

Mr Iain Spittal  
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3 March 2017

Dear Mr Spittal

**Audit of the Chief Constable for Cleveland's financial statements for the year ended 31 March 2017  
- understanding how you gain assurance from management**

I have some understanding of how you, as Chief Constable, gain assurance over management processes and arrangements. This enables me to deliver an efficient audit, reducing the time which your staff need to spend responding to auditor queries.

Auditing standards require me to formally update my understanding annually. Therefore, I am writing to ask that you please provide a response to the following questions. Where your response to questions 2 to 5 is 'yes', I would be grateful if you could provide details.

1) How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments?);
- identifying and responding to risks of fraud in the Force, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist?;
- communicating to employees its view on business practice and ethical behavior (eg by updating, communicating and monitoring against the code of conduct?); and
- communicating to you the processes for identifying and responding to fraud or error?

2) How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2016-17?

3) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2016-17?

4) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

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- 5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Force's ability to continue as a going concern?
- 6) How do you ensure that management have identified and disclosed all relevant related party transactions in the financial statements?
- 7) How do you ensure that management have adopted appropriate assumptions for accounting estimates in the financial statements?

In addition to the above questions about how you gain assurance from management, I have included at Appendix 1, eight questions about your views on fraud. Your responses will inform my assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work that I undertake.

I would be grateful if you could provide me with a response by 31 May 2017. Please don't hesitate to contact me or Campbell Dearden ([campbell.dearden@mazars.co.uk](mailto:campbell.dearden@mazars.co.uk)) if you wish to discuss anything in relation to this request.

Yours sincerely



**Cameron Waddell**  
Partner

## Appendix 1

No.	Questions for those charged with governance.	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2016 – 31 March 2017?	
2	<p>Do you suspect fraud may be occurring within the organisation?</p> <ul style="list-style-type: none"> <li>➤ Have you identified any specific fraud risks within the organisation?</li> <li>➤ Do you have any concerns that there are areas within your organisation that are at risk of fraud?</li> <li>➤ Are there particular locations within the organisation where fraud is more likely to occur?</li> </ul>	
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> <li>➤ If not where are the risk areas?</li> <li>➤ What other controls are in place to help prevent, deter or detect fraud?</li> </ul>	
4	<p>How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> <li>➤ What concerns about fraud are staff expected to report?</li> </ul>	
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within your organisation?</p> <ul style="list-style-type: none"> <li>➤ How are the risks relating to these posts identified, assessed and managed?</li> </ul>	
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> <li>➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions?</li> </ul>	
7	Are you aware of any entries made in the accounting records of the organisation that you believe or suspect are false or intentionally misleading?	

No.	Questions for those charged with governance.	Those charged with governance response
	<ul style="list-style-type: none"> <li>➤ Are there particular balances where fraud is more likely to occur?</li> <li>➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the organisation?</li> <li>➤ Could a false accounting entry escape detection? If so, how?</li> <li>➤ Are there any external fraud risk factors, such as benefits payments or collection of tax revenues, which are high risk of fraud?</li> </ul>	
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> <li>➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</li> </ul>	