



## Auditor's Annual Report - Draft

**Office of the Police and Crime Commissioner for Cleveland and the Chief Constable for Cleveland – year ended 31 March 2025**

November 2025

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to the Office of the Police and Crime Commissioner for Cleveland and the Chief Constable for Cleveland. It has been prepared for the sole use of the Office of the Police and Crime Commissioner for Cleveland and the Chief Constable for Cleveland as those charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

# 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 2025. 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. We expect to issue our opinion on the financial statements before the backstop date of 27 February 2026.



### Value for money arrangements

We did not identify any significant weaknesses in 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.



### Reporting to the group auditor

We have not yet received group instructions from the National Audit Office (NAO). We have not completed the work on the WGA return as the NAO may require further sample testing of components.

## 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 (UK) (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 position as at 31 March 2025 and of its financial performance for the year then ended. We expect our opinion on the financial statements to be issued before the backstop date of 27 February 2026.

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.

## 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 have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the PCC and CC plans and manages its resources to ensure it can continue to deliver its services.



**Governance** - How the PCC and CC ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness** - How the PCC and CC uses information about its costs and performance to improve the way it manages and delivers its 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 has 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.

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 in the following sections.

### 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 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	11	No	No	No
	Governance	14	No	No	No
	Improving economy, efficiency and effectiveness	17	No	No	Yes – see page 19

# VFM arrangements

## Financial Sustainability

How the PCC and the CC plan and manage resources to ensure service delivery



# 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

The PCC is required to set a balanced budget 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 2024/25 to 2027/28 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'.

Pressures are identified through attendance at Board meetings, Chief officer Team meetings budget clinics and from other external sources, e.g. National Police Chief's Council. The CC and PCC CFOs also use information from other Forces.

Officers keep schedules of budget pressures in their areas of work and incorporate these into the draft LTFP. Separate work is done on revenue implications in future years from the capital programme and this is built into the LTFP.

The LTFP is forecast to breakeven over the course of the four-year plan. The Force balanced position is, however, intrinsically linked to the delivery of the review of the staff establishment. The Force continues to explore opportunities to deliver improvements and efficiencies through its: *Be The Best We Can Be* agenda and its overall continuous improvement and efficiency workstreams. The savings and benefits of service improvement work and workforce modernisation will be integrated into the LTFP process. The Force, as part of its governance and scrutiny process, regularly reviews performance against the plan. It takes actions to address emerging issues when they occur in order to deliver a balance budget position that delivers Force priorities.

Corporate Services produce the Force Management Statement which identifies areas of demand throughout the Force and assesses the resources needed.

The Force financial position throughout 2024/25 was reported to the monthly Chief Officer Team meeting and quarterly to the Force IMPACT Board. The overall financial position was reported to the PCC at the Joint Strategic Board.

The overall position for the group was an overspend of £1.5m after in-year transfers to reserves and capital. The overall overspend is made up of additional funding not allocated underspend of £1.382k, PCC budget underspend of £0.014m, PCC initiatives underspend of £0.171m, corporate costs overspend of £0.181m, Force overspend of £2.886m. The Force overspend has been offset by additional support relating to funding of the insurance provision £1.364m and releases from the major incident and injury and ill health pension reserves £0.847m.

The overall overspend of £1.5m compared to a forecast underspend of £0.49m at quarter 3, which will result in less funding than the value included within the LTFP that was approved in February, as a result of the higher than expected overspend reported by the Force.

The level of total usable reserves available at 31 March 2025 was £19.7m which is a decrease of £4m on the balance in 2023/24 of £23.7m. This is largely due to a decrease in the capital receipts reserve. Within this total, general fund reserves remained the same at £5.772m, earmarked reserves have increased slightly by £0.025m to £11.875m.

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

The 2024/25 LTFP 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 over the course of the four-year plan. The Force faces a significant challenge to balance national and local priorities. The national police officer uplift target for Cleveland is 1,513 police officers (headcount) with an indication that this is the level of police officers to be maintained. Failure to maintain the minimum number would result in loss of grant income. The national target impacts on the Force's ability to fill non-police staff posts and the Force hold significant levels of police staff vacancies.

The Force has a continuous improvement and efficiency programme focusing on five strands to improve service delivery, increase productivity and ensure resources are appropriately invested (robotic process automation, employee ideas, technology, procurement reviews and business problem solving).

# 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 its be the best we can be agenda 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 2024/25 LTFP update was considered at the February 2024 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.

The most recent HMICFRS concluded that leadership and Force management is adequate, and "the Force's medium-term financial plan and reserve strategy are detailed and well presented".

### 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 PCC and CC ensure that informed decisions are made and risks are properly managed



# 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 2024/25 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 two significant governance issues for the Force relating to the Neighbourhood Policing Guarantee and lack of clarity in relation to the additional grant and a potential qualified external audit opinion. The Force is taking action to mitigate these risks.

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 LTFP 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. Force forecast outturn reports are produced and presented to the monthly Chief Officer Team meeting and quarterly Executive Management Board with the overall position reported to the PCC at the Joint Strategic Board.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

A performance management strategy and performance measurement framework have been developed which include performance indicators alongside additional qualitative information. The Force undertakes a detailed monthly performance assessment which is presented to the monthly Force IMPACT 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 2024/25 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 2024/25 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 monthly Force IMPACT 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 operate, 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 2023/25 notes that "Officers and staff see the chief officer team at policing operations and roadshows, where chief officers reiterate force plans, investments and priorities. They also celebrate success and remind the workforce of the force's values and expected standards".

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's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2024/25 financial year and sets out the PCC's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the finances of each statutory body.

### **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 PCC and CC use information about costs and performance to improve the way services are managed and delivered



# 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

A performance management strategy and performance measurement framework is in place, supported by performance indicators which are tracked and monitored alongside other performance information. There is a formal Strategic Performance Outcome Framework 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 monthly Force IMPACT Board and multiple thematic delivery and assurance groups.

The reports contain a detailed assessment of current performance against policing priorities and have 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 PCC and CC 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 2023/25, which was published on 10 April 2025, identified four areas of policing as good, two as adequate, two as requires improvement and none as inadequate. This was a significant improvement on the results of the previous inspection in 2021.

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 performance management framework, a monthly Force IMPACT Board is produced. 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 considers 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 considers whether the required level of performance has been achieved. The required level of performance is 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'.

While 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.

HMICFRS identified two causes of concern 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. HMICFRS concludes that the Force doesn't consistently recognise the risks posed to missing children and 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.

HMICFRS reports that 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.

The Force implemented an action plan to address the findings prior to the publication of the report and in advance of the deadline set by the inspectorate.

Whilst we are satisfied there are no significant weakness in arrangements, we recognise the findings from the HMICFRS report and raise 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 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.

### 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.

## Other reporting responsibilities

# Other reporting responsibilities

## Wider 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 group auditor

### Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

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 June 2025. We have not yet completed our work for the 2024/25 financial year, so are not yet able to confirm our final fees.

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£106,085	£97,887
Additional fees in respect of additional work on ISA 315	£xxx	£4,710
Additional fees in respect of additional work on qualification in relation to Teesside Pension Fund	£xxx	£2,000
Total fees	£106,085	£104,597

## Fees for other work

We confirm that we have not undertaken any non-audit services for the PCC 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 June 2025. We have not yet completed our work for the 2024/25 financial year, so are not yet able to confirm our final fees.

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£53,143	£46,686
Additional fees in respect of additional work on ISA 315	£TBC	£4,710
Additional fees in respect of additional work on qualification in relation to Teesside Pension Fund	£TBC	£2,000
Total fees	£53,143	£53,396

## 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><b>Management override of controls</b> <b>(a mandatory significant risk for all entities)</b></p> <p>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. You should assess this risk as part of your oversight of the financial reporting process.</p>	<p>In line with our methodology, we plan to address the management override of controls risk by performing audit work on:</p> <ul style="list-style-type: none"><li>• accounting estimates;</li><li>• journal entries; and</li><li>• significant transactions outside the normal course of business or otherwise unusual.</li></ul>
<p><b>IAS19 net defined benefits valuation</b></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 will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary’s output, referring to an expert’s report on all actuaries nationally.</p> <p>We will review the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation. We will consider the adequacy of disclosures in the financial statements. We will also seek assurance from the auditor of the Teesside Pension Fund.</p> <p>We will consider the accounting treatment in respect of the reporting of a net asset position on the LGPS for 2024/25.</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><b>Valuation of property, plant and equipment (PCC and Group only)</b></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 plan to address this risk by considering the PCC and Group’s arrangements for ensuring that PPE values are reasonable, and we will use data on valuation trends and relevant indices to assess the reasonableness of the valuations provided by the external valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>We plan to discuss methods used with the valuer and examine supporting information. We will use indices provided by NAO’s valuation expert (Montague Evans) to confirm the assets not revalued are unlikely to have materially changed in value. Where material, we will test the revaluations in year to valuation reports and supporting calculation sheets and ensure 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 for the PCC and CC

We have not yet completed our audit work for the PCC and CC.

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

### Internal control observations for the PCC and CC

We have not yet completed our audit work for the PCC and CC.

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

### Follow up on previous year recommendations for the PCC and CC

We have not yet completed our audit work for the PCC and CC.

# Contact

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