

**Date:** Thursday 28<sup>th</sup> May at 2pm

**Venue:** Microsoft Teams meeting

**Membership:**

Chris White – (Chair - Independent member)  
John Baker – (Vice Chair - STDC Board)  
Paul Booth - (STDC Board)  
Jane Turner (STDC Board)  
Anand Srinivasan (STDC Board)  
Cllr Sandra Smith (TVCA A&R Representative)

**Agenda**

**1. Welcome & Introductions**

**2. Apologies for Absence**

**3. Declarations of Interest**

**4. Minutes of previous meeting**

Attached

**5. CEO Business Update**

Attached

Appendices to this report are not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

**6. Internal Audit Feedback 2019-2020 (RSM)**

Attached

**7. 2020/21 Internal Audit Programme (RSM)**

Verbal

**8. External Audit Verbal Update (Mazars)**

Verbal

## **9. STDC Risk Report**

This report is not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972

## **10. Forward Programme & Action Register**

This report is not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972

## **11. AOB**

## **12. Date and Time of Next Meeting:**

29<sup>th</sup> July 2020

### **Members of the Public - Rights to Attend Meeting**

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Sharon Jones, Governance & Scrutiny Officer, [Sharon.jones@teesvalley-ca.gov.uk](mailto:Sharon.jones@teesvalley-ca.gov.uk). 01642524580.

## SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE

These minutes are in draft form until approved at the next Committee meeting and are therefore subject to amendments.

**Date:** Tuesday 3<sup>rd</sup> March 2020

**Time:** 14.00pm

**Venue:** Cavendish House, Teesdale Business Park, Stockton-On-Tees, TS17 6QY

<b>Attendees:</b>		<b>Apologies:</b>
John Baker (Vice Chair - JB)	STDC Board Member	Chris White (Darlington Building Society)
Paul Booth (PB)	STDC Board Member	Professor Jane Turner (Teesside University)
Cllr Peter Berry	Redcar & Cleveland Council	Anand Srinivasan (Delphinus Advisory Ltd)
David Allison (DA)	STDC	
John McNicholas (JM)	STDC	
Gary MacDonald (GM)	STDC	
Nolan Gray	STDC	
Richard Lakey (RL)	STDC	
Neil Burgess (NB)	STDC	
Gareth Roberts (GR)	Mazars	
Cameron Waddell (CW)	Mazars	
Katy Matkin (KM) (by telephone)	RSM	
Chris Potter (CP)	Tait Walker	
Sharon Jones (Secretariat)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	<b>Welcome and introductions</b>	The Chair opened the meeting and introductions were given. John Baker (Vice Chair) advised he is Chairing today's meeting as Chris White (Chair) is unable to attend.  Apologies were noted as detailed above.		
2.	<b>Quorum</b>	The meeting was noted as being quorate.		
3.	<b>Declarations of Conflict of Interest</b>	None		
4.	<b>Minutes of previous meeting</b>	The minutes of the meeting held on 18 <sup>th</sup> December 2019 were agreed as a true record.		
5.	<b>External Audit Plan – STDC and STDL</b>	A Paper was circulated detailing the External Audit Progress report.  The Committee was advised that if changes are made to the Group structure then revision of planning, delivery timescales and completion date for audit work may be required.  At this stage it was advised that the audit progress report is on track.  CW advised that the audit timeline remains unchanged from last year. The deadline may move from July to September, but this has not been confirmed as of yet.		

		<p>GM advised that we are working to the deadline as it stands as the end of July and not looking at it as a changeable deadline.</p> <p>CW advised that significant risks are broadly unchanged from last year. Additional assurance has been given from the Pension Fund Auditor this year.</p> <p>VFM remains unchanged. We can take the committee through the details of this at a later date but as it stands there is no change.</p> <p>DA advised the Committee that he intends to organise an Extraordinary joint ARC &amp; B&amp;I Workstream meeting in April to detail the full arrangements with regard to the deal with SSI and the CPO etc. It is important that members of these groups understand the full picture in order to ensure the Risk Register is inclusive of all future risks. It was noted that there is a lot of work to do with regard to ensuring risk registers are fully inclusive and up to date.</p>	<p><b>Joint meeting of ARC and B&amp;IW to be arranged</b></p>	<p><b>DA</b></p>
6.	<p><b>Internal Audit Update</b></p>	<p>A Paper was circulated updating the Committee on the Internal Audit progress.</p> <p>60% of the plan has already been delivered. 40% is still remaining.</p> <p>Since the last Committee meeting audit has been completed in both Procurement and Budgetary &amp; Financial control.</p> <p>The Budgetary &amp; Financial control report has concluded reasonable assurance. Actions have been agreed for the following areas:</p> <ul style="list-style-type: none"> <li>• There is currently no documented budget setting timetable in place.</li> <li>• outcomes of monthly finance meetings are not currently documented.</li> <li>• detail of management accounts is not currently presented to ARC</li> </ul> <p>GM advised that he has already taken an action to discuss the possibility of ARC looking at budgetary controls etc. This is still outstanding and will be picked up after tomorrow's Board meeting.</p>	<p><b>Board to be consulted with regard</b></p>	<p><b>GM</b></p>

		<p>The Procurement report has concluded reasonable assurance. Actions have been agreed for the following areas:</p> <ul style="list-style-type: none"> <li>• No approved procurement strategy in place – TVCA is currently relied on to run the procurement process and their procedures have been temporarily adopted. STDC needs its own procurement strategy.</li> <li>• A sample of 20 contracts issued showed 4 where there appeared to be non-compliance with process. It was noted that the process for these contracts was followed correctly but there were omissions within the documentation and this has been corrected retrospectively.</li> </ul> <p>It was advised that the 2021 planning process has started and an annual plan for next year is being drafted. This can be brought to the next committee meeting.</p> <p>It was agreed that some amendments may be needed to the plan dependent on changes to the group structure. KM advised that the plan is a moving document and it can be amended as needed.</p> <p>There are 2 further audits to carry out in Contract management and Project management. By the next committee meeting there should be a final full audit report and all audits will be completed.</p>	<p><b>to ARC having financial scrutiny within their remit</b></p>	
7.	<p><b>Review of Budget Planning Progress</b></p>	<p>GM gave a verbal update on the review of the budget planning process.</p> <p>We are currently looking at the 2021 budget ready for the new financial year. There are a number of changes to be accounted for including how money will flow through new look structure of DC once this in place. There have been numerous conversations with the Commercial Director regarding Income revenues and expenditure.</p> <p>In the May meeting the budget will be brought to this Committee in full detail. The timetable for completion is tight but we are working as best we can given all that has happened over the last few months.</p>		

		DA advised that Mike Russell will be starting in his new role as Head of finance this month.		
8.	<b>Review further year of RSM Contract for 2020/2021</b>	<p>A paper was circulated regarding the RSM Contract for 2020/21</p> <p>GM advised the Committee that we propose to keep RSM as our internal Auditor for a further 12 months. There is an option in the contract to extend for the additional 12-month period without having to procure the service. This will give us an opportunity to fully review of their activity and deem if they are providing VFM.</p> <p>The Committee agreed that they are happy to extend the existing contract as long as this is compliant with procurement arrangements.</p>		
9.	<b>SSI Settlement Agreement and related sales agreement</b>	<p><b>A resolution was passed to exclude the press and public from the rest of the meeting as items from this point are confidential by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972</b></p> <p>DA gave the Committee a verbal update regarding the key significant changes that have occurred over the last week or so to be considered by this Committee.</p> <p>It was agreed to schedule an extraordinary meeting for both ARC and B&amp;I Workstream members for April to allow a full and detailed briefing to be given to all.</p>		
10.	<b>CPO Update</b>	This was covered in the verbal update as detailed above		
11.	<b>Transition STSC/DD</b>	This was covered in the verbal update as detailed above		

11.	<b>Risk Register</b>	<p>NB advised that we are in a state of flux currently with regard to the Risk register. We need more clarity on how the organisation will look to see where risk management fits in with the new structure.</p> <p>A status update was given in regard to the current risk registers</p> <p>It was noted that there is lots of work to be done regarding risk management and registers.</p> <p>DA advised that with the ongoing concern around Corona Virus a robust Business Continuity plan is needed that can be implemented if necessary. TVCA currently have a Business Continuity Plan but STDC doesn't have this. STDC need a policy in place ASAP and NB was asked to prioritise this action.</p>	<b>STDC Business Continuity Plan to be drafted</b>	<b>NB</b>
12.	<b>Forward programme and Action register</b>	<p>GM advised that the forward plan should as a minimum cover statutory items. However we can add any additional agenda items in agreement with Chair as and when required.</p> <p>DA questioned if there are any other external requirements that should be added to the Forward Plan. It was agreed to look at incorporating the Annual Governance review into the plan - GM</p> <p>The action register was discussed and any outstanding actions were updated accordingly.</p>	<b>Annual Governance Review to be added to plan</b>	<b>GM</b>
13.	<b>AOB</b>	<p>NB questioned whether the item on Risk appetite, which was an agenda item at the last Board meeting, was discussed whilst the meeting was quorate. It was advised that it wasn't. DA agreed to take this item to next Board for a quorate agreement.</p>	<b>Item to go to Board for quorate agreement</b>	<b>DA</b>



15.	<b>Date and time of next meeting</b>	Extraordinary meeting to be arranged – April TBC Next ordinary meeting - 28 <sup>th</sup> May 2020		
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## **AGENDA ITEM 5**

### **REPORT TO THE AUDIT AND RISK COMMITTEE**

**28th MAY 2020**

### **REPORT OF THE CHIEF EXECUTIVE**

## **CHIEF EXECUTIVE'S BUSINESS UPDATE**

### **SUMMARY**

The purpose of this paper is to provide an update to A&RC on the key activity within STDC since the last committee meeting

### **RECOMMENDATIONS**

It is recommended that the Audit and Risk Committee notes the content of this update report

#### **1. BUSINESS CASE**

- 1.1. The STDC Business Case for £71m of Government funding towards demolition and site remediation was approved in principal earlier this year and is a key part of a wider funding strategy for the site which underpinned the successful CPO announced recently.
- 1.2. In respect of the £71m, we are now in the final stages of approval of the Full Business Case which focusses much more heavily on the mechanics of how we will deliver the plan rather than whether we should do it and articulates the long – term development programme for the site.
- 1.3. The focus of the Business Case is the current “CSR period” of the three years to 31 March 2023 over which the £71m of Government funding will be spent. Thereafter the business case enters the “Investment Fund” period where activities on the site are funded by income and returns from developments.
- 1.4. The Business case covers:
  - Decontamination and demolition of the former SSI assets including the Redcar Coke Ovens;
  - Preparing the site for Net Zero Teesside;
  - Preparing the South Bank Wharf Site and rebuilding the wharf (though funding for this is being sought separately);
  - Preparing the Prairie Site for investors
  - Preparing the site for a future return to steelmaking on Teesside; and

- Refurbishing Steel House and the entrance to the site to improve the customer experience.
- 1.5. In respect of this we are working with STSC and our future Joint Venture partners and are about to submit a number of planning applications and are already on site in preparing the ground at the Prairie and Metals Recovery site adjacent to the wharf.
  - 1.6. As part of the business case process a due diligence exercise “Gateway 3 Review” was undertaken in mid- May by independent officers from BEIS to assess the proposition. The considered Business Case documentation and included a series of interviews with stakeholders to assess the extent to which the strategic importance, risks, and benefits of the STDC project were properly understood. Interviews considered the technical merits of the Business Case, the role of Board members, and strategic benefits to both Redcar and Cleveland and the wider Tees Valley.
  - 1.7. The review concluded on 15<sup>th</sup> May and reported on the 18<sup>th</sup> May giving STDC’s Business Case an “Amber Rating” (this is the typical result and was anticipated) which allows the Business Case to progress to the next stage. The review also provided several recommendations which will be taken forward by STDC and should strengthen the business case as it is taken to the next stage.
  - 1.8. The review team will now report to senior officers in BEIS to inform an additional review of the Business Case by BEIS Commercial leads at the beginning of June. Recommendations will then be taken to BEIS’s PIC review in mid-July which is the final Civil Service hurdle before being put forward to Treasury and Minister for approval. This is expected in October and will need to be supported by approvals by STDC and STSC Boards as well as TVCA Cabinet probably in September.
  - 1.9. Once this is achieved, it is expected that STDC will be able to purchase the shares of STSC and transition to local ownership.
  - 1.10. A more detailed overview of key aspects of the Business Case and steps in the process are included at Confidential Appendix 1

### **1.11. Key risks identified**

- 1.12. The key risk associated with the business case is Investment Risk linked to the ability to raise sufficient funds in a flexible way such that the activities of STDC are not curtailed by availability of funding

## **2. COMMERCIAL**

- 2.1. The commercial team are currently working with our future Joint Venture partners to integrate our approach to potential customers, sharing enquiries and delivering proposals that represent best value for all.
- 2.2. This has culminated in the creation of a weekly report and meeting to coordinate and ensure prompt delivery. The report is provided in Confidential Appendix 2 and demonstrates both the active enquiries and leads that we are developing for the site.
- 2.3. As a part of this process, we have identified the need to gather further information on the site and to look to standardise our approach to contracting with the market and have commissioned several pieces of work:

- **Industrial land and buildings valuations** - This is to inform commercial negotiations and is based on developable land.
  - **Rail management business case** - As a strategic asset within the site, STEL seek to maximise the benefit of the asset and ensure all costs are understood, managed, and recovered from current and future rail users.
  - **Standard template Heads of Terms** - for ground lease and D&B (Design and Build)
- 2.4. Discussions have continued with several prospective tenants with draft Heads of Terms under negotiation with three potential customers and several projects are expected to progress to Heads of Terms in the period to the next Board meeting.
- 2.5. Several the projects identified have common requirements:
- High power connections either for the import or export to the grid
  - Unrestricted connectivity to PD Ports
- 2.6. To deliver to the market in support of these requirements, the following work has commenced:
- **HV Technical Authoring** – To support the specification writing for the HV electrical works a negotiated tender process has been undertaken, initial tenders have been received and a clarification process is underway. Contract awards are expected to occur 26th May.
  - **Bravo10 Pipe bridge (port access)** – Sembcorp, as the sole operator of the existing pipeline corridor, are managing the initial feasibility works for replacing the pipe bridge with an underground culvert or tunnel. Tenders have been received the initial feasibility and a joint opening panel between STDC and Sembcorp is expected W/C 26th May. The initial feasibility works are expected to take 6-8 weeks and cost ca. £50k. Further discussions with Sembcorp will be undertaken in June to agree how the detailed design and construction will be managed, assuming the tunnel or culvert solution is determined to be feasible.
- 2.7. In general, the level of commercial activity continues to be high, with delivery for the market critical. We have not yet marketed the site directly and the level of interest received is encouraging.
- 2.8. Key risks identified**
- **Economic outlook/ Covid** - Whilst there is additional risk posed by COVID 19 and recession there is still a high level of optimism that this site will continue to attract interest

### **3. PROGRAMME DEVELOPMENT**

- 3.1. A programme has now been prepared and published defining the planned delivery timescales for the projects to be executed over the coming three to four years. The programme is aligned with our business case to Government.
- 3.2. Highlights on progress by key project are

- 3.2.1. **Prairie Site** – Highway Access (new roundabout) and Phase 1 Site Preparation scheme designs are well underway with supply chains appointed anticipated construction commencement September 2020. Advance works, comprising site clearance and building demolitions, have commenced and these will be continued across the summer.
- 3.2.2. **Metals recovery area** - Advance earthworks and site clearance activities commenced in March 2020 and are well progressed. Procurement of the contractor to execute the main site preparation works is out to tender with works scheduled to commence in late September 2020 subject to planning permission and CPO land vesting.
- 3.2.3. **South Bank area/ South Bank Wharf** – The majority of the required supply chain to deliver the various consultancy services and surveys for the marine works consents is in place and environmental impact assessment work is underway to support the planning application which is scheduled for submission in November. In addition, a consultant has been appointed to produce the feasibility and concept design for the new quay which would allow work to commence on development on the Quay in August 2021 (subject to funding). The supply chain for “landside works” is in place with an anticipated works commencement in January 2021 (subject to planning).
- 3.2.4. **Net Zero Teesside** - STDC and NZT have established joint Technical Working Group, to explore delivery of the project. Based on the NZT requirements, STDC will need to commence demolition works by 01 March 2021, and run this programme to June 2022.
- 3.2.5. **Bravo 10 Pipeline diversion project** - This project concerns the diversion to below ground of existing industrial pipelines that cross the road access into PD Ports. The route needs to be secured as a means of transporting major offshore wind components (e.g., blades) and the pipe bridge impose height and width restrictions (see commercial report). STDC is working with SembCorp and the respective apparatus operators to develop the feasibility study and plan of works for potential execution at the next available shutdown. A completion by 06 September 2021 has been targeted.
- 3.2.6. **Demolition of Oil Wharf Tank Farm** - Work has commenced in preparing tender documents and on securing the necessary consents for demolition and the consultant supply chain is appointed. STDC will remove residual heavy fuel oil from the tanks across the summer and demolition is scheduled to commence September/ October 2020

3.3. A detailed note of progress across all projects, along with the latest programme of works is included at Confidential Appendix 3

### 3.4. Key risks identified

- 3.4.1. **Metals recovery** -Timelines of CPO vesting and securing transfer of environmental permits from the Official Receiver could impact timescales

- 3.4.2. **South Bank Marine Works** - Delays to planning permission and securing of necessary licences linked to essential over-wintering bird surveys.
- 3.4.3. **'Bravo 10' Industrial Pipeline Diversion Project** - Potential delays in pipeline operator planned shutdowns (which can happen), resulting in STDC works windows being missed lost or delayed.
- 3.4.4. **Net Zero Teesside** - Establishing alternative accommodation and preparing for the required relocation of STSC staff and facilities to meet demolition timescales.
- 3.4.5. **Delays in major HV electrical equipment supplies** - (e.g., 66kV cabling) to facilitate I utility diversions ahead of site preparation works commencing.
- 3.4.6. **General** – Management of increasing supply chain procurement workload to meet the required timescales of the various projects.

#### **4. CPO**

- 4.1. The CPO order has been approved in full with no reservations. The intention is to vest the land as soon as possible, which is likely to mean that we can start to take possession of land from September this year.

#### **5. GOVERNANCE/HR**

- 5.1. Following the resignation of the CEO earlier this month, Julie Gilhespie, has been appointed Interim CEO of both STDC and STSC. A paper is going to TVCA cabinet on 28 May which makes recommendations to the group structure in terms of executive responsibilities which will more directly bring executive authority within STDC within the control of the wider group. A copy of this paper will be made available to members of this group when it is published.
- 5.2. Once this structure is approved by TVCA cabinet it will be brought to STDC for approval.

#### **6. FINANCE AND BUDGETS**

- 6.1. The budget for the year ending 31 March 2020 and medium- term financial plan for the three years to 31 March 2023 will be presented to Board for approval at the June Board meeting.
- 6.2. The budget comprises expenditure of £40.7m as summarised below. This reflects a step change in activity levels at STDC group which spent £7.2m (draft) in the year to 31 March 2020:

	Period	Year	Year	Year
	Mar-18	Mar-19	Mar-20	Mar-21
	Actual	Actual	Outturn	Budget
<b>Budget expenditure overview</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operations and running costs	233	2,148	1,455	2,102
STDL site management costs		497	1,660	1,296
Enabling expenditure and projects		490	3,257	9,161
Capital projects		14	812	17,120
Land purchase costs		11,215	-	11,000
<b>Budget expenditure</b>	<b>233</b>	<b>14,363</b>	<b>7,184</b>	<b>40,679</b>

6.3. This acceleration of activity reflects a period of significant change at STDC as CPO legal proceedings have concluded and the Group focuses on development of its post CPO land acquisition strategy and programme of works thereon.

6.4. The budget has been based upon current anticipated outcomes of remaining negotiations linked to land acquisition, formalising of future Joint Venture arrangements, and successfully securing funding as a result of the full Business Case to government/

6.5. A confidential draft overview of the proposed budget and medium-term plan is included at Confidential Appendix 4 for information

## 6.6. Key risk identified

6.7. The key risks identified in relation to this budget are

6.7.1. **Failure of key assumptions to materialise as planned**– Should the key assumptions linked to land purchase agreements, funding and future Joint Venture arrangements change materially from current expectations, STDC would consider any changes necessary to the delivery programme and forecast financial impacts accordingly. A revised budget and set of assumptions would be presented to board for approval at the earliest opportunity

6.7.2. **Material shift (forward or backward) in programme delivery phasing (including Covid)** – Shifts in programme phasing may in turn potentially impact upon liquidity and availability of funding as a result of agreed funding conditions and defrayment timings (yet to be finalised in respect of funds secured via the Business Case to Government). In this regard some flexibility is retained to utilise committed TVCA funding streams to support liquidity, particularly in the early years of the programme. The financial and resourcing position will also be monitored closely to ensure funding is optimised

## 7. FINANCIAL IMPLICATIONS

7.1. Whilst matters with financial implications are discussed in this report, this update report has no specific financial implications

## 8. LEGAL IMPLICATIONS

8.1. Whilst matters with legal implications are discussed in this report, this update report has no specific legal implications

## **9. RISK ASSESSMENT**

9.1. Specific identified areas of risk are highlighted following each section of the detailed report. These risks will be discussed at the next STDC SMT meeting to ensure additions/ updates are made to the appropriate risk registers.

## **10. CONSULTATION & COMMUNICATION**

10.1. This paper has been prepared directly from separate reports prepared by the Senior Management team of STDC. As the purpose of this report is to provide updates/ information no further consultation has been undertaken/ is necessary.

## **11. EQUALITY & DIVERSITY**

12. No specific impacts on groups of people with protected characteristics have been identified

**Name of Contact Officer:** Julie Gilhespie  
**Post Title:** Chief Executive  
**Telephone Number:** 01642 524400  
**Email Address:** [info@teesvalley-ca.gov.uk](mailto:info@teesvalley-ca.gov.uk)





# SOUTH TEES DEVELOPMENT CORPORATION

**Annual internal audit report 2019/2020**

**28 May 2020**

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
will accept no responsibility or liability in respect of this report to any other party.





# CONTENTS

1 The Head of Internal Audit opinion.....	2
2 The basis of our internal audit opinion .....	5
3 Our performance .....	6
Appendix A: Annual opinions .....	9
Appendix B: Summary of internal audit work completed 2019 / 2020 .....	10
For further information contact .....	12

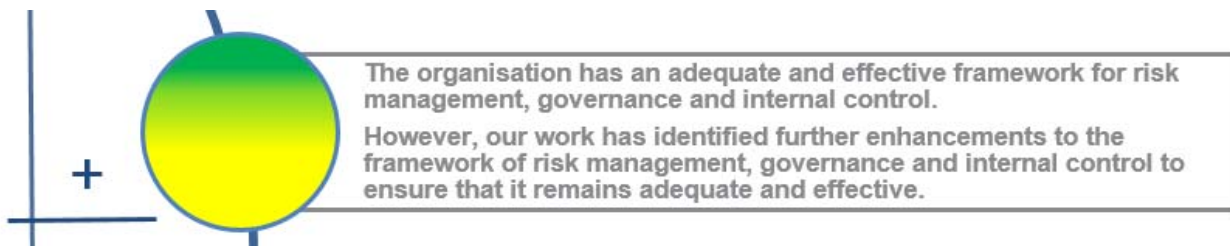
# 1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

## 1.1 The opinion

For the 12 months ended 31 March 2020, the Head of Internal Audit Opinion for South Tees Development Corporation is as follows:

### Head of Internal Audit opinion 2019/20



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

## 1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Risk Committee, our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention; and
- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal

audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

### 1.3 Factors and findings which have informed our opinion

Based on the work we have undertaken on the systems of internal control, governance and risk management across the organisation, our opinion has been informed by the following:

#### Governance

We did not undertake a specific review of corporate governance arrangements during 2019 / 2020. Therefore, our opinion for 2019 / 2020 is based on our findings from testing the governance and management reporting arrangements that we identified as part of each individual internal audit carried out during the year.

We are also aware from our attendance at Audit and Risk Committee meetings that the organisation appears to have satisfactory governance arrangements in place.

#### Risk

In 2019 / 2020 we have derived our risk management opinion from observation of reporting and discussions of the risk register at the Audit and Risk Committee, and completion of the following risk-based audits:

- Procurement; and
- Risk Management.

Our review of Procurement concluded that **reasonable assurance** could be taken and that a well-designed control framework was in place. The Corporation do not currently contract directly with the supply chain, Tees Valley Combined Authority (TVCA) acts as the contracting authority as the parent organisation. With the establishment of South Tees Development Limited (STDL) the Corporation will progress to establishing their own policies and procedures in relation to procurement.

In addition, we reviewed the risk management arrangements of the organisation and concluded that **partial assurance** could be taken. During our review we identified the risk management framework was developed following advice from external consultants and is now centrally managed by the Project Services Consultant. We did not raise any high category management actions but made a number of medium actions to improve the design of the control framework.

#### Control

The implementation and management of actions raised during the course of the year are an important contributing factor when assessing the assurance opinion on control. RSM performed a follow up review during the year that concluded in **reasonable progress** had been made to implement the agreed management actions.

Our review of Procurement / Budget Setting and Control confirmed appropriate controls were established in the main. Management actions have been raised, and agreed, where additional controls needed to be put in place.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

## 1.4 Topics judged relevant for consideration as part of the annual governance statement

We issued one (negative) assurance opinion in 2019 / 2020. The organisation should therefore consider the **partial assurance** opinion given for risk management when completing their annual governance statements, together with any actions already taken and action planned by management to address the actions agreed.

## 2 THE BASIS OF OUR INTERNAL AUDIT OPINION

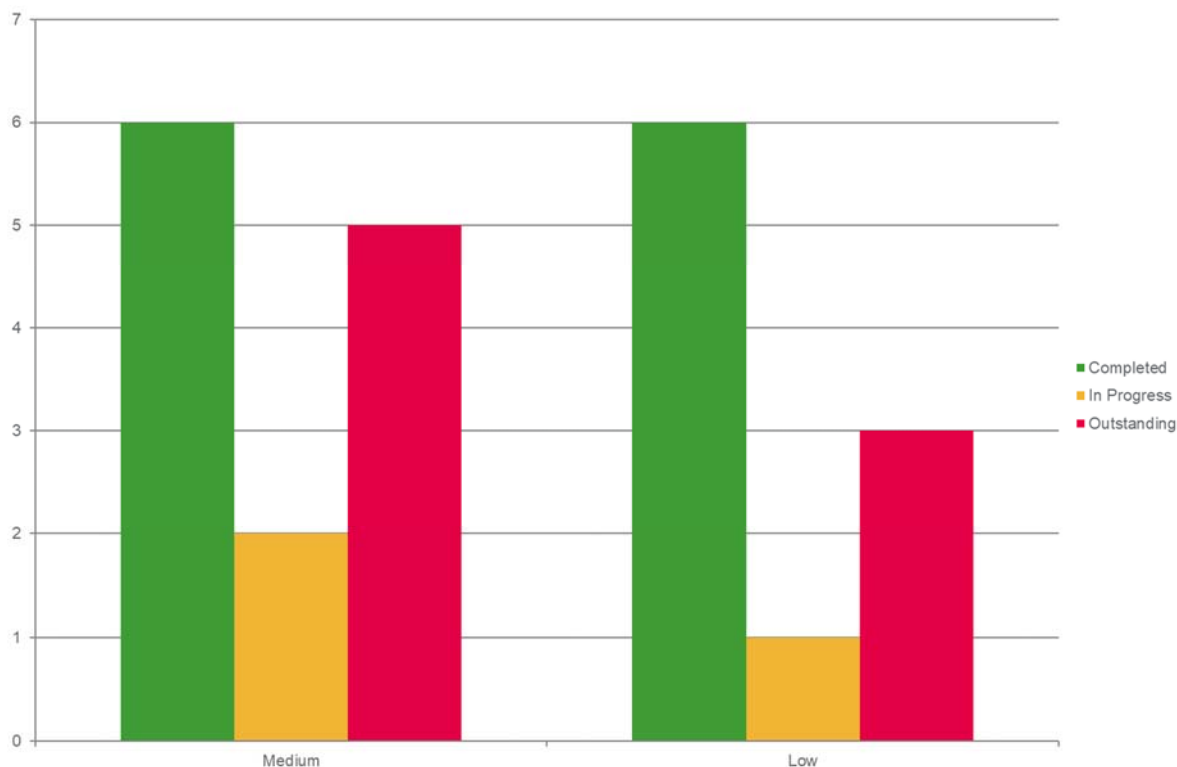
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

### 2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2019 / 2020.

### 2.2 Implementation of internal audit management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made **reasonable progress** in implementing the agreed actions.



We considered the implementation of management actions raised as part of the Risk Management (performed by RSM) and the Follow Up of Previous Recommendations: Controls and Governance. The Follow Up of Previous Recommendations: Controls and Governance related to an audit undertaken by Tees Valley Audit and Assurance Services (TVAAS).

## **2.3 Working with other assurance providers**

In forming our opinion we have not placed any direct reliance on other assurance providers.

## 3 OUR PERFORMANCE

### 3.1 Wider value adding delivery

We have used subject matter experts to review the organisation's arrangements for **Project Management**. We will continue to use subject matter experts when appropriate to ensure true value is added to the organisation.

We have contributed and attended and contributed to all Audit and Risk Committee meetings.

### 3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2019 / 2020 that would lead us to declare any conflict of interest.

### 3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

### 3.4 Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.



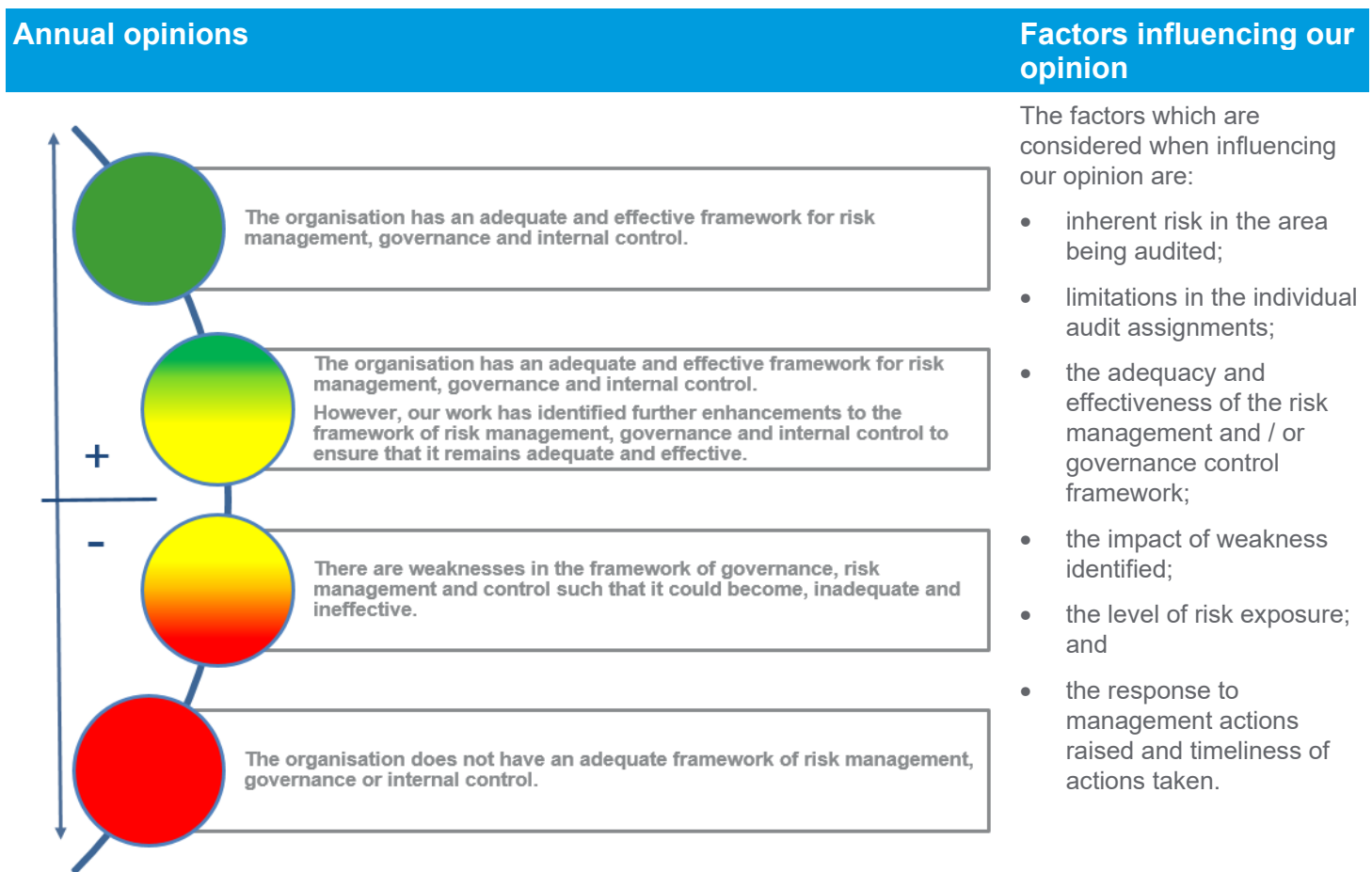
### 3.5 Performance indicators

A number of performance indicators were agreed with the Audit and Risk Committee. Our performance against those indicators is as follows:


Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 working days of debrief meeting	10 working days	7 working days (average)	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 working days of management response	3 working days	1 working day (average)	% of staff with CCAB/CMIIA qualifications	>50%	69%
High and Medium recommendations followed up	Yes	Yes	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working day	1 working day (average)

# APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

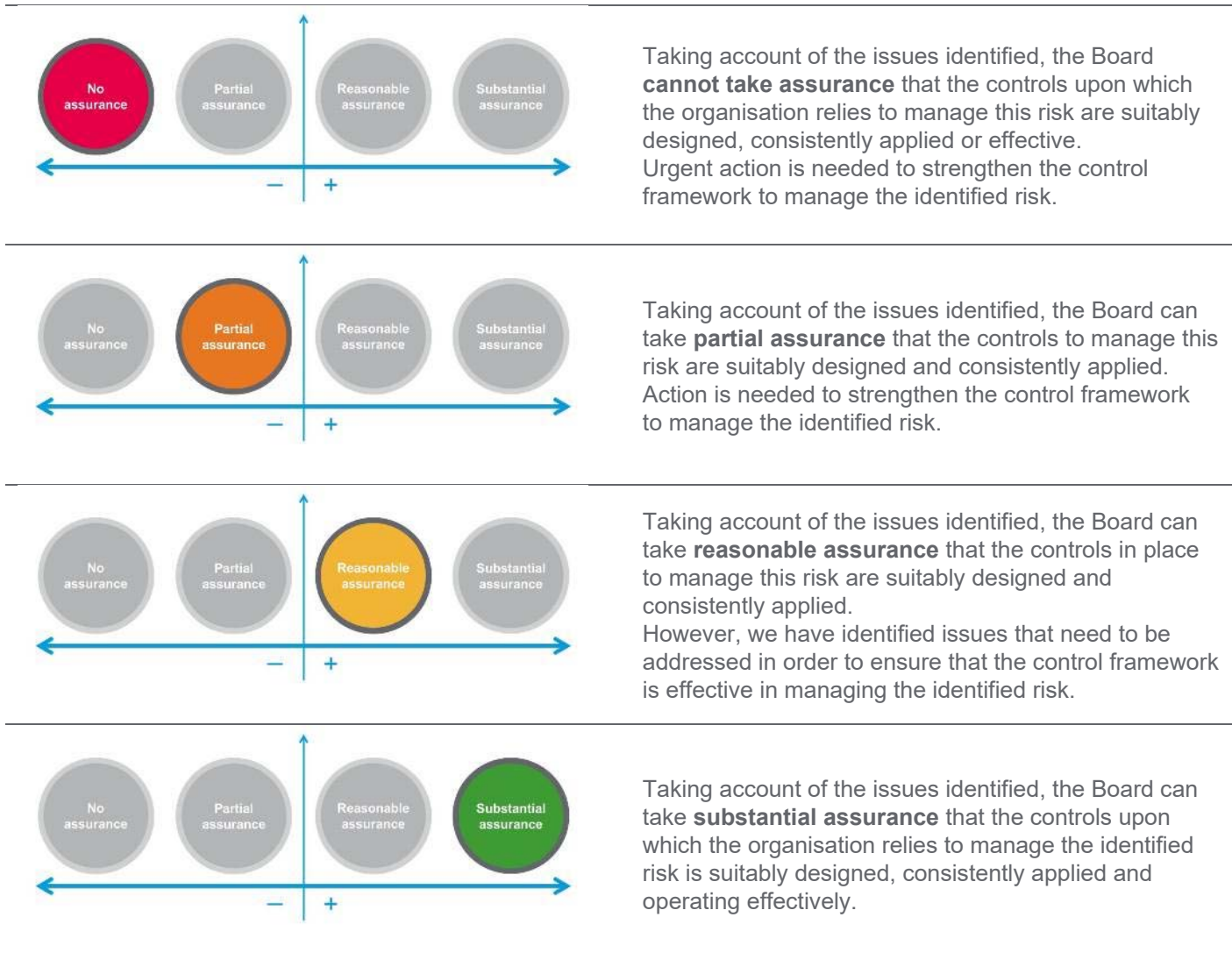


## APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019 / 2020

Assignment	Assurance level	Actions agreed		
		L	M	H
Risk Management		7	5	0
Procurement		2	3	0
Budget Setting and Control		2	3	0
Project Management	Advisory review	4	8	2
Follow Up of Previous Internal Audit Management Actions	Reasonable progress	5	6	0

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the Board can take:



# FOR FURTHER INFORMATION CONTACT

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Head of Internal Audit

**RSM Risk Assurance Services LLP**

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**T:** +44 (0)191 2557000 | **M:** +44 (0)7809 560103 | **W:** [www.rsmuk.com](http://www.rsmuk.com)

## **rsmuk.com**

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **South Tees Development Corporation**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



# SOUTH TEES DEVELOPMENT CORPORATION

## Internal Audit Progress Report

28 May 2020

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no  
responsibility or liability in respect of this report to any other party.





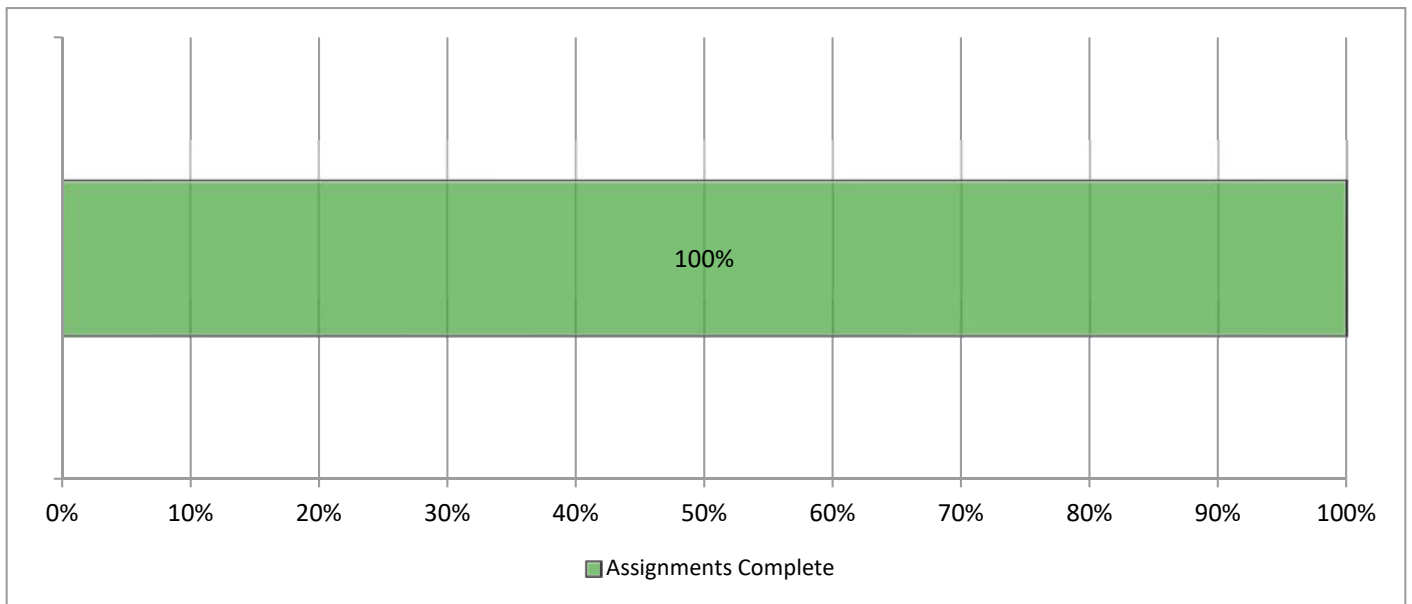
# CONTENTS

1	Introduction.....	2
2	Reports considered at this Audit and Risk Committee.....	3
3	Other matters .....	4
	Appendix A: Internal audit assignments completed to date .....	5
	For further information contact .....	6

# 1 INTRODUCTION

The internal audit plan for 2019 / 2020 was approved by the Audit and Risk Committee on 21 August 2019.

The graphic below provides a summary update on progress against the 2019 / 2020 plan.





## 2 REPORTS CONSIDERED AT THIS AUDIT AND RISK COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit and Risk Committee held.

We have issued two final reports since the previous meeting and these are detailed in the table below:

Assignments	Status	Opinion issued	Agreed actions		
			L	M	H
Follow Up of Previous Internal Audit Management Actions	Final	Reasonable progress	5	6	0
Project Management	Final	Advisory	4	8	2

## 3 OTHER MATTERS

### 3.1 Key performance indicators (KPIs)

Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 working days of debrief meeting	10 working days	7 working days (average)	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 working days of management response	3 working days	1 working day (average)	% of staff with CCAB/CMIIA qualifications	>50%	69%
Recommendations followed up	Yes	Yes	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working days	N/A

# APPENDIX B: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Audit and Risk Committee and included for information purposes only:

Assignment	Opinion issued	Actions agreed		
		L	M	H
Risk Management		7	5	0
Procurement		2	3	0
Budgetary and Financial Controls		2	3	0

# FOR FURTHER INFORMATION CONTACT

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## **rsmuk.com**

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **South Tees Development Corporation**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



# SOUTH TEES DEVELOPMENT CORPORATION

## Follow Up of Previous Internal Audit Management Actions

Final

Internal audit follow up report: 5.19/20

21 May 2020



# CONTENTS

1 Executive summary .....	2
2 Findings and management actions .....	4
Appendix A: Definitions for progress made .....	12
Appendix B: Scope .....	13
Appendix C: Actions completed / superseded .....	14
Appendix D: Actions not yet due .....	17
For further information contact .....	18

<b>Debrief held</b>	16 April 2020	<b>Internal audit team</b>	Robert Barnett, Head of Internal Audit
<b>Draft report issued</b>	24 April 2020		Philip Church, Client Manager
<b>Revised draft reports issued</b>	18 May 2020		Josh Martin, Lead Auditor
	19 May 2020		
<b>Responses received</b>	21 May 2020		
<b>Final report issued</b>	21 May 2020	<b>Client sponsor</b>	Head of Finance and Resources
		<b>Distribution</b>	Head of Finance and Resources

# 1 EXECUTIVE SUMMARY

## 1.1 Introduction

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by the organisation we have been able to sample test where appropriate.

As part of the approved internal audit periodic plan for 2019/20 we have undertaken a review to follow up progress made by the organisation to implement the previously agreed management actions. The audits considered as part of the follow up review were:

- Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review; and
- Risk Management.

The 24 management actions considered in this review comprised of 13 medium and 11 low priority actions. The focus of this review was to provide assurance that all actions previously made have been adequately implemented by the agreed date.

## 1.2 Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion South Tees Development Corporation has demonstrated **reasonable progress** in implementing agreed management actions. We have made new management actions where appropriate; these are detailed in section two of this report.

## 1.3 Action tracking

Action tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of actions made by assurance providers, whilst allowing an audit committee to monitor actions taken by management.

South Tees Development Corporation's management does undertake tracking of actions made by internal audit however this is not reported to the Audit and Risk Committee. We recommend that a process is implemented to keep the Audit and Risk Committee informed of actions taken.

## 1.4 Progress on actions

Implementation status by review	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review	12	6	1	3	1	1	7
Risk Management	12	5	2	5	0	0	5

Implementation status by management action priority	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
Low	11	6	1	3	0	1	6
Medium	13	5	2	5	1	0	6
<b>Totals</b>	<b>24 (100%)</b>	<b>11 (46%)</b>	<b>3 (13%)</b>	<b>8 (33%)</b>	<b>1 (4%)</b>	<b>1 (4%)</b>	<b>12 (50%)</b>



## 2 FINDINGS AND MANAGEMENT ACTIONS

This report has been prepared by exception. Therefore, we have included only those actions graded as 2 and 3. Each action followed up has been categorised in line with the following:

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
1	<p>The Corporation will ensure that each project risk register will be collated into a corporate risk register.</p> <p>The corporate risk register will be reviewed by the Senior Management Team to ensure that all risks are identified and are within the accepted risk appetite levels set by STDC.</p> <p>The completed risk register will be presented for</p>	<p>24 July 2018 (Original)</p> <p>30 September 2019 (Revised)</p>	Medium	<p>Discussions with the Project Services Manager established that this action had pre-dated their tenure as the lead for risk management. They acknowledged that this action was not implemented as the corporate risk register had not yet been developed. Furthermore, with the acquisition of South Tees Site Company (STSC) and its associated impact, the Project Services Managers indicated this actions implementation date would be better suited post October 2020, when the STSC acquisition is complete, and all project risk registers can be merged into a single corporate risk register.</p> <p>Due to these factors, we have recommended this action be reiterated and its implementation date be rolled into October 2020 in</p>	3	<p>Once the STSC acquisition is complete, the Corporation will perform an exercise to ensure that all project risk registers are collated into a corporate risk register.</p> <p>The corporate risk register will be reviewed by the Senior Management Team to ensure that all risks are identified and are within the accepted risk appetite levels set by STDC.</p>	Medium	30 October 2020	Project Services Manager

approval in the timescale indicated by management, to the Audit and Risk Committee in September 2019.

line with the other risk management actions.

2	The Corporation will ensure that the draft Freedom of Information Policy, including the publication scheme, is subject to appropriate scrutiny and will be implemented as a formal document.  Once the policy is finalised, staff will require training on how to deal with different types of information requests.	30 September 2018 (Original)  31 October 2019 (Original)	Medium	We confirmed the draft Freedom of Information Policy had been developed and would be presented to the June Board meeting for approval. We reviewed the policy and Board agenda as confirmation of this.  On review of the Freedom of Information Policy, we identified that the policy had made reference to the use of the Information Commissioner's standard publication scheme.  No training had been delivered on dealing with freedom of information requests.	2	After adoption, staff will require training on how to deal with different types of information requests.	Low	30 May 2020	Governance and Administration Manager
3	The Corporation will ensure that a performance framework will be created, in conjunction with the development of the business plan. Realistic and sufficiently challenging measures and key performance indicators will be	31 October 2018 (Original)  30 November 2019 (Revised)	Medium	This action's implementation date has been extended to December 2020, as both the performance framework and its associated performance indicators cannot yet be developed and mapped to the Corporation Master Plan, without first securing funding and site ownership is determined.  The Head of Finance advised us that the high level framework of key success factors and deliverables will be finalised on completion of the full	3	The Corporation will ensure that as STDC operationalises its business case, a performance framework will be created, in conjunction with finalisation of the business plan.  Realistic and sufficiently challenging measures and key performance	Medium	31 December 2020	CEO

	<p>incorporated, and performance will be reported against the Corporation's stated objectives included in the constitution, Master Plan and the business plan (when this document is produced).</p> <p>All measures will clearly link into expected outcomes and the Master Plan.</p>			<p>business case/ funding process with central Government</p> <p>As this plan is operationalised, key indicators will be developed in conjunction with the final post-transition Business Plan and will be driven from operational planning alongside the delivery targets set in relation to government funding.</p>		<p>indicators will be incorporated, and performance will be reported against the Corporation's stated objectives included in the constitution, masterplan and the business plan</p> <p>All measures will clearly link into expected outcomes and the Master Plan.</p>			
4	<p>STDC will perform a review of the TVCA Treasury Management Policy, adding or removing any provisions that do not relate to STDC.</p> <p>The updated Treasury Management Policy will be presented to the Corporation for scrutiny and approval.</p>	<p>31 December 2018 (Original)</p> <p>31 December 2019 (Revised)</p>	Medium	<p>Discussions with the Finance Manager established that this action had not been completed partly due to current workload issues and partly because the majority of STDC's cash expenditure is currently managed at a transactional level by TVCA and funded via intercompany arrangements (rather than through the STDC group's own bank accounts)</p> <p>We were advised that the expected date for this to be completed was August 2020, following completion of work on the SSI land acquisition and the implementation of a standalone finance system in STDC. At this point, STDC Group's cash transactions will be managed in -</p>	3	<p>STDC will perform a review of the TVCA Treasury Management Policy, adding or removing any provisions that do not relate to STDC.</p> <p>It is expected that the updated Treasury Management Policy will be presented to the Corporation board for scrutiny and approval at the June board meeting in advance of the revised date of 30 August 2020.</p>	Medium	30 August 2020	Finance Manager

house requiring management through a documented policy.

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
5	We will ensure that the risk management framework is up to date and reflects any action identified as a result of this audit, and then communicate the document to all staff within the business. We will then publish the framework in a shared location.	31 December 2019	Low	<p>The Project Services Consultant advised us that the STDC are currently undergoing an acquisition for a separate entity, South Tees Site Company (STSC). Both STSC and STDC have separate risk management frameworks including risk registers; however, we were advised that these separate frameworks would be amalgamated post 'transition' period, which is expected to be completed in September – October 2020.</p> <p>Due to these circumstances, the Project Services Consultant has stated that certain actions have been postponed until the STSC has been absorbed into STDC, and risks can be reassessed in light of this.</p>	2	<p>We will ensure that the risk management framework is up to date and reflects any action identified as a result of previous risk management audits and any further 'risk' exercises that take place post STSC transition period.</p> <p>Once this is complete, updated documents will be communicated to all staff within the business. We will then publish the framework in a shared location.</p>	Low	30 October 2020	Project Services Consultant
6	We will review the risk scoring matrix to ensure it is in line with best practice and reflects the approved risk appetite of the organisation.	31 December 2019	Low	<p>The Project Services Manager advised us that no work had been undertaken in regard to risk scoring. This was due to the additional risk registers STDC were likely to absorb as part of the STSC acquisition, and to ensure a consistent approach the owner had decided to postpone this, with an expected completion date of October 2020.</p>	3	We will review the risk scoring matrix to ensure it is in line with best practice and reflects the approved risk appetite of the organisation.	Low	30 October 2020	Project Services Consultant

7	We will review the format of the risk register to allow a reference to one or more of the strategic delivery priorities of the organisation.	31 December 2019	Low	Due to the STSC 'transition' period, the owner was reluctant to change the risk register format with further changes likely to occur post the STSC 'transition' period. This action has been reiterated with a stated date of October 2020.	3	We will review the format of the risk register to allow a reference to one or more of the strategic delivery priorities of the organisation.	Low	30 October 2020	Project Services Consultant
8	We will develop a mechanism to ensure risk registers are maintained up to date and that there is central oversight of these. This will be discussed with the Board at the risk appetite workshop, where a decision will be made on the frequency of the updates required for each risk register or risk rating.	31 December 2019	Medium	The Project Services Manager advised us that the Board had not undertaken a risk appetite workshop. The Audit and Risk Committee (ARC) and Business and Innovation Committee (both of which contained Board members) had attended a risk workshop; however, review of the minutes established that this exercise had been contained to developing a risk appetite and associated tolerance levels, no discussion had taken place on establishing an overarching review of risk registers, frequency of reviews or updates. Due to the circumstances, the Project Services Manager suggested that the ARC establish an interim risk register review process to be carried out by the organisation until the STSC acquisition is complete and a formal review of risk review can take place.	3	Senior Management will discuss a mechanism to ensure that risk registers are kept updated for any new, emerging or closed risks.  This will include a body that has central oversight of all risk registers. Once established, the mechanism will be presented at the ARC where a decision will be made on the frequency of the updated required for each risk register or risk rating.	Medium	28 May 2020	Project Services Consultant
9	We will review the format of the risk register to ensure we begin to capture the controls in place on which we are relying to bring the	31 December 2019	Medium	Due to the STSC acquisition, the owner was reluctant to change the risk register format and perform any additional assurance exercises, as further changes will likely occur post STSC 'transition' period. This action	3	We will review the format of the risk register to ensure we begin to capture the controls in place on which we are relying	Medium	30 October 2020	Project Services Consultant

	risk rating of its current level.			has been reiterated with a stated date of October 2020.		to bring the risk rating of its current level.			
	We will then begin an exercise to identify the assurances we have in place over these controls, which we can use to drive future assurance activities.					We will then begin an exercise to identify the assurances we have in place over these controls, which we can use to drive future assurance activities.			
10	We will record the impact of the potential opportunities identified, should the opportunity be realised or missed / not taken.  This new requirement will be included in the risk management framework and communicated to risk owners.	31 December 2019	Low	The Project Services Manager provided evidence that risk registers had been updated to include impact of potential opportunities identified. However, they acknowledged that this had not been completed across all nine risk registers, and other registers that included opportunities were not clear and/or required further clarification.	3	The Project Services Manager will perform a review of existing risk registers to ensure that the impact of potential opportunities, should the opportunity be realised or missed / not taken is clearly stated.  This new requirement will be included in the risk management framework and communicated to risk owners.	Low	30 October 2020	Project Services Consultant
11	An exercise is already planned for October 2019 to formulate a risk appetite statement and a tolerance level for each of the risk types,	31 December 2019	Medium	We confirmed that the Board had undertaken a risk workshop in March 2019, this workshop included establishing a risk appetite and tolerance for each risk type. This had been formally approved by the STDC Board in March 2020. However, as above the Projects Services	2	The Risk Management Framework and associated risk registers and plans will be updated in line with the outputs of risk workshops	Medium	30 October 2020	Project Services Consultant

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which is in line with the Corporation's Delivery Strategy.

We will ensure that the Risk Management Framework is updated to reflect the outputs of this exercise, and the risk appetite statement and tolerance levels are communicated to all staff.

Manager was reluctant to amend the existing risk management framework in light of this exercise as further changes would likely be incurred as part of the STSC acquisition.

undertaken in October 2019 and any future 'risk' based exercises. Specifically, the Risk Management Framework will clearly state its risk appetite and tolerance level. Once complete this will be communicated to all staff members.

## APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high actions	Consideration of medium actions	Consideration of low actions
Good	> 75 percent	None outstanding	None outstanding	All low actions outstanding are in the process of being implemented
Reasonable	51 – 75 percent	None outstanding	75 percent of medium actions made are in the process of being implemented	75 percent of low actions made are in the process of being implemented
Little	30 – 50 percent	All high actions outstanding are in the process of being implemented	50 percent of medium actions made are in the process of being implemented	50 percent of low actions made are in the process of being implemented
Poor	< 30 percent	Unsatisfactory progress has been made to implement high actions	Unsatisfactory progress has been made to implement medium actions	Unsatisfactory progress has been made to implement low actions



# APPENDIX B: SCOPE

## Scope of the review

The internal audit assignment has been scoped to provide assurance on how South Tees Development Corporation manages the following objective:

### Objective of the area under review

To ensure that management actions have been implemented in accordance with the agreed timetable and that any new controls are operating effectively.

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When planning the audit, the following areas for consideration and limitations were agreed:

#### Areas for consideration:

The following areas will be considered as part of the review:

- Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review.
- Risk Management.

#### Limitations to the scope of the audit assignment:

- The follow up will only cover management actions agreed in the identified reports.
- We will not review the whole control framework of the areas listed above. Therefore, we are not providing assurance on the entire risk and control framework of these areas.
- We will only perform testing for high and medium priority management actions.
- Where sample testing will be undertaken, our samples will be selected over the period since actions were implemented or controls enhanced.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## APPENDIX C: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented and are now closed:

Assignment title	Management actions	Action Finding
<p>Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review</p> <p>Area: Risk Management</p> <p>(Medium)</p>	<p>The Corporation will ensure that the Corporation's Risk Management Framework will be fully developed.</p> <p>The framework driven by an external consultant will be presented to the Audit and Risk Committee by September 2019.</p>	<p>We confirmed that Turner and Townsend has developed a risk management framework for STDC, and the completed framework was presented and approved by the Audit and Risk Committee in March 2020.</p>
<p>Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review</p> <p>Area: General Data Protection Regulations (GPDR)</p> <p>(Medium)</p>	<p>The Corporation will compile an action plan to reflect all areas that need to be addressed for GDPR including the identification of information assets.</p> <p>This will be developed in conjunction with the Information Governance Policy.</p>	<p>The Governance and Administration Manager provided the GDPR action plan, and on review of the plan we confirmed it contained the core elements expected of a GDPR framework.</p>
<p>Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review</p> <p>Area: General Data Protection Regulations (GPDR)</p> <p>(Low)</p>	<p>The Corporation will ensure that a Privacy Policy will be produced and approved.</p>	<p>Discussions with the Governance and Administration Manager established that the South Tees Development Corporation governance framework was in the process of being integrated into the Tees Valley Combined Authority's (TVCA). We reviewed the report / agenda for the June Board meeting to confirm the Privacy Policy was due to be approved.</p>
<p>Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review</p> <p>Area: General Data Protection Regulations (GPDR)</p> <p>(Low)</p>	<p>The Corporation will ensure that an Information Governance Policy will be introduced and approved.</p>	<p>A draft Data Protection Policy has been developed and is due to be presented at the STDC Board meeting in June 2020. We obtained the agenda and associated policy as confirmation of this.</p>

<p>Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review</p> <p>Area: Anti-Fraud</p> <p>(Medium)</p>	<p>Assurance has been given that a stand-alone anti-fraud, bribery and corruption strategy / policy will be implemented in-line with the timescale provided by management.</p> <p>This document will state the STDC's zero tolerance approach to fraud and corruption and the investigatory response it will take to any suspected incidences.</p>	<p>We obtained the draft Anti-Fraud and Corruption Strategy for 2018-2020 and confirmed that it outlined the Corporation's approach to fraud, including the stance that 'it will not tolerate any impropriety by employees, members of third-party organisation'. Moreover, we identified that the investigatory response had been detailed under section 9.1 'Response'. We confirmed the strategy is due to be approved at the Board meeting in June.</p>
<p>Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review</p> <p>Area: Controls and Governance</p> <p>(Low)</p>	<p>STDC will record all reasons for accepting a gift in the gift register. Senior Management approval will be required in all instances where gifts and hospitality has been accepted in order to provide an open and transparent process.</p>	<p>For a sample of five gifts, we confirmed that where the gift was accepted the appropriate form had been completed and authorised by Senior Management in each instance.</p>
<p>Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review</p> <p>Area: Controls and Governance</p> <p>(Medium)</p>	<p>The Corporation will ensure that a business plan document is produced, detailing the delivery strategy and key milestones expected of the Corporation.</p> <p>The final version of this document will be produced in-line with the timescales and milestones set by management.</p>	<p><b>Action superseded</b> – <i>This action had been raised before RSM tenure as internal audit, and we confirmed that since this action had been raised the Corporation Business Plan requirements had changed significantly due to the CPO.</i></p>
<p>Risk Management</p> <p>(Low)</p>	<p>We will ensure that once treatment actions are confirmed as closed by the action owner, we move the action to the 'closed action log', and update the revised risk score appropriately, in conjunction with the risk owner.</p>	<p>We reviewed a sample of risk registers and confirmed that a closed tab was available.</p>
<p>Risk Management</p> <p>(Medium)</p>	<p>Once the risk tolerance levels have been set by the Board members, we will assess the current (residual) risk scores for all risks on the risk registers and identify whether the controls and actions recorded are sufficient to reduce the risk score to</p>	<p>We reviewed a sample of risk registers and confirmed they included a tolerance (appetite) level for each risk.</p>

	the level deemed acceptable by the Board.	
Risk Management (Low)	We will consider the options available to ensure that risk management is subject to appropriate levels of challenges and scrutiny prior to presentation to Board members.	Risk management is now a standing agenda item for the organisation's Senior Management Team. We obtained and reviewed a recent agenda to confirm this.
Risk Management (Medium)	The format of the report template will be revised to ensure sufficient information is provided to Board members on risks to allow them to fully discharge their responsibilities.	The format of the risk reporting template has been reviewed and will be presented to organisation's management team and Board.
Risk Management (Low)	We will clarify with TVCA the level and frequency of which it requires details of the Corporation risk profile and ensure this is built into our reporting schedule going forward.	The Project Services Manager confirmed initial discussions had been held with TVCA on the review of the Corporation's risk profile in terms of frequency / level.

## APPENDIX D: ACTIONS NOT YET DUE

The table below lists the management action that was not yet due during the time of this follow up audit assignment being carried out:

Assignment title	Management action	Action update
Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review  Area: Controls and Governance  (Low)	Once the VAT registration issues have been resolved, assurance has been given that the list of required procurement procedures identified by management once the STDC procurement policy has been approved, will be produced.  Procedures will also be implemented to ensure that the contract register is monitored and that ongoing contract management arrangements are effective.	We were advised that this action was still in the process of being implemented, and the VAT registration issues are currently sat with PWC for completion.

# FOR FURTHER INFORMATION CONTACT

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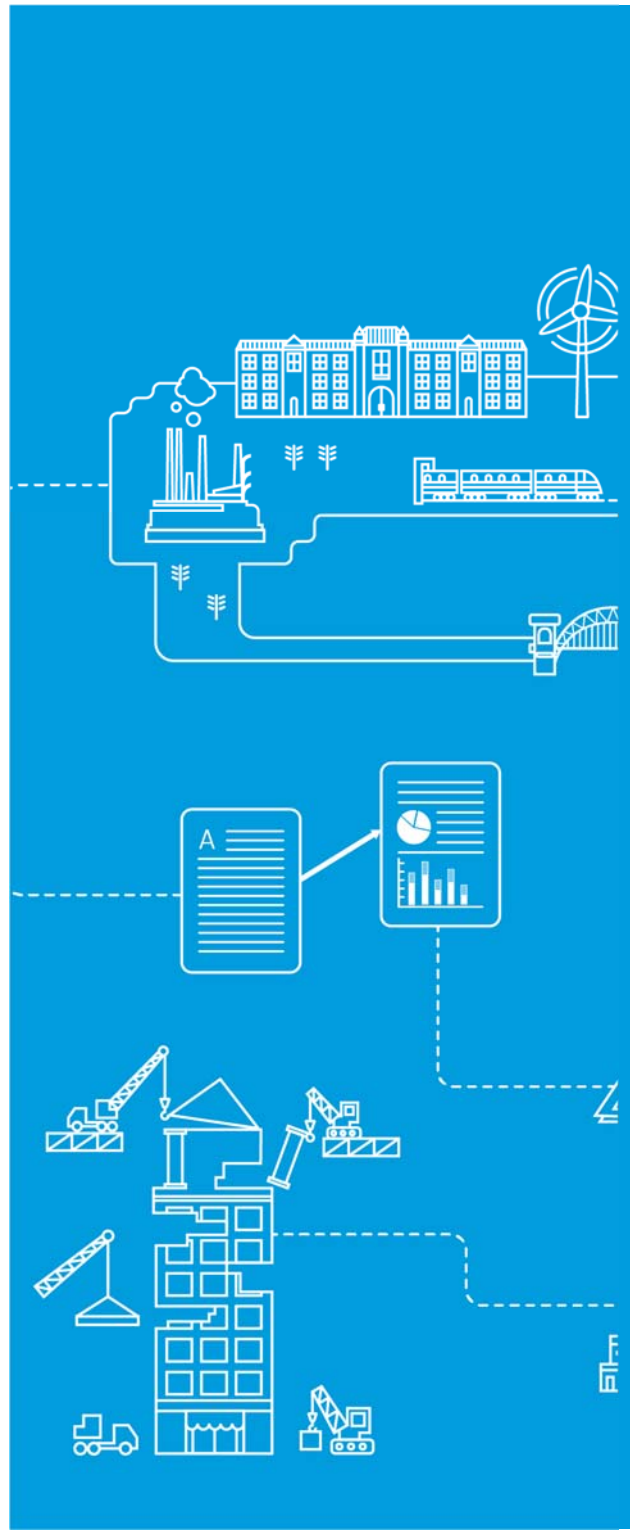
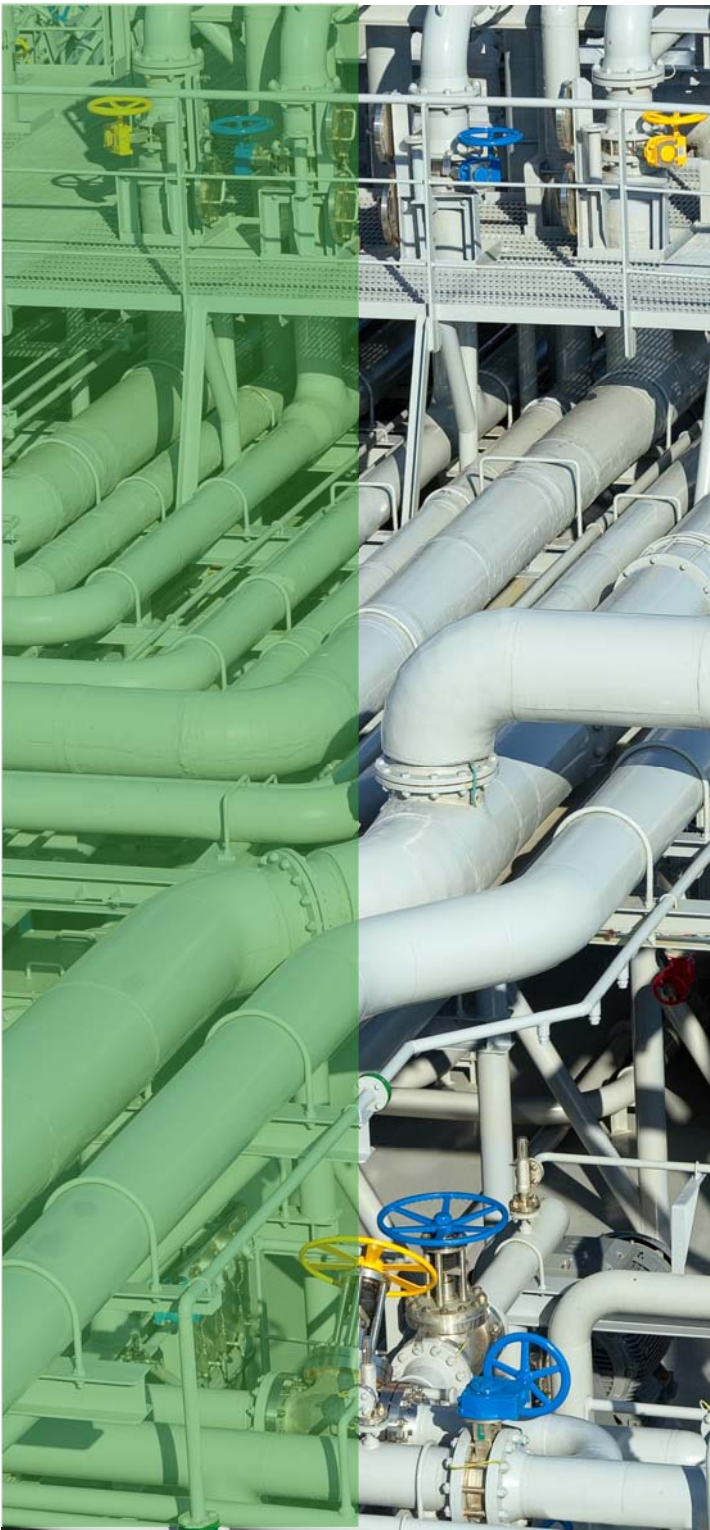
The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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# PROJECT MANAGEMENT AUDIT REPORT

## SOUTH TEES DEVELOPMENT CORPORATION

4.19/20

Version: 4.0  
Dated: 21 May 2020



# CONTENTS

1.	EXECUTIVE SUMMARY .....	3
2.	SCOPE OF THE REVIEW .....	4
3.	FINDINGS .....	5
4.	RECOMMENDED ACTIONS .....	8
	APPENDIX A: INTERVIEWS .....	11



# 1. EXECUTIVE SUMMARY

The objective of this audit, as defined in the annual audit plan, was to review whether the organisation has an adequate framework in place for the management of the capital programme to support the delivery of the Master Plan as it matures.

Our review was conducted at a time when South Tees Development Corporation (STDC) are in the opportunistic phase of their Master Plan and as such are delivering a relatively small portfolio comprising a broad spectrum of projects, some of which are enablers. This is about to change with the number and diversity of projects about to increase significantly (~£25m to £30m in the next financial year).

STDC is operating a thin client model for civil engineering projects. Management of these projects is being outsourced as a service, with technical delivery undertaken by a supply chain managed by the service provider. Capital projects generally follow RIBA lifecycle stages and their associated technical products, with a “light touch” PRINCE2-type management layer. Other projects, for example the project to lead the delivery of the Compulsory Purchase Order and Acquisition Strategy, is being managed directly by STDC and using statutory processes as the underlying delivery vehicle.

Projects are not being delivered to a STDC methodology but are instead relying on the knowledge and experience of the project managers. Therefore, there are a number of project management approaches being used. This presents STDC with an opportunity to learn from the project managers and to create a fit for purpose approach to project management but is also a threat to STDC’s ability to successfully deliver should project managers leave or new project types are beyond the knowledge and experience of the team. A light-weight project management approach should therefore be defined that is appropriate to the context and types of project required, scalable and flexible.

In the absence of a defined STDC approach, it is recommended that STDC define a set of principles for governance and controls and the standards they require of their project management provider in order to be assured that they have proper governance and control of projects.

We observed little evidence to suggest the practice of learning from experience was embedded within the organisation and project teams and projects lacked consistency in how they gather information and report progress. We found widespread use of STDC’s approach to risk management. Project management is being provided as a service by an external provider at an appropriate level for the projects and organisational maturity at the time. Going forward we would expect to see a defined and systematic approach to independent assurance of project management practice.

STDC appears under-resourced, with project managers needing to operate in a more reactive rather than proactive manner. They are also undertaking administrative tasks that a project management office would typically undertake. STDC recognise the need to establish a PMO as the project portfolio increases and has plans in FY20-21 to procure an e-Programme Management Platform. We have concerns that the current level of resource does not leave headroom to invest time in capability development that STDC intends.

We observed no formal approach to project investment and prioritisation, although a number of processes and tools exist. Whilst STDC’s approach appears to work at the current time, as the number of investment propositions being raised increases and the number of projects being delivered increases, it is unlikely to remain fit for purpose. The current project groupings (development enabling works, development, other capital and supporting projects) could form the basis of portfolios and the terms of reference for the boards and committees could be updated to reflect best practice portfolio management. STDC now has an established delivery programme for its planned projects across the next three years, which has been based on project prioritisation and funding/budget availability.

The project managers appear to have little involvement with the early stage of projects, receiving a mandate (often verbal) as the project is to be initiated.

Our detailed findings are given in section 3 and section 4 lists recommended actions relating to our findings.

## 2. SCOPE OF THE REVIEW

### 2.1 Background

An audit of project management was undertaken at South Tees Development Corporation ('Corporation') as part of the approved internal audit plan for 2019/20.

### 2.2 Objective

The internal audit assignment has been scoped to provide assurance on how the Corporation manages the following area:

"The organisation has an adequate framework in place for the management of the capital programme to support the delivery of the Master Plan as it matures. "

### 2.3 Lines of enquiry

Our review focused on the following agreed lines of enquiry:

- The requirements for an enterprise level project management framework are defined and understood.
- Projects are being managed to defined standards and/or industry best practice.
- The division in project management roles and responsibilities between STDC (as the client), advisors (as the client representative) and contractors (as the delivery organisation) is clear and understood by all parties.
- Once commissioned, projects demonstrate adequate controls, escalation routes and reporting.
- There is a mechanism for project prioritisation and decision-making that adequately supports the current 'opportunistic' stage of the Master Plan and the need to respond to developers.
- There is a plan to develop and evolve a project/programme management framework to support the 25-year Master Plan.

### 2.4 Limitations

The following limitations applied to the scope of our review:

- The scope excludes end-user development projects which is the responsibility of the Commercial Directorate.
- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only. We will not perform testing to confirm that any mitigating controls that have been identified and recorded in project management plans are actually in place. Similarly, we will not perform any testing to confirm that the sources of assurance that have been identified and recorded are actually in place.
- This review will not comment on the status/health of any individual project.
- We will not comment on the priority of any individual project, we will only consider whether a prioritisation mechanism is in place which is fit for purpose and has been consistently applied.
- We do not endorse a particular means of project/programme management.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## 3. FINDINGS

### 3.1 Current approach

#### Project management standards and best practice

- Project management of physical delivery projects is outsourced to professional PM service providers, including Driver and Faithful & Gould.
- STDC project managers are applying their knowledge and experience from previous roles to their STDC projects. In the short term, this offers STDC the opportunity to learn from best practice but is also a risk in the medium/longer term should project managers leave or new projects beyond the knowledge and experience of the team are required.
- Where applicable (e.g. the CPO project), STDC projects are following an underlying statutory process as the basis of the project approach.
- Civil engineering projects generally follow RIBA lifecycle stages and their associated technical products, with a “light touch” PRINCE2-type management layer.

#### Controls, escalation routes and reporting

- To date there has been no consistent approach to project management controls, with each project using its own bespoke method specific to the project.
- Each project has different reporting requirements and frequencies and the style and content of reports vary with each project.
- It is our conclusion that STDC is under-resourced with regard to project managers and project support with the effect that project managers are having to operate mainly in a reactive rather than proactive capacity. There are plans to increase headcount in FY20-21 without which there is a risk that project management continues to be reactive rather than proactive at a time where STDC will be significantly increasing project activity and expenditure.
- Project managers are also responsible for administrative tasks related to their projects which may be impacting on the time available to manage the projects.
- The risk management framework (developed by Turner & Townsend) is being applied across project delivery and compliments the project managers’ own knowledge and experience.
- Project managers expressed a concern that they are not close enough to external project spend as this is done centrally, making it difficult for them to accurately track project budgets. Currently project managers utilise a spreadsheet to track project spend (although this approach is not consistent across all projects). A route cause of this is that the systems/processes provided by the parent body are not aligned to project-based accounting. STDC are aware of this issue and intend to implement Agresso systems, tools and processes for project finance management and forecasting in FY2020/21. Initial workshops with the system provider have been held and budgets have been allocated for implementation.
- Project managers appear to have little involvement with the early stage of projects, receiving a mandate (often verbal) as the project is to be initiated. Some interviewees noted that this means they lack the understanding of the context and business case for the projects they are managing.
- Although STDC make use of a project management service provider to manage project delivery we did not observe additional independent assurance being carried out on projects or at portfolio level. This needs strengthening as the level of project activity and expenditure increases.
- Action logs and progress meetings are used to monitor project progress.

- We did not find evidence of formal lessons learned activities being systematically carried out. Instead, project managers indicated that they have applied lessons to their projects based on their previous experience. As the organisation grows and the master plan is incrementally delivered learning and applying lessons across the site is important from the outset to avoid missed opportunities.

## Roles and responsibilities

- STDC are resource constrained, there is a risk that STDC have insufficient capacity to deliver projects, especially as the number of projects increases.
- Organisation charts exist for some projects showing project resources, including external suppliers.
- STDC project managers are assuming the role of client representative, whilst using external contractors for project management (e.g. Driver and F&G). Where a third-party contractor/ supplier is used, their role is defined in the contract.
- Where a project management service provider (e.g. Driver) is used they produce a Project Execution Plan (PEP) showing project organisation structure along with a description of roles and responsibilities for those involved.
- It is unclear from the terms of reference which committee approves project mandates. However, we are advised that this is the P&I Committee.
- As the programme directorate has limited staff resources, secondees are being used to bolster the resources available.
- Timescales set for project activities need to be cognisant of the time required to complete certain public sector statutory processes (e.g. procurement), otherwise schedule pressure may result.

## Mechanism for project prioritisation

- Projects are grouped into development enabling works, development, other capital and supporting projects.
- Terms of reference for the board and committees are labelled as draft, although they have been ratified at Board level. They need updating to reflect this.
- A process exists for evaluating commercial propositions and, so interviewees noted, includes a scoring matrix approach.
- A scheme of delegation exists for approving projects and budgets.
- It is understood that a tool (such as Microsoft CRM) is being considered for pipeline management, covering likelihood, value, timing, jobs, lead times etc. This is planned to be rolled out in FY 2020/21.
- Some interviewees expressed concern that they did not know how the prioritisation mechanism for end-user development projects worked and wanted to understand more.

## 3.2 Future approach

### Defined requirements

- All of the individuals interviewed expressed the need for a standardised approach to delivering STDC projects, whilst noting that any such approach should be lightweight, flexible and adaptable as the organisation scales up. At this time, however, there are no documented requirements for a standardised project management approach. We have concerns that the resource pressure, noted elsewhere, does not allow headroom for STDC to invest the required time to define requirements.

## Development plans

- There is an intention to establish the Programme Management Office in FY20/21 and to procure services for the development of an e-Programme Management Platform as the basis for an STDC delivery framework. A programme management specialist is to be appointed to help with its development and implementation. Procurement documentation to go to market for these requirements are about to be prepared. However, at the time of this review we did not see a documented timeline or plan to procure the e-platform and develop standardised approach to delivering STDC projects.
- Interviewees indicated that time pressures and other priorities made it difficult to formally support procurement and implement a framework and system.

## 4. RECOMMENDED ACTIONS

The following table sets out our recommendations which are prioritised using the definitions at the end of this appendix. They are reflective of an organisation going through a transition from one of planning to one of delivery.

Ref	Recommended action	Priority	Responsible owner	Implementation date
1	<p>Define and agree the requirements for a STDC project management approach. The approach should:</p> <ul style="list-style-type: none"> <li>• be based on a number of principles that can be applied to all STDC projects regardless of their size or complexity.</li> <li>• align to your STDC's policies, standards and approaches to governance and control.</li> <li>• recognise the context in which STDC operates e.g. any relevant standards, regulatory frameworks or statutory requirements.</li> <li>• interface with the lifecycle models in use by the projects e.g. RIBA stages.</li> <li>• scale to allow for the appropriate levels of governance and control for projects of different complexities.</li> <li>• include levels of delegated authority.</li> <li>• flex to allow individual project managers the freedom to adapt to changing circumstances.</li> <li>• not be so prescriptive and detailed that it becomes bureaucratic and unused by your project managers.</li> <li>• define the minimum standards that STDC's project management partner(s) should apply when managing projects on your behalf.</li> </ul>	Medium	JMcN	31-Jan-21
2	In the absence of a defined STDC approach, define a set of principles that STDC will apply for governance and controls and the standards they require of their project management service provider(s). These should later be incorporated into the STDC project management approach.	High	JMcN	31-Oct-20
3	Within the STDC project management approach, formalise the handover of the mandate, business case, etc. to project managers, and consider also how project managers can contribute to the pre-handover activities.	Medium	JMcN	31-Oct-20
4	Within the STDC project management approach, encourage learning from experience (it is suggested that this be one of STDC's project management principles). The approach should	Medium	JMcN	31-Jan-21

Ref	Recommended action	Priority	Responsible owner	Implementation date
	consider lessons at all stages and in particular, when starting up and initialising projects.			
5	Within the STDC project management approach, ensure that roles and responsibilities for project management, governance and technical delivery are documented and agreed on a per-project basis.	Medium	JMcN	31-Jul-20
6	Allow the project managers control over project budgets within defined levels of authority once Agresso systems are rolled out.	Low	JMcN	31-Oct-20
7	Establish a project management office with a defined charter (and therefore defined services). This will relieve project managers of project administrative tasks and assist with management information and reporting, governance and assurance.	Medium	JMcN	31-Jan-21
8	Formalise a project assurance model to sit alongside the enterprise risk management framework such that all parties can be assured that projects remain on track to deliver against their intended objectives in a structured and well-managed way. Consider a “three-lines of defence” approach: <ul style="list-style-type: none"> <li>the 1<sup>st</sup> line is the project management team.</li> <li>the 2<sup>nd</sup> line is a project management office.</li> <li>the 3<sup>rd</sup> line is internal audit and/or specialist external assurance.</li> </ul>	Medium	JMcN	31-Oct-20
9	Define workflows for project and organisation-wide decision making and approvals and consider whether the use of a PPM tool to assist with this is appropriate (we understand that the use of Agresso is already being discussed).	High	JMcN	31-Oct-20
10	Apply HM Treasury and Infrastructure and Projects Authority (IPA)’s <a href="#">Project Initiation Routemap</a> for larger projects. The Routemap (and its supporting modules) offers diagnostics and references for strategic decision-making during project initiation by addressing the most common capability gaps that sponsors and clients need to enhance for asset-rich infrastructure projects. .	Low	JMcN	31-Jan-21

Ref	Recommended action	Priority	Responsible owner	Implementation date
11	Introduce key performance indicators (KPIs) at portfolio level as an aid to decision-making and performance management across the portfolio.	Low	JMcN	31-Jan-21
12	Re-align the terms of reference of the boards and committees to best practice portfolio management (see AXELOS Limited's <a href="#">Management of Portfolios (MoP)</a> for further guidance. The current project groupings could provide the basis of a portfolio structure, and the Planning and Infrastructure Committee could provide oversight of the portfolios in terms of providing investment/prioritisation.	Low	Governance Team	31-Oct-20
13	Ensure that senior management and other executives in a decision-making role within STDC understand their responsibilities in a project-driven environment.	Medium	JMcN	31-Oct-20
14	Assess resourcing requirements for client side project management activities and resolve ensure adequate headroom to address capability development (e.g. set up of Agresso, development of programme management framework, lessons learned) on top of day-to-day project delivery.	Medium	JMcN	31-Jul-20

### Priority key

<b>High</b>	To increase the likelihood of a successful outcome, we consider that the organisation should, if appropriate, act immediately.
<b>Medium</b>	To increase the likelihood of a successful outcome, we consider that the organisation should, if appropriate, act in the near future.
<b>Low</b>	We consider that organisation will benefit from taking this action and should consider its appropriateness.



# APPENDIX A: INTERVIEWS

We interviewed the following people:

Role
Programme Director
Project Manager – Roundabout Project, Materials Handling Project
Project Manager – CPO Project
Energy Assessment Project
Energy Assessment Project

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**AGENDA ITEM 6**

**REPORT TO THE STDC AUDIT & RISK COMMITTEE**

**28<sup>th</sup> May 2020**

**REPORT OF ACTING RISK MANAGER**

**RESPONSE TO INTERNAL RISK AUDIT**

**SUMMARY**

The RSM “Internal audit follow up report: 5.19/20” contained 13 actions relating to risk management. This paper reports on progress made on these actions. In summary,

- 3 were completed on time
- 3 will have been completed within 1 month of the due date, and
- 7 are not yet due.

The following table shows the priority level of these actions.

<b>Priority</b>	<b>Completed on time</b>	<b>Completed within 1 month of due date</b>	<b>Not yet due</b>
<b>Low</b>	2	1	4
<b>Medium</b>	1	2	3
<b>High</b>	N/A	N/A	N/A

**RECOMMENDATIONS**

It is recommended that the STDC Audit & Risk Committee

- i. Notes the progress in responding to the audit
- ii. In fulfilment of audit action #12, requires that risk registers and risk scores are reviewed at least every two months.

**DETAIL**

**1. Completed actions**

Ref #14: Priority Low. Due 30/04/20

- *We will ensure that once treatment actions are confirmed as closed by the action owner, we move the action to the 'closed action log', and update the revised risk score appropriately, in conjunction with the risk owner.*

Evidence: see “closed” tab on risk registers

Ref #17: Priority Med. Due 30/04/20 (due date incorrectly given as 30/10/20 in audit document)

*Once the risk tolerance levels have been set by the Board members, we will assess the current (residual) risk scores for all risks on the risk registers and identify whether the controls and actions recorded are sufficient to reduce the risk score to the level deemed acceptable by the Board.*

Evidence: See current risk registers, which now include tolerance (appetite) levels for each risk.

Ref #20: Priority Low. Due 30/04/20

- *We will clarify with TVCA the level and frequency of which it requires details of the Corporation risk profile and ensure this is built into our reporting schedule going forward.*

Evidence: TVCA’s risk strategy (draft as of 19/05/2020, going to Audit & Governance for approval week commencing 25/05/2020) states

“The TVCA Audit & Governance Committee is represented on the Development Corporation Audit & Risk Committee and this representative will update members of the TVCA Audit & Governance Committee on the status of the corporation’s risk profile on an annual basis. The Director of Finance & Resources will also update members as required by significant changes in the Corporation risk profile with the potential to impact upon the Combined Authority risk profile.”

## **2. Overdue Actions**

Ref #12: Priority Med. Due 30/04/20

- *Senior Management will discuss a mechanism to ensure that risk registers are kept updated for any new, emerging or closed risks.*
- *This will include a body that has central oversight of all risk registers. Once established, the mechanism will be presented at the ARC where a decision will be made on the frequency of the updates required for each risk register or risk rating.*

Comment:

This action could have been completed on time, had it not been for the deferral of the last A&RC meeting. Senior management has agreed that risk management will be a standing item on the agenda of the fortnightly Senior Management Team meetings, and that this meeting will have central oversight of all risk registers and will ensure that they are kept updated for new, emerging or closed risks. This will be complete once A&RC approves the action recommended above in “Recommendations ii”, namely “In fulfilment of audit action #12, A&RC requires that risk registers and risk scores are reviewed at least every two months.”

Ref #18: Priority Low. Due 30/04/20

- *The Senior Management Team will review the risk registers prior to each review at Audit and Risk Committee.*

Comment:

See also above. This has been agreed and will be in place for all A&RC meetings following meeting of 28<sup>th</sup> May 2020. Action now complete.

Ref #19: Priority Med. Due 30/04/20

- *The format of the report template will be revised to ensure sufficient information is provided to Board members on risks to allow them to fully discharge their responsibilities.*

Comment:

This action could have been completed on time, had it not been for the deferral of the last A&RC meeting. A new more detailed report format is used for this meeting, with the assumption that it is appropriately incorporated into A&RC's own report to the Board. Action now complete.

### **3. Actions Not Yet Due**

Ref #1: Priority Medium. Due 30/10/20.

- *Once the STSC acquisition is complete, the Corporation will perform an exercise to ensure that all project risk registers are collated into a corporate risk register.*
- *The corporate risk register will be reviewed by the Senior Management Team to ensure that all risks are identified and are within the accepted risk appetite levels set by STDC.*
- *The completed risk register will be presented for approval in the timescale indicated by management, to the Audit and Risk Committee in October 2020.*

Ref #9: Priority Low. Due 30/10/20

- *We will ensure that the risk management framework is up to date and reflects any action identified as a result of previous risk management audits and any further 'risk' exercises that take place post STSC transition period.*
- *Once this is complete, updated documents will be communicated to all staff within the business. We will then publish the framework in a shared location.*

Ref #10: Priority Low. Due 30/10/20

- *We will review the risk scoring matrix to ensure it is in line with best practice and reflects the approved risk appetite of the organisation.*

Ref #11: Priority Low. Due 30/10/20

- *We will review the format of the risk register to allow a reference to one or more of the strategic delivery priorities of the organisation.*

Ref #13: Priority Med. Due 30/10/20

- *We will review the format of the risk register to ensure we begin to capture the controls in place on which we are relying to bring the risk rating of its current level.*
- *We will then begin an exercise to identify the assurances we have in place over these controls, which we can use to drive future assurance activities*

Ref #15: Priority Low. Due 30/10/20

- *The Project Services Manager will perform a review of existing risk registers to ensure that the impact of potential opportunities, should the opportunity be realised or missed / not taken is clearly stated.*
- *This new requirement will be included in the risk management framework and communicated to risk owners.*

Ref #16: Priority Med. Due 30/10/20 (due date incorrectly given as 30/04/20 in audit document)

- *The Risk Management Framework and associated risk registers and plans will be updated in line with the outputs of risk workshops undertaken in October 2019 and any future 'risk' based exercises. Specifically, the Risk Management Framework will clearly state its risk appetite and tolerance level. Once complete this will be communicated to all staff members.*

**FINANCIAL IMPLICATIONS**

4. None

**LEGAL IMPLICATIONS**

5. None

**RISK ASSESSMENT**

6. This report is relevant to all aspects of risk as it affects the organisation.
7. Given the timing of action completion, the risk associated with fulfilment of the risk audit is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce this risk.

**CONSULTATION & COMMUNICATION**

8. This report has been discussed internally and with a representative of the Internal Auditors.
9. There are no further communication requirements.

## **EQUALITY & DIVERSITY**

10. This report has no particular impact on groups of people with protected characteristics.

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