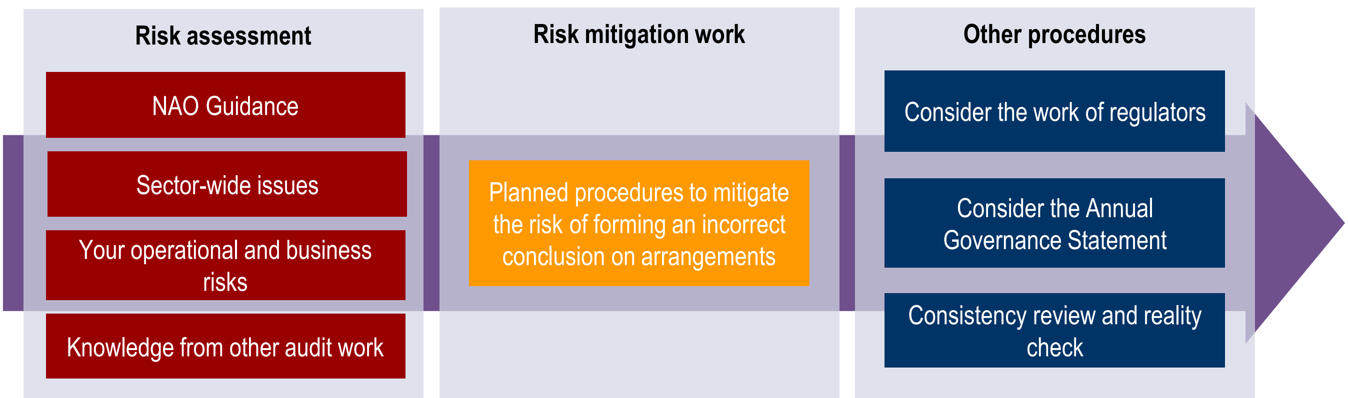
We are required to form a conclusion as to whether the PCC and the CC have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion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

The overall criterion is that, 'in all significant respects the PCC and the CC have 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; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) significant risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the PCC or the CC being inadequate. As outlined above, we draw on our deep understanding of the PCC and the CC and its partners, the local and national economy and wider knowledge of the public sector.

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. The most recent report for 2018/19 was published in September 2019 with an overall assessment that Cleveland Police's performance is inadequate and has declined considerably since its last inspection. The force has therefore been placed into their national oversight process.

Delivery of the Service Improvement Plan will be governed via a monthly Service Improvement Board, chaired by the 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.

The CC and PCC have recognised this as a significant governance issue in their respective Annual Governance Statements and the PCC has expressed concern over the extent to which they can place reliance on the information provided by the Force. The PCC has also commented 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.

Consequently, as part of our 2019/20 audit planning, we have identified a significant risk which will focus on the response of Cleveland Police to the inspection results. The significant risk and our planned response is set out on the following page.

5. VALUE FOR MONEY

For the 2019/20 financial year, we have identified the following significant risk to our VFM work:

Description of risk	Planned response
HMICFRS Inspection of Cleveland Police's performance as Inadequate The Force is subject to an extensive inspection regime by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)/. The most recent report for 2018/19 was published in September 2019 with an overall assessment that Cleveland Police's performance is inadequate and has declined considerably since its last inspection. The Force has therefore been placed into their national oversight process. Delivery of the Service Improvement Plan will be governed via a monthly Service Improvement Board, chaired by the 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. The CC and PCC have recognised this as a significant governance issue in their respective Annual Governance Statements and the PCC has expressed concern over the extent to which they can place reliance on the information provided by the Force. The PCC has also commented 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.	It is our normal practice to qualify the VFM conclusion in respect of any inspectorate assessments of Inadequate, until the assessment has formally been reported as improved beyond this level. We would not seek to duplicate the work of the inspectorate, as HMICFRS have the expertise in operational policing and lead on the matters covered in their report. We will review the response and progress of Cleveland Police since the publication of the HMICFRS report including: • progress on the delivery of the service improvement plan; and • governance, assurance and scrutiny arrangements. In particular, we will be guided by any comments made by HMICFRS on their assessment of the progress that has been made.

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the PCC and CC's appointed auditor

We communicated our 2019/20 proposed fee of £26,045 for the PCC and £11,550 for the CC in our fee letter dated 17 April 2019, which was in line with the scale fee set by PSAA.

In 2018/19, we also completed additional work relating to IAS 19 pensions in light of the national issues that arose, particularly in relation to the McCloud judgement.

In common with all local government external auditors we are required to carry out additional procedures which were not expected when fees were set.

Regulatory recommendations
We continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular we are planning increases in the level of work we do on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment.

We will discuss the driving factors with the Chief Financial Officers for both the PCC and CC and the audit fee for 2019/20 will be revisited to reflect the increased level of work that was not considered when the scale fee was set. Any agreed additional fee is also subject to detailed scrutiny by the PSAA as part of the approval process.

Service	2018/19 fee	2019/20 fee
PCC Code audit work	£26,045	£26,045
CC Code audit work:	£11,550	£11,550
Plus: additional fees in respect of pensions	£950	£0
Total fees for Code audit work (PCC and CC)	**£38,545**	**£37,595**
Additional work in response to regulatory recommendations to increase level of audit work on defined benefit liability schemes	n/a	To be agreed *
Additional work in response to regulatory recommendations to increase level of audit work on the valuation of property plant and equipment	n/a	To be agreed *

* Subject to agreement by PSAA and confirmation from PSAA of 2019/20 scale rates for additional work

All fees shown are subject to VAT

Fees for non-PSAA work

Mazars LLP have been appointed to provide a Making Tax Digital software platform available for submitting VAT returns. The annual fee for this is £600 plus VAT. This is dealt with by the firm's tax team, which is entirely separate from the audit team.

Before agreeing to undertake this work, we considered whether there were any actual, potential or perceived threats to our independence, and appropriate safeguards were put in place to enable the firm's tax team to provide this service. Further consideration of this work and wider information about our responsibilities in relation to independence is provided in section 7.

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Gavin Barker in the first instance.

Prior to the provision of any non-audit services Gavin Barker will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

As mentioned in section 6, our firm has been engaged to provide the Making Tax Digital software platform available for the submission of VAT returns. However, we have considered the safeguards necessary to maintain the independence of the audit team.

The firm's role in this tax work is very limited, just providing Making Tax Digital software, to assist with the submission of tax returns in the required digital format to HMRC. All of the responsibility for submission of VAT returns would rest clearly with management. In essence, the firm are just facilitating the software that will provide management with the mechanism to submit the returns digitally under HMRC's new rules. The fee for this is £600 plus VAT per annum. The audit team would not be involved in any way.

Following our review, we are satisfied that the audit team are sufficiently independent of this service and we have complied with the required ethical standards.

Any further emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold Group	Initial threshold PCC	Initial threshold CC
Overall materiality	£4.480m	£3.021m	£3.922m
Performance materiality	£3.584m	£2.417m	£3.137m
Trivial threshold for errors to be reported to the Joint Independent Audit Committee	£134k	£91k	£118k

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of 2% of gross expenditure at the surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the PCC, CC and Joint Independent Audit Committee

8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We consider that gross expenditure at the surplus/deficit on provision of services remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross expenditure at the surplus/deficit on provision of services.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality
Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our initial assessment of performance materiality is based on low inherent risk, meaning that we have calculated performance materiality as being 80% of overall materiality. As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account:

Item of account	Specific materiality
Senior Officer Remuneration	£100k
Exit Packages	£100k

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Misstatements
We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Joint Independent Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Gavin Barker.

Reporting to the Joint Independent Audit Committee
To comply with International Standards on Auditing (UK), the following three types of audit differences above triviality will be presented to the Joint Independent Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies. The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet. In order to meet the requirements of IFRS 16, all local authorities including all police bodies such as Cleveland Police, will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.