



Auditor's Annual Report

Office of the Police and Crime Commissioner for Cleveland and the Chief Constable for Cleveland – year ended 31 March 2024

February 2025

Contents

- 01 Introduction
- 02 Audit of the financial statements
- 03 Commentary on value form money (VFM) arrangements
- 04 Other reporting responsibilities
- 05 Audit fees and other services

- A Appendix A: Further information on our audit of the financial statements

01

Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Office of the Police and Crime Commissioner for Cleveland (the PCC) and the Chief Constable for Cleveland (‘the CC’) for the year ended 31 March 2024. 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.

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 have not yet issued our audit report, pending receipt of the pension fund auditor assurance. We issued a qualified opinion on the financial statements 24 February 2025.



Value for money arrangements

We did not identify any significant weaknesses in the PCC’s or 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.



Wider reporting responsibilities

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We plan to report to NAO when we have issued our audit opinion. As in previous years, 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.

We have not exercised any of our other additional powers and duties and have not issued a report in the public interest, written a recommendation, applied for a court declaration, issued an advisory notice, issued an application for judicial review or received any objections.

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit 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 and CC and whether they give a true and fair view of the PCC and CC's financial positions as at 31 March 2024 and of its financial performance for the year then ended. Our audit report was issued in February 2025.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the PCC and CC's accounting practices

We reviewed the PCC & Group and CC's accounting policies and disclosures and concluded they comply with the 2023/24 Code of Practice on Local Authority Accounting, appropriately tailored to the PCC and Group and CC's circumstances.

Significant difficulties during the audit

We did not encounter and 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.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual reports and our knowledge of the PCC and CC.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statements did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Our work on value for money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Our approach

We are required to consider whether the PCC and CC 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 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 their resources to ensure they can continue to deliver its services.
- 

Governance - How the PCC and CC ensure they make informed decisions and properly manages its risks.
- 

Improving economy, efficiency and effectiveness - How the PCC and CC use information about costs and performance to improve the way they manage and deliver services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, 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.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- information from internal and external sources, including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions with officers.

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.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 21.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the PCC and CC. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	12	Yes – see risk 1 on page 21	No, action has been taken to address the identified risk of significant weakness.	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	18	Yes – see risk 1 on page 21	No, action has been taken to address the identified risk of significant weakness.	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

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 hadn'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 needed to develop a thorough understanding of demand to underpin its strategic planning.

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.

As noted on page 21, at its revisit in August 2023, the HMICFRS concluded that it was pleased with the improvement in Cleveland Police's strategic planning, organisational management and how it achieves value for money, and they were able to discharge this recommendation.

The PCC and CC are required to set balanced budgets on an annual basis and to agree a reserves strategy to manage longer-term risks. The PCC and CC developed a Long-Term Financial Plan (LTFP) covering a 4-year timeframe from 2023/24 to 2026/27 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 was an underspend of £2.2m. The PCC reported an overall underspend of £4.8m and the CC reported a £2.6m overspend. The outturn before year-end reserves movement and after total in-year transfer to reserves and capital of £3,474k, was an underspend of £730k. The overall underspend of £730k was £1,400k lower than expected, and lower than the value included within the LTFP that was approved in February, as a result of the significantly higher overspend reported by the Force.

The level of total usable reserves available at 31 March 2024 was £23.7m which is a decrease of £1.4m on the balance in 2022/23 of £25.1m. This is largely due to a decrease in the capital receipts reserve. Within this total, general fund reserves increased to £5.772m from £5.042m. Earmarked reserves have increased by £1.1m to £11.85m. In 2021/22, the total usable reserves were £21.8m.

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

As noted above, the 2023/24 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 LTFP is forecast to breakeven in years one and two of the plan. The Force faces a significant challenge to address the gap in funding in years three and four (£2m and £2.4m respectively). The view taken by the Force is that the balanced position in the early years of the plan affords the Force the opportunity to continue to deliver on its service improvement programme and formulate longer term plans to address the funding gap in years of the three and four. As noted in the previous section, the level of usable revenue reserves has increased in 2023/24 and there are reserves in place to manage any financial shocks over the medium term.

Our work did not identify any significant weaknesses in arrangements.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How the PCC and CC plan 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 Audit Committee throughout the year.

The PCC and CC consider the updated financial position at various stages throughout the year. The 2023/24 LTFP update was considered at the February 2023 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 risk management frameworks, and the Joint Audit Committee receives risk management updates as evidenced by our review of minutes and during our attendance at meetings during the year.

Financial reports contain evidence of a summary of financial performance, detailing significant variances and providing explanations of the causes.

As set out on page 21, at its revisit in August 2023, the HMICFRS concluded that it was pleased with the improvement in Cleveland Police's strategic planning, organisational management and how it achieves value for money, and they were able to discharge this recommendation.

Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in arrangements in relation to the financial sustainability reporting criteria.

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on Governance

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 the Force to consider 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 Statements. As part of our audit procedures, we considered the PCC and CC’s Annual Governance Statements.

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 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 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 comply 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 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 have a Counter Fraud and Corruption Policy and take part in the National fraud Initiative.

The Head of Internal Audit Opinion concluded in 2023/24 that “The organisation has an adequate and effective framework for risk management, governance and internal control. Our work has, however, identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

The Annual Governance Statement sets out a significant governance issue for the Force relating to an adverse opinion from an internal audit report. The Force is progressing the agreed actions, with a number already closed or identified for closure. The ongoing review of the two areas for concern reported by HMICFRS are also mentioned within the Annual Governance Statement. As noted previously, the HMICFRS has now discharged both recommendations in 2023/24.

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 Audit Committee.

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.

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 agenda papers and minutes and confirmed there was regular reporting of the financial position during the 2023/24 financial year. This included detail of movements in the budget. The PCC and CC have good records of delivering against budgets.

Our audit of the 2023/24 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.

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.

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".

Annual Governance Statements (AGS) are published and record the PCC and CC's governance frameworks.

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 2023/24 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.

Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in arrangements in relation to the governance reporting criteria.

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

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 was developed in 2021/22, 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. This has continued into 2023/24.

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).

In early 2023, a new performance management framework was developed, and the Strategic Performance Improvement Board was replaced with the monthly Force IMPACT Board. The reports contain a detailed assessment of current performance against policing priorities and has been designed to facilitate a conversation which examines and challenges performance and supports the decision-making process. Performance considers a directional assessment (performance over time) and a delivery assessment (performance achievement).

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.

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.

As noted on page 21, both causes of concern and their associated recommendations have been discharged and the Force was removed from the 'engage' phase of monitoring from August 2023.

Performance assessment is informed by the CC service improvement team, corporate services projects and joint project PCC and CC Boards for major schemes. The Futures Board, chaired by the Chief Constable, meets on a bi-monthly basis to drive delivery of the Force change and innovation programme ensuring that projects are prioritised, resourced and delivered in order to achieve the best outcomes in line with overall Force objectives.

As part of the new performance management framework, a monthly Force IMPACT Board was introduced. This report contains a detailed assessment of current performance against policing priorities and has been designed to facilitate a conversation which examines and challenges performance and supports the decision-making process. Performance is presented by means of a) a directional assessment and b) a delivery assessment. These assessments are made using the following criteria.

The directional assessment will consider how performance has changed over time. An exception will be raised when:

- the current level of performance exceeds the acceptable statistical tolerance i.e. the upper or lower control limit. Tolerances are to be set at 2 standard deviations above and below the mean, where the mean is based on the last 12 data points (e.g. 12 months); or
- where performance remains within the acceptable tolerances, the directional assessment will be based on any visual trend observed within the last 6 data points.

The delivery assessment will consider the required level of performance has been achieved. The required level of performance will be determined by one of the following:

- a national service standard or service level agreement;
- a local service standard or service level agreement required; or
- a specific performance target or threshold such as the national or 'most similar group'.

Whilst the aspiration is to deliver a level of performance which is at least in line with the 'most similar group' average and the general direction of travel mirrors that which is happening elsewhere, in cases where no specific delivery target is given, the default position is to deliver a directional improvement.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

The HMICFRS National child protection inspections report published on 15 January 2025 includes two areas identified as inadequate: responding to children at risk of harm and investigating child abuse, neglect and exploitation.

The HMICFRS found that Cleveland Police has worked hard over the years to improve how it safeguards vulnerable children and families. But there is still much more to do.

They identified two causes of concern regarding the performance of Cleveland Police in safeguarding children at risk. These concerns relate to how the force responds to children that are missing, and how the force investigates online child sexual exploitation.

The force doesn't consistently recognise the risks posed to missing children. Nor does it respond to them effectively. And the force needs to improve how it investigates cases involving children being sexually exploited online. This includes how it assesses wider risks posed by offenders, and how it provides support to children and families.

The force doesn't have enough trained officers and staff to investigate reports of child abuse, neglect and exploitation. Also, although the force has worked hard to train its officers and staff, this training doesn't always result in improving outcomes for children.

The force needs to make sure it equips officers and staff to recognise risk and consistently record the voice of the child. It needs to make sure it effectively shares relevant information with its safeguarding partners. And it needs to improve how it assesses and responds to children at risk of, or harmed by, exploitation.

Whilst we are satisfied there are no significant weakness in arrangements, we recognise the findings from the HMICFRS report. Therefore, we have raised the following 'other recommendation'.

Other recommendation	
The HMICFRS child protection inspections report raised concerns about the arrangements in place for safeguarding children.	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.

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

Major schemes are monitored through project boards.

As set out on page 21, at its revisit in August 2023, the HMICFRS concluded that the Force has made significant improvements in its approach to preventing crime and antisocial behaviour. They acknowledge there is still much work to do but are satisfied the Force has addressed the concerns raised following the last inspection and that this recommendation has been discharged.

Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year

As part of our audit work in previous years, we identified the following significant weakness and made recommendations for improvement in the PCC and CC’s arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the PCC and CC’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2023/24 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>2021/22 HMICFRS Inspection Report Financial sustainability and Improving economy, efficiency and effectiveness The HMICFRS inspection report for 2021/22 was published on 17 March 2023 and assessed the following areas of policing as inadequate:</p> <ul style="list-style-type: none"> •Preventing crime; and •Good use of resources. <p>The report identified that the arrangements for prevention and deterrence of crime and anti-social behaviour have focused disproportionately on demand, with only limited emphasis on prevention and that strategic direction and co-ordination need to be provided and preventative practice and problem-solving needs to be integrated across the organisation. As a result, the burden on scarce police resources is higher than it might otherwise be with effective prevention activity.</p> <p>1 The report further identified that the Chief Constable does not adequately understand the demand he faces, which underpins all strategic planning, including workforce and financial planning. As a result, the burden on scarce police resources is higher than it might otherwise be with effective understanding of and management of demand for policing services.</p> <p>In our view, the HMICFRS concerns about ‘preventing crime’ and ‘good use of resources’ represents a significant weakness in arrangements in relation to:</p> <ul style="list-style-type: none"> •how the Chief Constable evaluates the services he provides to assess performance and identify areas for improvement under the economy, efficiency and effectiveness reporting criterion; and •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>Financial Sustainability</p> <p>Improving the 3Es</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 recognise that HMICFRS has now discharged both causes of concern and removed the Force from the ‘engage’ stage.</p>	<p>The latest formal PEEL reporting from HMICFRS confirms that action has been taken to address the significant weakness in 2023/24. Our work did not identify any evidence to indicate a significant weakness in arrangements in the value for money reporting criteria.</p>

Other reporting responsibilities

Other reporting responsibilities

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. We plan to report to NAO when we have issued our audit opinion. As in previous years, 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.

Audit fees and other services

Audit fees and other services

Fees for our work as the PCC and Group’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 Audit Committee in September 2024. We have not yet completed our work for the 2023/24 financial year, subject to completion of the outstanding work, we can confirm that our fees are expected to be as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£97,887	£32,599
Additional fees in respect of the new VFM approach	Nil	£6,000
Additional fees in respect of the new ISA540 requirements in relation to accounting estimates	Nil	£1,900
Additional fees in respect of ISA315 revised	Nil	£2,500
Additional fees in respect of the issues with the disclosure of a pension fund asset	Nil	£800
Total fees	£97,887	£43,799

Fees for other work

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

Audit fees and other services

Fees for our work as 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 Audit Committee in September 2024. We have not yet completed our work for the 2023/24 financial year, subject to completion of the outstanding work, we can confirm that our fees are expected to be as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£46,686	£14,500
Additional fees in respect of the new VFM approach	Nil	£5,000
Additional fees in respect of the new ISA540 requirements in relation to accounting estimates	Nil	£600
Additional fees in respect of ISA315 revised	Nil	£1,000
Additional fees in respect of the issues with the disclosure of a pension fund asset	Nil	£400
Total fees	£46,686	£21,500

Fees for other work

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

Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit of the PCC and CC, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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. The unpredictable way in which such override could occur means there is a risk of material misstatement due to fraud on all audits.</p>	<p>We addressed the management override of controls risk by carrying out audit work on: accounting estimates; journal entries; and significant transactions outside the normal course of business or otherwise unusual.</p>
<p>IAS19 net defined benefits valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements. We will also sought assurance from the auditor of the Teesside Pension Fund.</p> <p>We considered the accounting treatment in respect of the reporting of a net asset position on the LGPS for 2023/24.</p>

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings (continued)

Risk	Our audit response and findings
<p>Valuation of property, plant and equipment (PCC and Group only)</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the PCC and Group's holding of PPE. Although the PCC and Group uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE as a result of the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.</p>	<p>We addressed this risk by considering the PCC and Group's arrangements for ensuring that PPE values are reasonable, and we used data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer. We also assessed the competence, skills and experience of the valuer.</p> <p>We discussed methods used with the valuer and examined supporting information. We used indices provided by NAO's valuation expert (Montague Evans) to confirm the assets not revalued are unlikely to have materially changed in value. We tested the revaluations in year to valuation reports and supporting calculation sheets and ensured that the calculations are correct, and source data agrees.</p>

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

The following uncorrected misstatement was identified.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: PFI life cycle (Capital Adjustment Account)			187	
Dr: Non-pay expenditure	86			
Cr: Finance expenditure		-273		
Amendment to reflect changes in the allocation of the in-year PFI payment due to the impact of RPI unapplied to the PFI model.				
Aggregate effect of unadjusted misstatements	86	-273	187	

Appendix A: Further information on our audit of the financial statements

Internal control observations

Description of deficiency

During our review of disposals in year, we found one asset that had been out of use since 2012 which was removed in the 2023/2024 financial year.

Potential effects

Having aged assets on the asset register indicates regular asset reviews may not have been conducted. Irregular asset register reviews may lead to lost or misappropriated assets and may result in obsolete or damaged assets remaining on the asset register. This may lead to misstatement within the financial statements.

Recommendation

Asset register reviews should be conducted annually.

Management response

Appendix A: Further information on our audit of the financial statements

Internal control observations

Description of deficiency

During our review of ID management on the Oracle system, we noted that four accounts which has not been active in the past three years which had not been removed from the Oracle system.

Potential effects

Access to Oracle should be restricted to officers who require access. Irregular maintenance or unauthorised access to the system may provide opportunity for fraudulent or inaccurate activity.

Recommendation

Perform regular reviews of Oracle access and remove access to any accounts that no longer require access.

Management response

Contact

Forvis Mazars

Mark Kirkham

Partner

Tel: +44 (0)7747 764529

mark.kirkham@mazars.co.uk

Cath Andrew

Senior Manager

Tel: +44 (0)7815 878116

cath.andrew@mazars.co.uk

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

© Forvis Mazars 2024. All rights reserved.