

# Auditor's Annual Report **DRAFT**

Office of the Police and Crime  
Commissioner for Cleveland and the  
Chief Constable for Cleveland – year  
ended 31 March 2022

March 2023



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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for both the Office of the Police and Crime Commissioner for Cleveland (PCC) and the Chief Constable for Cleveland ('the CC') for the year ended 31 March 2022. Although this report is addressed to the PCC and CC, it is designed to be read by a wider audience including members of the public and other external stakeholders. **This is a DRAFT report, as we have not yet issued our audit opinions. The report will be finalised when we issue our audit opinions, anticipated in September / October 2023.**

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit reports on **XX September / October 2023**. Our opinions on the financial statements for the PCC & Group and CC were both unqualified. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to following up the issues raised in the pension fund auditor assurance letter in relation to the testing of triennial review membership data.]**



### Value for Money arrangements

In our audit report issued **[not yet issued]** we reported that we had completed our work on the PCC and CC's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the PCC and CC's arrangements.

We report a significant weaknesses in arrangements relating to two areas of the Force assessed as inadequate by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) from its report in March 2023. **We note that the latest HMICFRS report is a significant improvement on the previous assessment in 2019.**



### Wider reporting responsibilities

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 & Group and CC and to consider any objection made to the accounts. No such correspondence from electors was received.



### Whole of Government Accounts (WGA)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. **We are unable to respond to NAO until we have issued our audit opinion [not yet issued].** As for 2020/21, we anticipate a significant delay before we will be able to issue our audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.



# 02

Section 02:

## **Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audits were conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audits is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the PCC & Group and CC and whether they give a true and fair view of the PCC & Group and CC's financial position as at 31 March 2022 and of the financial performance for the year then ended. Our audit reports, issued on **XX September / October 2023** gave unqualified opinions on the financial statements for the PCC & Group and CC for the year ended 31 March 2022. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to following up the issues raised in the pension fund auditor assurance letter in relation to the testing of triennial review membership data.]**

Our Audit Completion Report, presented to the PCC and CC's Joint Independent Audit Committee on the 29 September 2022 provides further details of the findings of our audits of the PCC & Group and CC's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during our audits of both the PCC and CC. There was a long delay before we were able to complete our audit and issue the audit opinion, and this is explained in the 'Significant difficulties during the audit section below'. An Audit Completion report follow up letter was issued on **XX September / October 2023 (not yet issued)** to set out how any outstanding issues were resolved.

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

We reviewed the PCC & Group and CC's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the PCC & Group and CC's circumstances.

Draft accounts were received from both the PCC & Group and CC on 25 June 2022, in advance of the revised statutory deadlines and were of a good quality. The accounts were supported by good quality working papers, and we received full co-operation from the Finance Team in responding to our queries on a prompt basis.

## Significant difficulties during the audit

We had positive co-operation from management throughout the audit and we would like to thank management for their assistance, courtesy and patience during our work.

When we issued our Audit Completion Report in September 2022, we drew attention to one particular outstanding matter which was that we were not expecting to receive the annual Pension Fund assurance letter by the end of November 2022. This assurance letter is a standard practice requirement on all public sector audits, and in this case the auditor of Teesside Pension Fund is a different firm to Mazars. The Pension Fund auditor had indicated that the assurance letter would be late but was unable to provide an exact timetable.

In the event, the Pension Fund Auditor letter was not received until 22 March 2023. It is very unusual to receive these assurances as late as this. There were no material issues arising from the Pension Fund auditor's work to impact on the 2021/22 financial statements.

However, as a result of the long delay, new information was now available to update the pension disclosures in the financial statements in that the triennial revaluation of Teesside Pension Fund as at 31 March 2022 was now completed, and needed to be reflected in the 2021/22 financial statements. This required the PCC and CC to obtain an updated report from the actuary, and we needed to carry out some additional procedures, including requiring the Pension Fund auditor to test the membership data used in the triennial revaluation and report to us on the results of their testing. The Pension Fund auditor reported to us on 11 September 2023, but there were a number of issues that we had to follow up on. We issued our unqualified audit opinion on **XX September / October 2023**. **[At this stage, we anticipate being able to issue an unqualified opinion, subject to following up the issues raised in the pension fund auditor assurance letter in relation to the testing of triennial review membership data.]**

# 03

Section 03:

**Commentary on VFM arrangements**

### 3. Commentary on VFM arrangements

#### Overall summary





# 3. VFM arrangements – Overall summary

## Audit approach

We are required to consider whether the PCC and 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 for both the PCC and the CC and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the PCC and CC plan and manage resources to ensure services can continue.
- **Governance** - How the PCC and CC ensure that they make informed decisions and properly manage risks.
- **Improving economy, efficiency and effectiveness** - How the PCC and CC use information about costs and performance to improve the way services are delivered and managed.

At our planning stage, we undertake work so we can understand the arrangements that the PCC and CC have in place under each of the reporting criteria. As part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design programmes of work (risk-based procedures) to enable us to decide whether there are significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

To put this work into context we outline below the different roles of the PCC and the CC, and also set out the role of HMICFRS.

## Role of the Police and Crime Commissioner

We use key extracts from the Association of Police and Crime Commissioners (APCC) to explain the role and key accountabilities:

*The role of the Police and Crime Commissioner (PCC) is to be the voice of the people and hold the police to account. They are responsible for the totality of policing.*

*PCCs aim to cut crime and deliver an effective and efficient police service within their police force area. They are elected by the public to hold Chief Constables and the force to account, making the police answerable to the communities they serve.*

*PCCs ensure community needs are met as effectively as possible and are improving local relationships through building confidence and restoring trust. They work in partnership across a range of agencies at local and national level to ensure there is a unified approach to preventing and reducing crime.*

- Under the terms of the Police Reform and Social Responsibility Act 2011, PCCs must:
- secure efficient and effective police for their area.
- appoint the Chief Constable, hold them to account for running the force, and if necessary, dismiss them.
- set the police and crime objectives for their area through a police and crime plan;
- set the force budget and determine the precept;
- contribute to the national and international policing capabilities set out by the Home Secretary; and
- bring together community safety and criminal justice partners, to make sure local priorities are joined up.

Further detail can be found on their website: <https://apccs.police.uk/role-of-the-pcc/>

## Role of the Chief Constable

We use key extracts from the College of Policing website to explain the role and key accountabilities of the Chief Constable using their Professional Role Profile for a Chief Constable:

### Role Purpose

*The Chief Constable has overall responsibility for leading the Force, creating a vision and setting direction and culture that builds public and organisational confidence and trust, and enables the delivery of a professional, effective and efficient policing service.*

### 3. VFM arrangements – Overall summary

#### Role of the Chief Constable (continued)

##### Role Purpose (continued)

*The Chief Constable has overall responsibility for leading the Force, creating a vision and setting direction and culture that builds public and organisational confidence and trust, and enables the delivery of a professional, effective and efficient policing service.*

##### Key Accountabilities

- *Set and ensure the implementation of organisational and operational strategy for the Force, having due regard to the Police and Crime Plan and Strategic Policing Requirement and any wider plans and objectives, in order to provide an effective and efficient policing service that meets current and future policing demands.*
- *Develop a mutually productive strategic relationship with the Police and Crime Commissioner in line with the requirements of the Policing Protocol, whilst fulfilling all statutory and legal obligations as Corporation Sole.*
- *Develop and maintain governance arrangements and processes within the force, to ensure effective decision making and appropriate action at all levels/tiers of the organisation.*
- *Lead the Force, communicating a clear direction, setting organisational culture and promoting values, ethics and high standards of professional conduct to enable an effective and professional service.*
- *Lead, inspire and engage the Chief Officer Team; setting and role modelling approaches to a workforce culture that promotes wellbeing, facilitates impactful professional development and performance management to create empowered teams that effectively enable the achievement of the Force vision and goals.*
- *Hold accountability for Force financial management and determine functional budgets within the agreed framework as issued by the Police and Crime Commissioner, to ensure the effective use of public spending and maximise value for money.*
- *Fulfil the authorising responsibilities of a Chief Constable e.g. authorisation of intrusive surveillance and maintain operational oversight, holding accountability for effective, compliant policing responses, in order to protect the public and further develop the Force's operational strategies.*
- *Lead and command the operational policing responses on occasion, in the most high risk and high profile instances, in order to protect the public and ensure an appropriate and effective response.*

- *Advise national bodies such as COBR on matters of public safety and national security to contribute to effective decision making that protects the public from serious threat and upholds the law.*
- *Develop and maintain strategic relationships with local, regional and national partners, effectively influencing and collaborating to contribute to improvements and change in the broader operating context and enable the achievement of the Force objectives.*
- *Represent the Force at a local, regional and national level to the public, media and other external stakeholders to promote visibility, connect with the public and build confidence in policing.*
- *Lead national thinking, policy and guidance within an area of specialism to enable the continuous improvement of effective policing practice.*
- *Create and drive a culture of development, change and innovation to ensure enhanced productivity, value for money and continuous improvement in evidence based policing.*
- *Play an active role in national decision making on the development of the Police Service to enable the effective co-ordination of operations, reform and improvements in policing and the provision of value for money.*

Further detail can be found on the College of Policing website:

<https://profdev.college.police.uk/professional-profile/chief-constable/#:~:text=The%20Chief%20Constable%20has%20overall,effective%20and%20efficient%20policing%20service.>

#### Role of HMICFRS

We use key extracts from the HMICFRS website to explain the work of this independent inspectorate:

*For over 160 years, HM Inspectorate of Constabulary independently inspected and reported on the efficiency and effectiveness of police forces– in the public interest.*

*In summer 2017, HMIC took on inspections of England's fire and rescue services, inspecting and reporting on their efficiency, effectiveness and people.*

*We ask the questions that we believe the public wish to have answered, and publish our findings, conclusions and recommendations. We use our expertise to interpret the evidence and make recommendations for improvement.*

# 3. VFM arrangements – Overall summary

## Role of HMICFRS (continued)

*We provide authoritative information to allow the public to compare the performance of their police force and fire and rescue service against others. We also routinely monitor the performance of police forces in England and Wales.*

At HMICFRS, we inspect, monitor and report on the efficiency and effectiveness of the police and FRSs with the aim of encouraging improvement.

By providing accessible information on the performance of forces and FRSs, we allow their public, and peers, to see how they are doing. This will place pressure on those forces and FRSs requiring improvement in aspects of policing and fire and rescue to raise their game.

We will always try to see policing and fire and rescue through the public's eyes. We will use consumer 'watchdog' tactics, such as mystery shopping, and ask the public, in surveys, what they think about policing and fire and rescue and where they want to see improvements.

Our reports are clear, jargon-free, accessible, measured, objective, statistically reliable and authoritative.

We also continue to provide high-quality professional advice to the police and FRSs, using experienced officers and other subject-matter experts to identify the best practice from which all forces and FRSs can learn to improve their performance. We encourage operational excellence and a good deal for the public in terms of value for money.

We carry out many police force and fire and rescue service inspections and visits on a regular and rolling basis, and publish our findings on this website. Our reports on broad policing and fire and rescue themes and specific subjects – from terrorism and serious organised crime to custody arrangements – can all be found in the [publications section](#).

Further detail can be found on the HMICFRS website:

<https://www.justiceinspectorates.gov.uk/hmicfrs/about-us/what-we-do/>

## Summary

The Police and Crime Commissioner has a key role in working with their communities to set the strategic direction for policing, to appoint the Chief Constable and hold them and the Force to account, to set the Force budget and the precept for raising council tax.

The Chief Constable has considerable autonomy and operational independence, but does need to work effectively with the Police and Crime Commissioner and is accountable to the Police and Crime Commissioner for financial management, the effective use of public spending and maximisation of value for money.

HMICFRS provide an independent inspection of police forces, but this does not extend to the work of the Police and Crime Commissioner.

## Our assessment of Cleveland Police

In 2020/21, we reported a significant weaknesses in arrangements relating to the 'Inadequate' rating of the Force by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) from its report in 2019, and the need to accelerate the progress made in addressing the issues identified. In 2021/22, we have followed up the Force's progress on addressing the outstanding issues in the HMICFRS report and this is summarised on pages 14 and 15. On 17 March 2023, the HMICFRS published its 2021/22 Inspection Report on Cleveland Police and therefore our overall conclusions reflect the findings in this latest report. We also provide some commentary on the main findings of the report including a summary of the two areas of policing which remain inadequate for Cleveland Police from page 18.

We report separately on the CC and PCC.

The issues in the HMICFRS inspection reports are directly relevant to the CC, and that is where the primary need for action exists. This is because the HMICFRS review is of the Force and not the PCC.

In our view, however, we extend our identification of the significant weakness and recommendation to the PCC as well as the Force, as the existence of such weaknesses in the Force indicates the need to improve the PCC's oversight of the Chief Constable and Force, in terms of holding the Chief Constable to account for their performance.

# 3. VFM arrangements – Overall summary

It is important to recognise that although the HMICFRS findings cut across all of our reporting criteria – financial sustainability, governance and improving economy, efficiency and effectiveness – the significant weakness that exists and the recommendation in relation to it does not reflect on all aspects of the respective arrangements of the CC and PCC. It relates to specific aspects of the arrangements as summarised below, for the CC, and on the following page for the PCC.

## Significant weaknesses in CC’s arrangements

The risks of significant weakness we identified in the Audit Strategy Memorandum resulted from the adverse HMICFRS findings in its 2019 inspection report, where Cleveland Police Force was assessed as Inadequate.

In determining the actual weaknesses in arrangements to be reported as part of our review of value for money arrangements in the 2021/22 audit, we have considered the findings in the most recent 2021/22 Inspection Report which was published on 17 March 2023.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	23	Yes As a result of the HMICFRS inspection report assessment of the Force as Inadequate in 2019	Yes Updated for inspection report on HMICFRS inspection report on 17 March 2023 The good use of resources assessment is that a thorough understanding of demand is required to underpin all strategic planning, including workforce and financial planning, representing a significant weakness in relation to financial sustainability.
			No
Governance	26	Yes As a result of the HMICFRS inspection report assessment of the Force as Inadequate in 2019	Yes Updated for inspection report on HMICFRS inspection report on 17 March 2023 The preventing crime assessment is that the arrangements for prevention and deterrence of crime and anti-social behaviour need to be further improved, representing a significant weakness in relation to economy, efficiency and effectiveness.

# 3. VFM arrangements – Overall summary

## Significant weaknesses in the PCC’s arrangements

The risks of significant weakness we identified in the Audit Strategy Memorandum resulted from the adverse HMICFRS findings in its 2019 inspection report, where Cleveland Police Force was assessed as Inadequate. In determining the actual weaknesses in arrangements to be reported as part of our review of value for money arrangements in the 2021/22 audit, we have considered the findings in the most recent 2021/22 Inspection Report which was published on 17 March 2023.

These findings do not relate directly to the PCC, as the PCC is not subject to inspection by HMICFRS. In our view, however, we extend our identification of a significant weakness and recommendation to the PCC as well as the Force, as the existence of such weaknesses in the Force indicates the need to improve the PCC’s oversight of the Chief Constable and Force, in terms of holding the Chief Constable to account for their performance.

As part of our review, we have not identified any specific weaknesses in the PCC’s arrangements, beyond those that exist in the Force and for which the PCC is seeking to hold the CC to account.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	23	Yes	Yes
		As a result of the HMIC inspection report assessment of the Force as Inadequate in 2019  No specific weaknesses in the PCC arrangements, beyond holding the Force to account for further improvement	Updated for inspection report on HMICFRS inspection report on 17 March 2023  The good use of resources assessment is that a thorough understanding of demand is required to underpin all strategic planning, including workforce and financial planning, representing a significant weakness in relation to financial sustainability.
Governance	26	Yes	No
		As a result of the HMIC inspection report assessment of the Force as Inadequate in 2019	Mainly related to weaknesses in strategic direction and co-ordination of all prevention activity and consistent strategic leadership and planning.
Improving economy, efficiency and effectiveness	30	Yes	Yes
		As a result of the HMIC inspection report assessment of the Force as Inadequate in 2019  No specific weaknesses in the PCC arrangements, beyond holding the Force to account for further improvement	Related to the identification of three causes of concern.  Updated for inspection report on HMICFRS inspection report on 17 March 2023  The preventing crime assessment is that the arrangements for prevention and deterrence of crime and anti-social behaviour need to be further improved, representing a significant weakness in relation to economy, efficiency and effectiveness.

### 3. VFM arrangements – Prior year significant weaknesses and recommendations

#### Progress against significant weaknesses and recommendations made in the prior year – Chief Constable

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Chief Constable's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Chief Constable's progress against the recommendations made, including whether the significant weakness is still relevant in the 2021/22 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>1 Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness</b></p> <p>In 2019 HMICFRS assessed the Force as 'Inadequate'. 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.</p> <p>Since the 2019 inspection, HMICFRS has carried out further inspections, including a series of 'Cause of Concern Revisits' between April and June 2021, to assess the progress the Force has made in addressing the causes of concern highlighted by HMICFRS. HMICFRS' Reports and Letters, issued after these visits, highlighted improvements in many areas since the initial report in 2019 but also noted that the pace of improvement has not been as quick as expected and more work is required to address the outstanding areas for improvement and embed new arrangements that have been put in place.</p> <p>In our view, HMICFRS' concerns around the Chief Constable's progress in addressing the wide-ranging identified weaknesses represent a significant weakness in arrangements in relation to Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness.</p> <p>The Chief Constable needs to fully address the weaknesses identified in the 2019 HMICFRS inspection, and subsequent revisits, as these weaknesses adversely impact upon the quality and safety of services provided to service users, the wider public, police officers and police staff, and may lead to further action by HMICFRS.</p>	<p>Financial Sustainability</p> <p>Governance</p> <p>Improving the 3Es</p>	<p>We recommend that the Chief Constable should increase the pace of its response to the HMICFRS report, to:</p> <ul style="list-style-type: none"> <li>• address the causes of concern, recommendations and areas for improvement within the HMICFRS report; and</li> <li>• review and improve arrangements for ensuring appropriate action and progress is achieved against improvement recommendations raised by HMICFRS.</li> </ul>	<p>We considered the most recent HMICFRS inspection report for 2021/22 which was published on 17 March 2023.</p> <p>This recognises the improvements that have been made by the Force in addressing the causes of concern and recommendations in the 2019 Inspection Report. This is set out in more detail from page 18 of this report. However, despite the improvements, there are still two areas of policing which are rated as inadequate: Preventing crime and Good use of resources.</p> <p>In our view HMICFRS inspection activity in 2021/22 continues to highlight significant weaknesses in the Chief Constable's arrangements to fully address recommendations in significant aspects of its operations.</p> <p>This is also an issue for the PCC who holds the CC to account.</p>	<p>We note that the methodology of the latest full HMICFRS inspection report has changed significantly from the 2019 report, and the outcomes are not directly comparable.</p> <p>In effect, the new inspection report rebases HMICFRS's views of the Force.</p> <p>We have therefore closed this significant weakness and recommendation which is based on the 2019 report, and we will include a new significant weakness and recommendation based on the 2021/22 HMICFRS inspection report (see page 16).</p>



### 3. VFM arrangements – Prior year significant weaknesses and recommendations

#### Progress against significant weaknesses and recommendations made in the prior year – Police & Crime Commissioner

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement for the CC and PCC's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the PCC's progress against the recommendations made, including whether the significant weakness is still relevant in the 2021/22 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>1 Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness</b></p> <p>In 2019 HMICFRS assessed the Force as 'Inadequate'. 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.</p> <p>Since the 2019 inspection, HMICFRS has carried out further inspections, including a series of 'Cause of Concern Revisits' between April and June 2021, to assess the progress the Force has made in addressing the causes of concern highlighted by HMICFRS. HMICFRS' Reports and Letters, issued after these visits, highlighted improvements in many areas since the initial report in 2019 but also noted that the pace of improvement has not been as quick as expected and more work is required to address the outstanding areas for improvement and embed new arrangements that have been put in place.</p> <p>HMICFRS' concerns around the Chief Constable's progress also represent an issue for the Police and Crime Commissioner who is elected by the public to hold the Chief Constable and the Force to account. In our view, HMICFRS' concerns over progress in addressing the wide-ranging identified weaknesses also represent a significant weakness in the arrangements of the Police and Crime Commissioner in relation to Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness.</p>	<p>Financial Sustainability</p> <p>Governance</p> <p>Improving the 3Es</p>	<p>We recommend that the Police and Crime Commissioner continues to ensure that robust monitoring and reporting processes are in place, and that challenge, scrutiny and escalation arrangements drive the required improvements to the Force.</p> <p>These arrangements should both sustain the progress made to date and also increase the pace of change in implementing the actions taken by the Chief Constable to address the issues raised by HMICFRS.</p>	<p>We considered the most recent HMICFRS inspection report for 2021/22 which was published on 17 March 2023.</p> <p>This recognises the improvements that have been made by the Force in addressing the causes of concern and recommendations in the 2019 Inspection Report. This is set out in more detail from page 18 of this report. However, despite the improvements, there are still two areas of policing which are rated as inadequate: Preventing crime and Good use of resources.</p> <p>In our view HMICFRS inspection activity in 2021/22 continues to highlight significant weaknesses in the Chief Constable's arrangements to fully address recommendations in significant aspects of its operations.</p> <p>This is also an issue for the PCC who holds the CC to account.</p>	<p>We note that the methodology of the latest full HMICFRS inspection report has changed significantly from the 2019 report, and the outcomes are not directly comparable.</p> <p>In effect, the new inspection report rebases HMICFRS's views of the Force.</p> <p>We have therefore closed this significant weakness and recommendation which is based on the 2019 report, and we will include a new significant weakness and recommendation based on the 2021/22 HMICFRS inspection report (see page 17).</p>

# 3. VFM arrangements – Current year significant weaknesses and recommendations

## Identified significant weaknesses and recommendation for improvement made in the current year – Chief Constable

As part of our 2021/22 audit work, we identified the following significant weakness and made recommendations for improvement in the Chief Constable’s arrangements to secure economy, efficiency and effectiveness it its use of resources.

As described on page 14, we considered the most recent HMICFRS inspection report for 2021/22 which was published on 17 March 2023. We noted that the methodology of the latest full HMICFRS inspection report has changed significantly from the 2019 report, and the outcomes are not directly comparable. In effect, the new inspection report rebases HMICFRS’s views of the Force. We have therefore closed the significant weakness and recommendation which was based on the 2019 report (on page 14), even though residual issues remain, so that we can include a new significant weakness and recommendation based on the latest findings of HMICFRS in their 2021/22 inspection report), including the two areas which remain assessed by HMICFRS as inadequate.

Identified significant weakness in arrangements		Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
1	<p><b>2021/22 HMICFRS Inspection Report [Wording still to be finalised, to update in Final AAR]</b></p> <p><b>Financial sustainability and Improving economy, efficiency and effectiveness</b></p> <p>The HMICFRS inspection report for 2021/22, which was published on 17 March 2023, identified one area of policing as good, four as adequate, three as requires improvement and two as inadequate. This was a significant improvement on the results of the previous inspection in 2019.</p> <p>In our view, the two areas of policing which are rated as inadequate, ‘preventing crime’ and ‘good use of resources’, continue to represent a significant weakness in the Chief Constable’s arrangements as described below.</p> <p>The ‘preventing crime’ assessment is that the arrangements for prevention and deterrence of crime and anti-social behaviour have focused disproportionately on demand with only limited emphasis on prevention. The Chief Constable needs to provide strategic direction and co-ordination, and integrate preventative practice and problem-solving across the organisation. In our view, the HMICFRS concerns about ‘preventing crime’ represents a significant weakness in arrangements in relation to how the Chief Constable evaluates the services he provides to assess performance and identify areas for improvement under the economy, efficiency and effectiveness criterion.</p> <p>The ‘good use of resources’ assessment is that the Chief Constable does not adequately understand the demand that he faces. A thorough understanding of demand is required to underpin all strategic planning, including workforce and financial planning, and to deliver the necessary results. In our view, the HMICFRS concerns about ‘good use of resources’ represents a significant weakness in arrangements in relation to how the Chief Constable ensures that his financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system under the financial sustainability criterion..</p>	<p>Financial sustainability</p> <p>Improving economy, efficiency and effectiveness</p>	<p><b>[Wording still to be finalised, to update in Final AAR]</b></p> <p>We recommend that the Chief Constable should address the causes of concern in relation to ‘preventing crime’ and ‘good use of resources’ and implement the recommendations made in the HMICFRS inspection report.</p>	<p>We considered the most recent HMICFRS inspection report for 2021/22 which was published on 17 March 2023.</p> <p>This recognises the improvements that have been made by the Force in addressing the causes of concern and recommendations in the 2019 HMICFRS Inspection Report. However, despite the improvements, there are still two areas of policing which are rated as inadequate, ‘preventing crime’ and ‘good use of resources’.</p>	<p>The significant weakness remains relevant to the current year of audit as the causes of concern have not been fully addressed.</p>



# 3. VFM arrangements – Current year significant weaknesses and recommendations

## Identified significant weaknesses and recommendation for improvement made in the current year – Police & Crime Commissioner

As part of our 2021/22 audit work, we identified the following significant weakness and made recommendations for improvement in the PCC’s arrangements to secure economy, efficiency and effectiveness it its use of resources.

As described on page 15, we considered the most recent HMICFRS inspection report for 2021/22 which was published on 17 March 2023. We noted that the methodology of the latest full HMICFRS inspection report has changed significantly from the 2019 report, and the outcomes are not directly comparable. In effect, the new inspection report rebases HMICFRS’s views of the Force. We have therefore closed the significant weakness and recommendation which was based on the 2019 report (on page 15), even though residual issues remain, so that we can include a new significant weakness and recommendation based on the latest findings of HMICFRS in their 2021/22 inspection report), including the two areas which remain assessed by HMICFRS as inadequate.

Identified significant weakness in arrangements		Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
1	<p><b>2021/22 HMICFRS Inspection Report [Wording still to be finalised, to update in Final AAR]</b></p> <p><b>Financial sustainability and Improving economy, efficiency and effectiveness</b></p> <p>The HMICFRS inspection report for 2021/22, which was published on 17 March 2023, identified one area of policing as good, four as adequate, three as requires improvement and two as inadequate. This was a significant improvement on the results of the previous inspection in 2019.</p> <p>In our view, the two areas of policing which are rated as inadequate, ‘preventing crime’ and ‘good use of resources’, continue to represent a significant weakness in the Chief Constable’s arrangements.</p> <p>The ‘preventing crime’ assessment is that in the arrangements for prevention and deterrence of crime and anti-social behaviour have focused disproportionately on demand with only limited emphasis on prevention. Cleveland Police need to provide strategic direction and co-ordination, and integrate preventative practice and problem-solving across the organisation. In our view, the HMICFRS concerns about ‘preventing crime’ represents a significant weakness in arrangements in relation to how the body evaluates the services it provides to assess performance and identify areas for improvement under the economy, efficiency and effectiveness criterion.</p> <p>The ‘good use of resources’ assessment is that Cleveland Police does not adequately understand the demand that it faces. A thorough understanding of demand is required to underpin all strategic planning, including workforce and financial planning, to ensure that it meets demand and provides the necessary results. In our view, the HMICFRS concerns about ‘good use of resources’ represents a significant weakness in arrangements in relation how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system under the financial sustainability criterion.</p> <p>HMICFRS’ concerns around the Chief Constable’s progress also represent an issue for the Police and Crime Commissioner who is elected by the public to hold the Chief Constable and the Force to account.</p>	<p>Financial sustainability</p> <p>Improving economy, efficiency and effectiveness</p>	<p><b>[Wording still to be finalised, to update in Final AAR]</b></p> <p>We recommend that the Police and Crime Commissioner monitors and reports on the progress made by the Chief Constable to address the causes of concern in relation to ‘preventing crime’ and ‘good use of resources’ to ensure that the Chief Constable implements the recommendations made in the HMICFRS inspection report.</p>	<p>We considered the most recent HMICFRS inspection report for 2021/22 which was published on 17 March 2023.</p> <p>This recognises the improvements that have been made by the Force in addressing the causes of concern and recommendations in the 2019 HMICFRS Inspection Report. However, despite the improvements, there are still two areas of policing which are rated as inadequate, ‘preventing crime’ and ‘good use of resources’.</p> <p>This is also an issue for the PCC who holds the CC to account.</p>	<p>The significant weakness remains relevant to the current year of audit as the causes of concern have not been fully addressed.</p>

### 3. VFM arrangements – Risks of Significant Weakness & Work Undertaken

#### The findings of the HMICFRS inspection report in March 2023

##### HMICFRS Inspection Report 2021/22 – Summary of overall findings

The HMICFRS published its latest PEEL (Police Effectiveness, Efficiency and Legitimacy) Inspection Report 2021/22 for Cleveland Police on 17 March 2023. The inspection assessed how good Cleveland Police is in 11 areas of policing and has made graded judgements in 10 of the 11 areas as set out below. They also inspected how effective a service Cleveland Police provides to victims of crime but this is not subject to a graded assessment.

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Recording data about crime	Treatment of the public	Investigating crime	Preventing crime
		Responding to the public	Protecting vulnerable people	Good use of resources
		Disrupting serious organised crime	Developing a positive workplace	
		Managing offenders		

The report recognises the challenges that Cleveland Police has faced over several years including instability within the chief officer team and demand pressures. The report comments on the improvements made since the new Chief Constable was appointed and that there is greater stability in the force. However, further progress has been hampered by difficulties in recruiting a senior team to support the Chief Constable despite considerable effort and national issues outside of his control.

In the following pages, we have summarised the findings that the HM Chief Inspector of Constabulary has considered to be the most important and we focus on the two areas of policing that are still considered to be 'inadequate' for Cleveland Police: Preventing crime and Good use of resources.

Source: HMICFRS PEEL (Police Effectiveness, Efficiency and Legitimacy) Inspection Report 2021/22 for Cleveland Police, published on 17 March 2023

# 3. VFM arrangements – Risks of Significant Weakness & Work Undertaken

## The findings of the HMICFRS inspection report in March 2023

### HMICFRS Inspection Report 2021/22 – Summary of main findings – continued

**The force has significantly improved its crime recording**

The force has made considerable improvements in its crime recording. It has introduced processes to make sure that crime recording is more accurate. This means that the force is now properly recording a substantial majority of the crimes reported by the public.

**The force has improved its fair treatment of the public**

The force has made good progress in improving how it records the use of force and its understanding of how it uses stop and search. This means that members of the public can have greater confidence in how the force uses powers that can affect them the most.

**The force recognises vulnerability at first contact**

The force has worked hard since its 2019 inspection to improve how it recognises vulnerability. This is particularly evident at first contact with the consistent application of THRIVE (threat, harm, risk, investigation opportunities and vulnerability), the implementation of a vulnerability desk in the control room and good use of technology to identify repeat callers.

**The force has integrated an ethical culture**

Ethics and standards of behaviour were an area of specific concern following the force's 2019 inspection. Cleveland Police has improved in this area. In particular, it has created an effective ethics and standards board and recruited ethics advocates throughout the workforce.

**The force needs to review its neighbourhood policing resourcing and deployment model**

The force is still recovering from the redeployment of its neighbourhood policing resources prior to its 2019 inspection. Demand has continued to rise while the force's capacity for prevention has been greatly reduced. This means neighbourhood officers and staff are routinely taken away from their primary duties to support immediate response. This prevents them from engaging with the community. The chief constable is aware of this and has invited a peer review to support the development plans in this area.

**The force needs to get better at investigating reported crimes**

The force needs to improve how it investigates crimes. Some investigations lack a structured plan and appropriate supervision to help follow lines of inquiry promptly and proportionately. The force should keep victims at the heart of investigations by consistently following the Code of Practice for Victims of Crime and maintaining auditable records of victims' wishes.

# 3. VFM arrangements – Risks of Significant Weakness & Work Undertaken

## The findings of the HMICFRS inspection report in March 2023

### HMICFRS Inspection Report 2021/22 – Summary of main findings - continued

**The force needs to improve its understanding of hidden harm and work more closely with partner organisations**

The force has improved the way it protects vulnerable people but more needs to be done to equip officers to look beyond what is immediately obvious when assessing a person’s vulnerability. The force should make sure its officers and staff have the knowledge and confidence to fully explore the potential for a person to be at risk of harm. This is especially important when dealing with incidents involving children.

**The force is developing how it plans and manages organisational efficiency**

The force is undergoing significant change and restructuring as part of the Chief Constable’s long-term plans. The Chief Constable is aware of the inefficiencies in the organisational management, which have contributed to the workforce being unable to meet demand. The force’s clear direction and long-term plan will take time to develop and bring about the changes needed, but there have already been some improvements.

# 3. VFM arrangements – Risks of Significant Weakness & Work Undertaken

## The findings of the HMICFRS inspection report in March 2023

### HMICFRS Inspection Report 2021/22 – Areas of significant weaknesses in arrangements identified

The HMICFRS Report identified 2 out of the 11 areas of policing that were still considered to be ‘inadequate’ for Cleveland Police. These relate to ‘Preventing crime’ and ‘Good use of resources’. The findings for each are summarised below.

**Preventing Crime – preventing crime and anti-social behaviour**

Cleveland Police is inadequate at prevention and deterrence. The HMICFRS Report highlights that the Force has not fully addressed the cause of concern about preventing crime and anti-social behaviour identified in the 2019 inspection. It therefore should take immediate action to:

- provide strategic direction and co-ordination of all prevention activity;
- integrate preventative practice across the organisation and provide the capacity and capability to carry out structured problem-solving and prevention activity aligned with its priorities; and
- raise the organisational profile of evidence-based policing, thoroughly evaluate problem-orientated activity, and arrange the storage and sharing of good practice.

The force has an established governance structure for local policing, but the report found that this disproportionately focused on demand with only limited emphasis on prevention. Where data indicated changes in reporting, there was not enough analytical insight to explain why. Senior leaders rarely link data fluctuations to activity and aren't routinely expected to account for how they plan to mitigate emerging risks. As a result, prevention activity is sometimes carried out in isolation. There is recognition that this has been made worse by significant instability caused by vacancies within the chief officer team, despite the force's best efforts to address this. The force has made good progress in other areas, and the HMICFRS are confident that once stability is restored, the strategic direction that is required will also be restored.

The force also needs to do more to determine the causes of crime and vulnerability and take a problem-solving approach to address these. Problem-solving is encouraged but in practice it isn't applied consistently. The HMICFRS found some plans had no or only partial analysis of the problem and there were missed opportunities to involve partner organisations. Actions were often only considered for high-visibility patrols. Officers and staff have an inconsistent understanding of problem-solving, and some lack the necessary knowledge to apply the methodology effectively. Although there were some examples of problem-orientated policing used outside neighbourhood policing teams, this approach is generally viewed as a tool only for neighbourhood officers.

The HMICFRS recognise the provision of preventative policing methods such as problem-solving has been significantly reduced - primarily due to neighbourhood policing team staff being moved away from their primary duties to support other frontline officers to meet daily demand.

The HMICFRS reports that the force needs to do more to evaluate its problem-solving and take an evidence-based approach to prevention activity. There was limited evidence that the force properly evaluates its activity to determine what has worked. Good practice is also rarely shared. In Hartlepool, the HMICFRS found some good examples of multi-agency problem-solving activity, but this wasn't consistently seen across the force. Plans aren't always visible to everyone, and there is limited guidance available to officers and staff.

# 3. VFM arrangements – Risks of Significant Weakness & Work Undertaken

## The findings of the HMICFRS inspection report in March 2023

### HMICFRS Inspection Report 2021/22 – Areas of significant weaknesses in arrangements identified - continued

#### Good use of Resources – Strategic planning, organisational management and value for money

Cleveland Police is inadequate at operating efficiently. The force hasn't fully addressed the cause of concern relating to strategic planning, organisational management and value for money identified in its 2019 PEEL inspection.

Cleveland Police should continue to develop:

- its assessment of current and potential future demand across all operational areas to inform the force's operating model. This should include latent demand and the demand generated by internal processes; and
- co-ordinated financial and workforce plans based on demand, which should be integrated into the force's strategic planning cycle.

The HMICFRS inspection found that Cleveland Police has made some progress but it still needs to develop a thorough understanding of demand to underpin its strategic planning. For this reason, the previous cause of concern is unmet and remains in place.

Cleveland Police doesn't adequately understand the demand it faces. A thorough understanding of demand is required to underpin all strategic planning. This means it doesn't presently have the coherent workforce and financial plans it needs to meet demand and provide the necessary results.

The HMICFRS recognises that instability among chief officer ranks for a sustained period is a significant factor in this cause of concern having not yet been addressed. However, they have been encouraged by the progress made under the leadership of a new chief constable and remain confident that with the right support, these recommendations will be met.

### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services





# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### How the PCC and CC identify significant financial pressures that are relevant to short and medium-term plans

HMICFRS reported in its 2021/22 PEEL Inspection Report that although the force had made some progress, it hasn't fully addressed the cause of concern relating to strategic planning, organisational management and value for money identified in its 2019 PEEL inspection. In particular, it still needs to develop a thorough understanding of demand to underpin its strategic planning. In our view this is evidence of a significant weakness in arrangements for planning finances to support the sustainable delivery of services. This is set out in more detail on page 22.

We recognise that work has been undertaken to further develop and embed the Force's approach to understanding demand. For example, the Force has worked with external consultants to create a demand analysis function within Corporate Services to complete demand projects across the Force including:

- Force Control Room (FCR), including the Force Crime Management Unit (FCMU) and Vulnerability Desk
- Neighbourhoods - Harm and Risk Model (HARM) for the Force area and Neighbourhood Profiler
- Complex Exploitation Team (CET)
- Missing from Home (MFH) Co-ordinators
- Cleveland and Durham Specialist Operations Unit (CDSOU)

Further areas are going to be considered including:

- Violence Reduction Unit (VRU)
- Crime allocation
- Serious Sexual Violence Unit
- Resolution Without Deployment (RWD)

This information was used to develop a series of proposals to deal with the requested growth in line with financial affordability which were approved at the Force's Executive Management Board in February 2022.

The PCC and CC is required to set a balanced budget on an annual basis and to agree a reserves strategy to manage longer-term risk. The PCC and CC developed a Long Term Financial Plan (LTFP) covering a 4 year timeframe from 2021/22 to 2024/25 which considered key assumptions, income and funding, service investment and efficiency improvements and recognised the key risks and uncertainties facing Cleveland Police. The primary aim of the plan is to 'maintain financial stability and protect service provision'.

The financial position throughout the year was reported to the Strategic Performance Improvement Board. The overall position for the group (after transfers to reserves of £1.353m) was an underspend of £2.075m (PCC £1.78m and the CC £0.295m).

The level of total usable reserves available as at 31 March 2022 was £21.8m which is an increase of £4.15m on the balance in 2020/21 of £17.65m. General fund reserves remain unchanged at £5.042m. Earmarked reserves have increased by £2.5m to £10.6m. The balance relates to the capital receipts reserve which has increased by £3m to £6.1m.

Our work did not identify any other significant weaknesses in arrangements beyond that reported in the HMICFRS Inspection Report.

### How the PCC and CC plan to bridge funding gaps and identify achievable savings

As noted above, the 2021/22 MTFP recognised the risks and uncertainties facing the PCC and CC in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services in particular.

The 2021/22 LTFP incorporated savings of £0.747m but there remained a funding gap of £0.667m (0.46% of the gross budget). Previous performance has shown that the CC has been able to successfully balance their budgets and the outturn position highlights significant underspends even after transfers to reserves.

As noted in the previous section, the level of reserves has increased in 2021/22 and there are sufficient reserves in place to manage any financial shocks over the medium term.

Our work did not identify any other significant weaknesses in arrangements.



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### How the PCC and CC plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The PCC and CC have strategic and statutory priorities in the Force Management Strategy, Police and Crime Plan and Operational Plan as well as Estates and ICT plans. The LTFP is subject to consultation to ensure that all budget pressures are identified and is signed off by the Executive. It sets out the revenue and capital spending plans that underpin delivery of the Force's Towards 2025 strategy - The Road to Improvement and the key objectives set out within the Police and Crime Plan.

In-year monitoring reports detail the pressures faced by the PCC and CC, whether savings are being achieved, and if resources need to be redirected to areas in need and to meet priorities. Our review of the LTFP did not identify a reliance on significant 'one off' measures to balance the budget or unplanned use of reserves.

### How the PCC and CC ensure that financial plan and other plans are consistent

The PCC and CC have strategic and statutory priorities in the Force Management Strategy, Police and Crime Plan and Operational Plan as well as Estates and ICT plans. Capital and investment plans are prepared at the same time as the LTFP and are linked to the revenue budget.

The LTFP includes the capital financial plan which is also linked to the capital strategy and has direct links with other plans such as the Estates Strategy and Digital Policing Strategy. The strategy provides a mechanism by which the capital investment and financing decisions can be aligned and this forms a key part of the LTFP and the Treasury Management Policy.

Other operational planning and its impact on the LTFP is also considered, together with the impact of working with other public bodies. Risk management is also considered in terms of financial plans and risk-registers are updated and reported to the Joint Independent Audit Committee throughout the year.

The PCC and CC consider the updated financial position at various stages throughout the year. The 2021/22 LTFP update was considered at the February 2021 budget setting meeting and included a review of the PCC's reserves.

### How the PCC and CC identify and manage risks to financial resilience

Within the LTFP, there are a number of key risks identified including changes in key assumptions and also changes in demand or activity which may impact on the overall LTFP. We note that there are mitigations in place and reserves available that could cushion the organisation from immediate financial issues. Our review of the LTFP identified no evidence of significant reliance on reserves to cover unplanned spend. Planned use of reserves is mainly for capital purposes to reduce reliance on long term borrowing.

The PCC and CC have an established risk management framework and the Joint Independent Audit Committee receives risk management updates as evidenced by our review of minutes and our attendance at meetings during the year.

Financial reports contain evidence of a summary of the OPCC and CC's performance, detailing significant variances and providing adequate explanation of the causes.

**As noted above, there remains a significant weakness in the CC's arrangements for understanding demand and allocating resources according to those demands. Although there have been steps taken to improve arrangements, this significant weakness will only be removed when HMICFRS report a change in its assessment level from Inadequate.**

**The significant weakness in relation to the PCC is limited to holding the CC to account for improvement in this aspect of the Force's arrangements.**

**We have highlighted significant weaknesses in arrangements and made recommendations for improvement, as outlined in our follow up on pages 16 and 17.**

**It is important to recognise that there are many positive findings in relation to the CC and PCC's arrangements for financial sustainability, and the significant weaknesses are limited to the aspects highlighted above.**

### 3. Commentary on VFM arrangements

#### Governance

How the body ensures that it makes informed decisions and properly manages its risks



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### How the PCC and CC monitor and assess risk and how the PCC and CC gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Force has a joint corporate governance framework with the PCC which sets out the way that the two organisations govern, both jointly and separately and is subject to review on an annual basis. The framework includes Contract Standing Orders, Financial Regulations and the Scheme of Delegation and clarifies the roles and responsibilities of chief officers.

Decisions are required to adhere with the Police and Crime Commissioner for Cleveland and Cleveland Police Corporate Governance Framework including Contract Standing Orders, Financial Regulations and Schemes of Delegation. The governance arrangements require that the Force considers the appropriate legal, financial, human resources and other professional advice as part of the decision-making process.

The PCC and CC have approved a code of corporate governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – “Delivering Good Governance in Local Government”. The Code sets out the mechanisms for monitoring and reviewing the PCC and CC’s Corporate Governance arrangements underpinning the PCC and CC’s Annual Governance Statement. As part of our audit procedures we considered the PCC and CC’s Annual Governance Statement.

The PCC and CC have a shared outsourced internal audit service (RSM) and agree a programme of internal audit work at the start of each financial year. Internal Audit report to the Chief Finance Officers for the PCC and CC and the Joint Independent Audit Committee. Internal audit work is planned using a risk-based approach that aims to provide an effective internal audit service and ensure that the Chief Finance Officers’ responsibilities under Section 151 are fulfilled.

The Joint Independent Audit Committee received regular updates on the audit plan throughout the year and has responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit and Internal Audit and making recommendations concerning relevant governance aspects of the Constitution. The Joint Independent Audit Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Committee challenges management if recommendations are not implemented within the agreed timeframe.

The PCC and the CC has a Counter Fraud and Corruption Policy which was updated in February 2020 and takes part in the National fraud Initiative.

The Head of Internal Audit Opinion concluded in 2021/22 that “*The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.*”

Actions remain outstanding from audits conducted in 2020/21 from which negative opinions were issued for ICT and Domestic Abuse. The six remaining medium actions for ICT remain work in progress. Domestic Abuse will be audited again in 2022-23 as part of RSMs wider Vulnerable People audit.

The PCC and CC maintain a strategic risk register along with operational risk registers for each business area. Strategic risks are reviewed at the Risk and Governance Board with further scrutiny by the Joint Independent Audit Committee.

Our review of the risk register identified that the Force was making some improvements in the disposal of firearms and drugs and that it was trying to address the significant delays in the vetting of police officers.

### How the PCC and CC approach and carry out annual budget setting

The LTFP recognises the risks and uncertainties facing the PCC and CC in terms of future cost pressures, funding arrangements, volatile income levels and potential variations in the costs of the delivery of services. We have considered the budget setting arrangements through review of minutes and discussions with officers.

### How the PCC and CC ensure effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); support the statutory financial reporting requirements; and ensure corrective action is taken where needed

A plan and timetable is agreed and followed, with the annual preparation of a detailed revenue budget and Long Term Financial Plan in February/March each year. See the Financial Sustainability section above for further detail of our review of the LTFP.

Monthly budget monitoring reports are provided to all budget holders and regular meetings are held with Finance staff to discuss variances. Quarterly forecast of outturn reports are produced and presented to the Strategic Performance Improvement Board.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

As part of the response to the HMICFRS Report, a performance management strategy and performance measurement framework has been developed which includes performance indicators alongside additional qualitative information. The Force undertakes a detailed monthly performance assessment which is presented to the Strategic Performance Improvement Board and multiple thematic delivery and assurance groups in the form of exception reports.

We have reviewed the PCC and CC's minutes and confirmed there was regular reporting of the financial position during the 2021/22 financial year. This included detail of movements in the budget. The PCC and CC has a good record of delivering against the budget.

Our audit of the 2021/22 financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

### How the PCC and CC ensure properly informed decisions are made, supported by appropriate evidence and allowing for challenge and transparency

The Force has a joint corporate governance framework with the PCC. Decision making is carried out in accordance with the Police and Crime Commissioner for Cleveland and Cleveland Police Corporate Governance Framework including Contract Standing Orders, Financial Regulations and Schemes of Delegation. In their letter on 3 September 2021,

The Force's Chief Officer Team meets on a weekly basis and the Executive Management Board meets on a bi monthly basis. For each meeting the decisions made and actions allocated are recorded. The OPCC maintains oversight and scrutiny of the Force decision making through weekly meetings with the Chief Constable, the receipt of update reports to the scrutiny meetings and by attending the Strategic Performance Improvement Board. Reports presented to the PCC are available on the PCC's website

As noted in the PCC's Annual governance Statement, one of the areas which requires continued focus is the need to ensure openness and comprehensive stakeholder engagement.

### How the PCC and CC monitor and ensure appropriate standards are maintained

The PCC and CC's Joint Governance Framework sets out how the PCC and CC operates, how decisions are made and the procedures which are followed to ensure that decisions are transparent, and accountable to local people.

The Force has a Standards and Ethics Department and operates a Whistle-blowing Policy. Declarations of interests and gifts are expected to be declared to the Standards and Ethics Department. Related parties are recorded on an annual basis and disclosed in the statement of accounts as well as senior officer remunerations. The most recent HMICFRS Report for 2021/22 notes that "Cleveland Police has improved in this area. In particular, it has created an effective ethics and standards board and recruited ethics advocates throughout the workforce".

The Annual Governance Statement (AGS) is published and reviews the effectiveness of the PCC and CC's Governance Framework.

There is regular reporting of treasury management activity that details the PCC and CC's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2021/22 financial year and sets out the PCC and CC's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the PCC and CC's finances.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

One of the significant governance issues raised in the 2021/22 AGS (and also in 2018/19 2019/20 and 2020/21), was that significant doubt had been raised on the extent to which the PCC can place reliance on the governance processes within the Force, with particular emphasis on the assurance around operational performance and the information subsequently provided. Further work will be undertaken by the PCC and CC to strengthen this moving forward through the development of the new performance focused Police and Crime Plan incorporating the new requirement for PCCs to measure performance against the National Crime and Policing Measures.

In addition, the PCC has also highlighted a significant governance issue in terms of 'behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law'. The PCC will continue to oversee and hold to account the Force for the Professional Standards and Ethics within the Force and the implementation of the actions resulting from all reviews in this area. It is also now noted that the awareness, mechanisms, processes and comfort for people to raise concerns within the Force should be reviewed to ensure that they are fit for purpose. This specific area will therefore be looked at within the Internal Audit programme as part of the review of Whistleblowing. As noted in the PCC's Annual Governance Statement, this is a large area of work that is likely to extend across multiple financial years.

**Although there are still some areas that need to be addressed, we did not identify a significant weakness or recommendation in relation to governance.**



### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

As part of the response to the HMICFRS Report, a performance management strategy and performance measurement framework has been developed in 2021/22 which is supported by performance indicators which are tracked and monitored alongside other performance information. A formal Strategic Performance Outcome Framework has been produced which seeks to provide greater clarity around aims and areas of focus.

The Force undertakes a detailed monthly performance assessment which reviews current performance against strategic policing priorities. The results of the performance assessment are presented to the Strategic Performance Improvement Board and multiple thematic delivery and assurance groups, in the form of an 'exception report' with current and emerging 'performance threats' identified in terms of both direction (over time) and delivery (against a specified level of service delivery).

We reviewed the reports which reported the monthly and yearly forecast outturn position. These reports contain evidence of a summary of the PCC and CC's performance, detailing significant variances and providing explanations of the causes.

In 2021/22, the Force spent £2.4m less than originally budgeted on 'Pay' and this is despite spending almost £1.6m more than originally budgeted on Police Overtime. It is likely that this will re-occur in 2022/23 based on the current staffing levels. The force recognises that this will continue to hamper the Force in terms of delivery of the improvements that they need to make and will also make it more challenging to deliver against the Police and Crime Plan. Recruitment and retention is therefore a key area to consider for the Force. However, following a review for the 2022/23 LTFP, the establishment is now felt to be in line with the level of funding available.

### How the PCC and CC evaluate services to assess performance and identify areas for improvement

The HMICFRS inspection report for 2021/22, which was published on 17 March 2023, identified one area of policing as good, four as adequate, three as requires improvement and two as inadequate. This was a significant improvement on the results of the previous inspection in 2019. We have summarised the results of the inspection on pages 18 to 22.

In our view, the two areas of policing which are rated as inadequate, 'preventing crime' and 'good use of resources', continue to represent a significant weakness in the Chief Constable's arrangements.

The preventing crime assessment is that the arrangements for prevention and deterrence of crime and anti-social behaviour need to be further improved, representing a significant weakness in relation to economy, efficiency and effectiveness.

The good use of resources assessment is that a thorough understanding of demand is required to underpin all strategic planning, including workforce and financial planning, representing a significant weakness in relation to financial sustainability. This is addressed in the financial sustainability section from page 23 of this report.

HMICFRS' concerns around the Chief Constable's progress also represent an issue for the Police and Crime Commissioner who is elected by the public to hold the Chief Constable and the Force to account.

A separate inspection of the Force's Custody Suite was conducted jointly by HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and HM Inspectorate of Prisons (HMIP) in May 2021. The inspection assessed the effectiveness of custody services and outcomes for detained people throughout the different stages of detention. It examined the force's approach to custody provision in relation to safe detention and the respectful treatment of detainees, with a particular focus on vulnerable people and children.

The custody facilities in Cleveland Police were last inspected in 2014. This inspection found that, of the 29 recommendations made during that previous inspection, 14 had been achieved, 6 had been partially achieved, 8 had not been achieved and 1 was no longer relevant. To aid improvement, the report made 3 recommendations to the force addressing the main causes of concern and highlighted an additional 15 areas for improvement.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

**How the PCC and CC ensure they deliver their roles within significant partnerships, engage with stakeholders identified, monitor performance against expectations, and ensure action is taken where necessary to improve**

There are 4 geographic Independent Advisory Groups (IAG) covering each local authority area, and a Strategic IAG (SIAG) including senior police officers and staff and the PCC to discuss strategic issues that affect the whole of the Cleveland policing area.

The Force has a number of collaborative agreements with other police forces to increase resilience and effectiveness and reduce costs.

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 the local authorities, and other stakeholders, e.g. health, education and social care on a range of issues, for example: multi-agency children’s hub, community safety partnerships, local safeguarding boards, health and wellbeing boards, youth offending boards and the strategic contest delivery group.

All partnership and collaboration decisions are published by the PCC on the website.

**How the PCC and CC commission or procure services, how the PCC and CC ensure this is done in accordance with relevant legislation, professional standards and internal policies, and how the PCC and CC assess whether the expected benefits are realised**

Procurement is undertaken through the use of contract standing orders which set out the processes that must be followed including value for money and there is a procurement team in place.

All major schemes are monitored through project boards.

As noted above, there remains a significant weakness in the CC’s arrangements for prevention and deterrence of crime and anti-social behaviour. Although there have been steps taken to improve arrangements, this significant weakness will only be removed when HMICFRS report a change in its assessment level from Inadequate.

The significant weakness in relation to the PCC is limited to holding the CC to account for improvement in this aspect of the Force’s arrangements.

We have highlighted significant weaknesses in arrangements and made recommendations for improvement, as outlined in our follow up on pages 16 and 17.

It is important to recognise that there are many positive findings in relation to the CC and PCC’s arrangements for improving economy, efficiency and effectiveness, and the significant weaknesses are limited to the aspects highlighted above.



# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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 did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. At the time of preparing this report we have recently received instructions from the NAO on what procedures are required. We expect there to be a delay in progressing the 2021/22 WGA work, as the position on 2020/21 WGA work needs to be clarified first. Until this work is concluded we cannot issue our audit certificate.

## 4. Other reporting responsibilities and our fees

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

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Joint independent Audit Committee in March 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

### PCC and Group

Area of work	2021/22 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£26,045	£26,045
Recurring increases in the base audit fee arising from regulatory pressures for the PCC (recurring, as reported in the 2019/20 audit, with the 2021/22 fee uplifted by the PSAA 25% increase in rates )	£6,554	£5,242
Additional fees in respect of the new VFM approach (recurring, as reported in the 2020/21 audit)	£6,000	£6,000
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring, as reported in the 2020/21 audit)	£1,900	£1,900
Additional fees in respect of pension reporting and triennial pensions issue (specific issue for 2021/22 only) – <b>estimated at this stage</b>	£3,000	£0
<b>Total fees</b>	<b>£43,499</b>	<b>£39,187</b>

Additional fees are subject to Public Sector Auditor Appointments (PSAA) approval. Amounts are excluding VAT.

### Fees for other work

We confirm that we have not undertaken any non-audit services for the PCC and Group in the year.

Introduction

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Other reporting responsibilities and our fees

# 4. Other reporting responsibilities and our fees

## Fees for work as the PCC's and the CC's auditor - continued

### CC

Area of work	2021/22 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£11,550	£11,550
Recurring increases in the base audit fee arising from regulatory pressures for the CC (recurring, as reported in the 2019/20 audit, with the 2021/22 fee uplifted by the PSAA 25% increase in rates)	£2,950	£2,360
Additional fees in respect of the new VFM approach (recurring, as reported in the 2020/21 audit)	£5,000	£5,000
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring, as reported in the 2020/21 audit)	£600	£600
Additional fees in respect of pension reporting and triennial pensions issue (specific issue for 2021/22 only) – estimated at this stage	£1,000	£600
Total fees	£21,100	£19,510

Additional fees are subject to Public Sector Auditor Appointments (PSAA) approval. Amounts are excluding VAT.

### Fees for other work

We confirm that we have not undertaken any non-audit services for the CC in the year.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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