



# Audit Completion Report

Office of the Police and Crime Commissioner for  
Cleveland and the Chief Constable for Cleveland  
Year ending 31 March 2020

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Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Ms L Oldroyd, 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

16 September 2020

Dear Acting Commissioner / Chief Constable


### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Joint Independent Audit Committee on 27 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the PCC and CC was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August 2020 and 30 November 2020 respectively. We would like to express our thanks for the assistance of your teams in preparing accounts and enabling us to substantially complete our audit in the difficult circumstances pertaining this year, and to have done so well ahead of the revised deadlines. If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684 771.

Yours faithfully



Gavin Barker  
Mazars LLP

Mazars LLP – Salvus House, Durham. DH1 5TS  
Tel: 0191 383 6300 [www.mazars.co.uk](http://www.mazars.co.uk)

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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Office of the Police and Crime Commissioner for Cleveland and Group, and the Chief Constable for Cleveland (the 'PCC and Group' and 'CC') for the year ended 31 March 2020, and forms the basis for discussion at the Joint Independent Audit Committee meeting on 2 October 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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 CC's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of land and buildings; and
- Defined benefit liability valuation.

## 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 the PCC and Group, and the CC. Our proposed audit opinions are included in the draft auditor's reports in Appendix B.

### Value for Money conclusion

We anticipate issuing an 'Adverse' qualification on the Value for Money conclusion in respect of the PCC and CC's arrangements to secure economy, efficiency and effectiveness in the use of resources. This is linked to weaknesses in proper arrangements arising from HMICFRS's report on Cleveland Police which assessed the Force's performance as Inadequate. This is explained more fully in section 5 of this report. Our draft auditor's report for the PCC and CC is provided in Appendix B.

### Whole of Government Accounts (WGA)

The NAO have not yet issued group instructions so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PCC and Group and the CC and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	We are awaiting assurance from the pension fund auditor.
WGA	●	We are awaiting group instructions from the National Audit Office. This may impact on the timing of issuing our audit certificate to formally conclude and close the audit.
Closing Procedures	●	Review and closure processes, including final consideration of post balance sheet events.

### 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 CC with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report. We will ensure that a copy of our follow up letter is sent to Members of the Joint Independent Audit Committee.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2020. 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 £4.48m for the Group, £3.02m for the PCC and £3.92m for the CC using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £4.22m for the Group, £3.00m for the PCC and £3.88m for the CC, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the PCC and CC) at £127k for the Group, £90k for the PCC and £116k for the CC based on 3% of overall materiality.

## 2. SIGNIFICANT FINDINGS

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework 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 CC's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls (PCC and Group, and CC)	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk 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

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Property, Plant and Equipment Valuation (PCC and Group 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 land and buildings.</p> <p>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.</p>
<b>How we addressed this risk</b>	
<ul style="list-style-type: none"><li>• We liaised with management to update our understanding on the approach taken in its valuation of land and buildings;</li><li>• We considered the methodology used by the valuer as well as their competence, skills and experience;</li><li>• We considered evidence of valuation trends to assess the reasonableness of the valuations; and</li><li>• We also considered the impact of COVID-19 on the valuations to gain additional assurance on their reasonableness.</li></ul>	
<b>Audit conclusion</b>	
<p>The valuer followed guidance issued by the Royal Institute of Chartered Surveyors and their valuation report disclosed a “material valuation uncertainty” in relation to the valuation of the Authority’s land and buildings. This has been disclosed in note 5 of the financial statements. We plan, in line with normal practice, to include reference to this disclosure as an ‘emphasis of matter’ in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements. Please note that this only applies to the PCC and Group financial statements.</p> <p>Our draft Auditor’s Report at Appendix B includes a draft emphasis of matter paragraph (as highlighted on page 23 of this report). The draft wording is subject to our internal review processes, and if this wording subsequently changes we will provide an update in the follow up letter to the PCC and CC when the audit is completed, as noted on page 4 of this report.</p> <p>Our work has provided the assurance we sought and we have not identified any other matters to report in relation to property, plant and equipment valuations.</p>	

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefits liability valuation (PCC and Group, and 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. In 2019/20, the local government pension assets and liabilities are subject to triennial revaluation.
<b>How we addressed this risk</b>	
We addressed this risk by:	
<ul style="list-style-type: none"><li>• Discussing with key contacts, any significant changes to the pension estimates.</li><li>• Evaluated the management controls in place to assess the reasonableness of the figures provided by the actuaries;</li><li>• Considered the reasonableness of each actuary's output, referring to an expert's report on all actuaries nationally.</li><li>• We also sought assurances from the auditor of Teesside Pension Fund.</li></ul>	
<b>Audit conclusion</b>	
Based on work completed to date, there are no significant matters arising from our work. However, we are still awaiting the letter of assurance from the Pension Fund Auditor.	

### Qualitative aspects of the PCC and Group, and the CC's accounting practices

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

Draft accounts were received from the PCC and CC on 29 June 2020 and were of a good quality and working papers were provided by the scheduled audit start date of 29 June 2020 and were likewise of good quality.

### Significant matters discussed with management

Once again, there have been significant issues this year relating to accounting for pensions. These issues are not specific to the PCC and CC, but are national issues impacting on all local government, police and fire bodies, to varying degrees. There have been two issues raised this year with respect to pension accounting, these relate to the ongoing implications of the McCloud Judgement which was also an issue last year and a new case, the Goodwin case, and each are discussed separately below.

#### McCloud Judgement

The McCloud judgement relates to potential age discrimination arising from transitional protections offered to some existing members of public service pension schemes that were not made available to younger members. In July 2019, Treasury confirmed that the difference in treatment between older and younger members of public service pension schemes would need to be removed in order to remove the discrimination. Estimates for the additional pension liabilities arising from the McCloud case were included in the IAS 19 pensions disclosures for the PCC and CC in 2018/19 and 2019/20. At the time of making this estimate actuaries were required to estimate what the proposed remedy would be. In July 2020 Treasury initiated a consultation on the proposed remedy for public service pensions and MHCLG released a consultation into the proposed remedy for the LGPS, which set out the estimation basis for the impact of the judgement.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

Many bodies have had to seek revised IAS reports for their police pension schemes because the difference between the original accounting entries and the entries required taking into account the consultation remedy are expected to be material. However, your actuary has confirmed that the estimate made in your 2019/20 IAS 19 reports for both the LGPS and the police pension scheme included a methodology not dissimilar to that in the consultations and as such your actuary does not expect there to be a material difference in either scheme meaning that a recalculation based on the consultation remedies was not required.

### Goodwin Case

A case was made against the Teachers Pensions Scheme in relation to sexual orientation discrimination. The discrimination occurs because there is a difference in survivor benefits payable depending upon whether the member was in a same-sex marriage or civil partnership or an opposite-sex marriage or civil partnership. The government concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.

We understand from your actuary that the Goodwin case will not have an impact on the liabilities for the police pension scheme.

In relation to the LGPS, your actuary has confirmed that there will be an additional liability arising from the Goodwin judgement. Full information is not yet available to accurately calculate the impact, however, based on an estimation, your actuary has indicated that the LGPS impact is likely to be in the region of 0.2% of the LGPS Fund's total liability. For the CC this would amount to an increased liability of £220k, and for the PCC an increased liability of £30k, making the group position in the region of £250k. As the impact of this is below materiality in all cases, no adjustment to the financial statements has been made. As these issues relate to the refinement of an estimate rather than an error, they have not been reported as unadjusted misstatements on page 10.

### 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. Officers have been very helpful and responsive in addressing our audit queries, and we are grateful for the assistance provided.

Given the Government's COVID-19 instruction for the public to work from home if possible, our audit was completed remotely but this did not cause significant difficulties during the audit because:

- we used technology, such as video conferencing, to ensure the audit was completed to the required standards;
- all working papers provided were electronic and of the usual high standard; and
- we used a team of public sector audit specialists with the same manager as in 2018/19.

### 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 2019/20 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 in respect of the PCC and Group, or the CC.

### 3. INTERNAL CONTROL RECOMMENDATIONS

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

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

Our work has not identified any significant deficiencies in our 2019/20 audit to report, and there were none in 2018/19 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 £127k for the Group, £90k for the PCC and £116k for the CC.

The first section 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 section outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements 2019/20

There are no unadjusted misstatements.

## Adjusted misstatements 2019/20

We have not identified any misstatements requiring adjustment.

## Disclosure amendments

During the course of the audit we identified a number of presentational and disclosure issues. These were all relatively minor and have been adjusted for in the final version of the financial statements. We have summarised below the main disclosure amendments that have been made.

**Note 2 Expenditure and Funding Analysis (PCC only):** Adjustments for capital for police non pay costs and OPCC non pay costs should be the same for PCC as for Group. Therefore PCC figures should be changed to reflect police non pay costs adjustment for capital of -£5,670 and OPCC non pay costs adjustment for capital of £1,889k. There were also some amendments to comparative figures for 2018/19.

**Note 26 Related Parties (Group and PCC):** In the 'Government Departments' table, the Home Office ICT Charges are £759k. Per external documentation, these charges should be £859k. This also impacts on Note 31 Agency Services. This has been amended.

**Note 27 PFI (Group and PCC):** Lifecycle maintenance costs (£71k for Uray Nook, £284k for Action Stations) have been removed from table.

# 5. VALUE FOR MONEY CONCLUSION

## Our approach to Value for Money

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

The overall criterion is that, *'in all significant respects, the PCC and CC 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

It is important to clarify that the arrangements we consider in reaching this year's conclusion are those in place for the 2019/20 financial year ending on 31 March 2020.

## Overall Value for Money conclusion

In seeking to satisfy ourselves that the PCC and CC have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators.

In September 2019, Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS) issued their latest Police Efficiency, Effectiveness and Legitimacy (PEEL) assessment in relation to Cleveland Police. The overall assessment from HMICFRS was that Cleveland Police's performance was inadequate and had declined considerably since the last assessment. Key causes of concern were identified as prioritising crime prevention, protecting vulnerable people, understanding demand and strategic planning, community engagement, ethical behaviour and treatment of the workforce. As a result of the assessment, Cleveland Police have been placed into HMICFRS's national oversight process.

The CC has produced a 'Road to Improvement Plan' to address the findings from the HMICFRS Report, and actions have been prioritised to address the most pressing areas of concern first. However, the significance of the issues identified means that it will take time to secure the improvements needed, embed them into the normal ways of working within Cleveland Police and ensure that the changes are sustainable.

The findings of HMICFRS's reports relate to Cleveland Police Force, and are relevant to our consideration of the arrangements to achieve economy, efficiency and effectiveness of the CC. However, as it is a key role of the PCC to oversee the work of the CC and hold the CC to account for Cleveland Police's performance, these matters are equally applicable to our conclusion in relation to the PCC.

In our view, there are structures, procedures, policies and arrangements in place across all of the areas of our assessment, but the HMICFRS findings call into question the overall adequacy and effectiveness of these arrangements. One positive finding of HMICFRS was that "financial management is good"; this is an area of particular focus in our audit, and this view is consistent with our own. However, as the reported inadequacies are wide ranging and cut across many aspects of the criteria for the Value for Money conclusion, these matters are evidence of weaknesses in proper arrangements for taking informed decisions, securing sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities, and working with partners and other third parties. Consequently, we are issuing an 'Adverse' qualification of the Value for Money conclusion.

In accordance with the NAO guidance:

- 73. In this scenario, the auditor concludes that the weaknesses in arrangements that they have identified are either so significant in terms of their impact, or so numerous in terms of the number of different aspects of proper arrangements affected, that they are unable to satisfy themselves that the body has proper arrangements in place to secure VFM.

Extract from page 21 of the NAO publication AGN03, Auditors' Work on the VFM Arrangements, issued on 16 April 2020

Our draft auditor's reports for the PCC and CC included in Appendix B sets out the wording of our 'Adverse' qualification of the Value for Money conclusion for the 2019/20 financial year.



# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

## Considerations against the sub-criteria

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

Sub-criteria	Commentary	Proper arrangements in place in all significant respects?
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.</p> <p>The PCC and Chief Constable both maintain corporate risk registers along with operational risk registers. Corporate risks are 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.</p> <p>There are arrangements in place across the criteria. However, when we considered the aspects of proper arrangements specified in the NAO guidance alongside the assessment of Inadequate in the HMICFRS PEEL inspection report published in September 2019, we were unable to conclude that, in all significant respects, proper arrangements were in place.</p>	No

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Proper arrangements in place in all significant respects?
Sustainable resource deployment	<p>Overall the PCC and Group delivered an underspend of £1.487m in 2019/20 which included a £512k overspend by the Chief Constable. Usable reserves have reduced by £1.2m to £16.4m including general fund balances of £5m, earmarked reserves of £9.2m and unapplied capital grants of £2m.</p> <p>There is a four year Long Term Financial Plan (LTFP) and capital plan in place up to 2023/24. 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 both the Force Executive and the Police and Crime Commissioner as part of his overall scrutiny of the Chief Constable.</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> <p>There are arrangements in place across the criteria. However, when we considered the aspects of proper arrangements specified in the NAO guidance alongside the assessment of Inadequate in the HMICFRS PEEL inspection report published in September 2019, we were unable to conclude that, in all significant respects, proper arrangements were in place.</p>	No



# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Proper arrangements in place in all significant respects?
Working with partners and other third parties	<p>Working with partners continues to be developed through the use of collaborative arrangements.</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, and youth offending boards.</p> <p>There are arrangements in place across the criteria. However, when we considered the aspects of proper arrangements specified in the NAO guidance alongside the assessment of Inadequate in the HMICFRS PEEL inspection report published in September 2019, we were unable to conclude that, in all significant respects, proper arrangements were in place.</p>	No

# 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 the PCC and CC being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk.

Risk	Work undertaken	Conclusion
<b>HMICFRS Inspection of Cleveland Police’s performance as Inadequate</b>  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.	<p>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.</p> <p>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.</p> <p>We have reviewed the response and progress of Cleveland Police since the publication of the HMICFRS report.</p>	<p>The overall summary of the HMICFRS findings are set out below:</p> <p><b>EFFECTIVENESS – INADEQUATE</b> Comprises:</p> <ul style="list-style-type: none"><li>• Preventing crime and tackling anti-social behaviour – Inadequate</li><li>• Investigating crime – Requires Improvement</li><li>• Protecting vulnerable people – Inadequate</li><li>• Tackling serious and organised crime – Good</li></ul> <p><b>EFFICIENCY – INADEQUATE</b> Comprises:</p> <ul style="list-style-type: none"><li>• Meeting current demands and using resources – Inadequate</li><li>• Planning for the future – Inadequate</li></ul> <p><b>LEGITIMACY – INADEQUATE</b> Comprises:</p> <ul style="list-style-type: none"><li>• Fair treatment of the public – Inadequate</li><li>• Ethical and lawful workforce behaviour – Inadequate</li><li>• Fair treatment of the workforce – Inadequate</li></ul> <p>The HMICFRS overall conclusion was that <i>“Cleveland Police’s performance is inadequate and has declined considerably since our last inspection”</i>.</p> <p>Although we recognise that the CC has started to address many of these concerns, it will take time to secure the improvements needed, embed them into the normal ways of working within Cleveland Police and ensure that the changes are sustainable. Consequently, an ‘Adverse’ qualification of the Value of Money conclusion is appropriate.</p>

# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

## Improvements being made by Cleveland Police

Senior management have been meeting with the Home Office and HMICFRS within the national oversight process and have produced a Road to Improvement Plan to address the areas of concern within the HMICFRS Report. The initial Police Performance Oversight Group (PPOG) focussed very much on acceptance of the HMICFRS findings from the Integrated PEEL Assessment of 2019 and the strategy to deal with the failings of Cleveland Police. The second edition of the Road to Improvement focussed on the immediate operational improvements undertaken to stabilise the Force, including a focus on the 'Effectiveness' strand of PEEL. The third edition of the plan focused on long term plans in the form of Project Initiation Documents (PIDs) attached to outcomes that track progress. The Road to improvement is built around 6 key project plans:

- Vulnerability
- Understanding demand
- Problem solving, prevention and engagement
- Investigation
- Ethics and equality
- Leadership and values

Project Initiation Documents have now been approved for each of these areas and a detailed overall Programme Plan containing the critical sequencing of improvement / change required has been developed. A Programme Manager has been recruited to oversee the delivery of the outcomes within defined timescales. However, there is an acknowledgement that this will take time.

The plan is supported by a programme specific risk register. This identifies the high level risks to the programme, considers these in respect of probability and impact as well as identifying the controls already in place and any mitigating actions required.

HMICFRS feedback has been sought in respect of the proposed approach and evaluation of all projects and their associated deliverables will take place at appropriate stages of the programme. The College of Policing have also supported the improvement programme including supporting workforce planning and the Leadership Programme.

The Force has developed a cause of concern monitoring framework in conjunction with HMICFRS which includes specific performance outcomes for each cause of concern. This forms part of the wider Strategic Performance Framework. Delivery against these outcomes is tracked and monitored using a series of quantifiable performance indicators alongside qualitative evidence and insight. It is through this local performance framework that the PCC and CC plan to monitor and evidence the progress in those areas of service delivery previously identified by HMICFRS as 'causes of concern'.

The formal review and assessment of progress is presented via a monthly strategic performance review and presented for discussion at the Strategic Performance Improvement Board. This review takes into account both a directional assessment (i.e. a comparison of performance over time) and a delivery assessment (i.e. a comparison against desired levels of performance). Where an issue or concern is identified in relation to either of these assessments, a formal performance exception will be raised and further action agreed where appropriate. Additional oversight and monitoring is provided through five Delivery and Assurance Groups. Given the scale of change required, it is acknowledged that a large degree of prioritisation is required.

The latest Road to Improvement update in July 2020 notes some of the key improvements made to date although it is acknowledged that this still needs to be verified and confirmed by HMICFRS during formal inspections. Some examples include the re-introduction of Neighbourhood Policing across the organisation and improvements across a number of performance metrics.

We acknowledge the work that is ongoing at Cleveland Police to address the concerns raised in the HMICFRS Report but the scale and significance of the issues identified means that it will take time to drive real improvement in the force and to fully embed the changes that are being introduced. We will therefore be reporting an 'Adverse' qualification on our Value for Money conclusion while the Inadequate assessment remains in place.

## Looking forward

During March 2020, the significant impact of the COVID-19 pandemic began to have far reaching implications for us all, including an impact on the PCC and CC. In particular, following the lockdown from 26 March 2020, the service needed to respond to the impact of the pandemic on its communities and also needed to adapt to new ways of working.

Our 2019/20 value for money conclusion is focused on the arrangements in place during the 2019/20 financial year. Given the timing of the major impact of the pandemic one week before the end of the financial year, we did not identify an additional significant risk relating to the COVID-19 pandemic in our 2019/20 value for money conclusion work.

The PCC and CC's response to the pandemic will be a major focus of our 2020/21 audit. With this in mind, we have continued to liaise with officers and gain an understanding of the arrangements that have been put in place in the new financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

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: October 2020

**Office of the Police and Crime Commissioner for Cleveland and the Group - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Office of the Police and Crime Commissioner and Group for the year ended 31 March 2020 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 2019/20 (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 Office of the PCC 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 PCC and Committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider 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 PCC 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 PCC and Group have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

#### Fraud and error

I acknowledge my responsibility as Chief 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 Office of the PCC and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the PCC 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 PCC 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 the PCC and Group'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**

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Office of the PCC and Group, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Office of the PCC 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**

No misstatements have been identified requiring adjustment.

Yours sincerely

Chief Finance Officer to the Police and Crime Commissioner for Cleveland  
Date.....



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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: October 2020

### Chief Constable for Cleveland - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Chief Constable for Cleveland for the year ended 31 March 2020 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 2019/20 (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 Cleveland Police 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 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 Cleveland Police 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 the 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**

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on Cleveland Police, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Chief Constable / Cleveland Police 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**

No misstatements have been identified requiring adjustment.

Yours sincerely

Chief Finance Officer to the Chief Constable for Cleveland  
Date.....

# APPENDIX B

## DRAFT AUDITOR'S REPORT

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

#### Report on the financial statements

##### Opinion

We have audited the financial statements of the Police and Crime Commissioner for Cleveland (PCC) and the Group for the year ended 31 March 2020, 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 2019/20.

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 2020 and of the Police and Crime Commissioner for Cleveland and Group's 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 2019/20.

##### 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, 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.

#### THE WORDING OF THIS PARAGRAPH IS SUBJECT TO INTERNAL REVIEW AND IS SUBJECT TO CHANGE

##### Emphasis of Matter - Material uncertainty relating to valuations of land and property

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 5 to the financial statements concerning the material valuation uncertainty statement made by the valuer.

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

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

We have nothing to report in this regard.

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

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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.

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

#### Qualified conclusion – Adverse

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are not 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 the use of resources for the year ended 31 March 2020.

#### Basis for qualified 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 April 2020, as to whether the Police and Crime Commissioner for Cleveland had proper arrangements to ensure they 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 their use of resources for the year ended 31 March 2020.

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 their use of resources.

In seeking 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, we have considered reports issued by other regulators.

In September 2019, Her Majesty’s Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS) issued their latest Police Efficiency, Effectiveness and Legitimacy (PEEL) assessment in relation to Cleveland Police. The overall assessment from HMICFRS was that Cleveland Police’s performance was inadequate and had declined considerably since the last assessment. Key causes of concern were identified as prioritising crime prevention, protecting vulnerable people, understanding demand and strategic planning, community engagement, ethical behaviour and treatment of the workforce. As a result of the assessment, Cleveland Police have been placed into HMICFRS’s national oversight process.

The Chief Constable for Cleveland has produced a ‘Road to Improvement Plan’ to address the findings from the HMICFRS Report, and actions have been prioritised to address the most pressing areas of concern first. However, the significance of the issues identified means that it will take time to secure the improvements needed, embed them into the normal ways of working within Cleveland Police and ensure that the changes are sustainable.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

The findings of HMICFRS’s reports relate to Cleveland Police Force, and are relevant to our consideration of the arrangements to achieve economy, efficiency and effectiveness of the Chief Constable for Cleveland. However, as it is a key role of the Police and Crime Commissioner for Cleveland to oversee the work of the Chief Constable for Cleveland and hold the Chief Constable to account for Cleveland Police’s performance, these matters are equally applicable to our conclusion in relation to the Police and Crime Commissioner for Cleveland.

These matters are evidence of weaknesses in proper arrangements for taking informed decisions, securing sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities, and working with partners and other third parties.

### 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 their 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 their 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 the use of resources are operating effectively.

### Use of the audit report

This report is made solely to 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 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 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.

THE FOLLOWING SECTION WILL DEPEND ON WHETHER WE HAVE BEEN ABLE TO REPORT ON WGA BEFORE WE ISSUE OUR REPORT EITHER:

### Certificate

We certify that we have completed the audit 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.

OR:

### Delay in certification of completion of the audit

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Police and Crime Commissioner for Cleveland and Group’s Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Police and Crime Commissioner for Cleveland and Group’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

IF THERE IS A DELAY IN ISSUING A CERTIFICATE, A CERTIFICATE WILL BE ISSUED AT A LATER DATE WHEN THE WGA REPORT HAS BEEN COMPLETED.

[Signature]

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

October 2020





# 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 Chief Constable for Cleveland (CC) for the year ended 31 March 2020, which comprise the CC Movement in Reserves Statement, the CC Comprehensive Income and Expenditure Statement, the CC Balance Sheet, the CC 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Cleveland as at 31<sup>st</sup> March 2020 and of the Chief Constable for Cleveland's 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 2019/20.

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

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

We have nothing to report in this regard.

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

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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.

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

**Qualified conclusion – Adverse**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are not satisfied that, in all significant respects, the Chief Constable for Cleveland has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2020.

**Basis for qualified 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 April 2020, as to whether the Chief Constable for Cleveland had proper arrangements to ensure they 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 their use of resources for the year ended 31 March 2020.

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 their use of resources.

In seeking to satisfy ourselves that the Chief Constable for Cleveland has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators.

In September 2019, Her Majesty's Inspectorate for Constabulary and Fire and Rescue Services (HMICFRS) issued their latest Police Efficiency, Effectiveness and Legitimacy (PEEL) assessment in relation to Cleveland Police. The overall assessment from HMICFRS was that Cleveland Police's performance was inadequate and had declined considerably since the last assessment. Key causes of concern were identified as prioritising crime prevention, protecting vulnerable people, understanding demand and strategic planning, community engagement, ethical behaviour and treatment of the workforce. As a result of the assessment, Cleveland Police have been placed into HMICFRS's national oversight process.

The Chief Constable for Cleveland has produced a 'Road to Improvement Plan' to address the findings from the HMICFRS Report, and actions have been prioritised to address the most pressing areas of concern first. However, the significance of the issues identified means that it will take time to secure the improvements needed, embed them into the normal ways of working within Cleveland Police and ensure that the changes are sustainable.



# APPENDIX B

## DRAFT AUDITOR’S REPORT (CONTINUED)

These matters are evidence of weaknesses in proper arrangements for taking informed decisions, securing sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities, and working with partners and other third parties.

**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 their 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 their 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 the use of resources are operating effectively.

**Use of the audit report**

This report is made solely to the Chief Constable for Cleveland, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 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 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 Chief Constable for Cleveland, as a body, for our audit work, for this report, or for the opinions we have formed.

THE FOLLOWING SECTION WILL DEPEND ON WHETHER WE HAVE BEEN ABLE TO REPORT ON WGA BEFORE WE ISSUE OUR REPORT EITHER:

**Certificate**

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

OR:

**Delay in certification of completion of the audit**

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Chief Constable for Cleveland and Group’s Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Chief Constable for Cleveland’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

IF THERE IS A DELAY IN ISSUING A CERTIFICATE, A CERTIFICATE WILL BE ISSUED AT A LATER DATE WHEN THE WGA REPORT HAS BEEN COMPLETED.

[Signature]

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

October 2020

# 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.

## CONTACT

### **Engagement lead**

Gavin Barker

Mobile: 07896 684771

Email: [gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

### **Engagement manager**

Campbell Dearden

Mobile: 07881 283348

Email: [campbell.dearden@mazars.co.uk](mailto:campbell.dearden@mazars.co.uk)