

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE

Date: Monday 1st August 2022

Time: 10.00am

Venue: Teesside Airport Business Suite, Teesside International Airport,

Attendees:		Apologies:
Chris White (CW)	Chair	Julie Gilhespie - TVCA
John Baker (JB)	Independent Member	Peter Judge – TVCA
Allan Armstrong (AA)	Independent Member	Cameron Waddell - Mazars
Gary Macdonald (GM)	TVCA	
Victoria Smith (VS)	TVCA	
Natalie Robinson (NR)	Teesworks	
Derek Weatherill (DW)	Teesworks	
John McNicholas (JM)	Teesworks	
Nicola Dean (ND) (Secretariat)	TVCA	
Eve Pritchard (EP) (Secretariat)	TVCA	
Michael Gibson (MG)	RSM	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome & introductions	The Chair welcomed everyone to the Meeting.		
2.	Apologies for Absence	Apologies for absence were noted and submitted as above.		
3.	Declarations of Interest	There were no declarations of interest.		
4.	Minutes of previous meeting	The minutes of the meeting held on 18 th March 2022 were agreed as a true record.		
5.	Executive Update	<p>A paper was provided to Members in advance of the meeting, detailing the key activity within the South Tees Development Corporation (STDC) since the last meeting. Gary Macdonald, GM, Group Director of Finance & Resources, presented the Report, which included a summary of the following areas:</p> <ul style="list-style-type: none"> • Freeport • Programme Development: <ul style="list-style-type: none"> ○ South Bank ○ Demolition Works Programme ○ Net Zero Teesside ○ Key Risks to Delivery <p>Members asked:</p> <ul style="list-style-type: none"> • Is the SEAH site still a COMAH site and if so, is there an effect on their work? Derek Weatherill, (DW), STDC Environmental, Health, Safety & Security Director, confirmed there is no effect on their work. It was explained that there are 2 working groups with HSE and a working engagement group in the construction division. The operating agreement with the HSE was 		

		<p>discussed and assurance was given that the transition from a COMAH site to construction has to adhere to the general management regulations – governed by CDM.</p> <ul style="list-style-type: none"> Will COMAH diminish gradually or be gone in one go? DW confirmed it would be wiped off in one go and it is the Redcar by-products and the coke and gas main in the ground are keeping the site COMAH but in September this should be lower tier. <p>RESOLVED THAT: Members noted the Report.</p>		
6.	STDC Financial Statements 2020/21 (Latest Position) and revised Annual Governance Statement	<p>Victoria Smith, (VS), Group Financial Controller, explained the External Auditors unfortunately couldn't attend the meeting. The changes to the 2020/21 Statements were discussed.</p> <p>The Chair noted that the Committee had seen a draft set of the accounts in January.</p> <p>VS discussed that the set presented in January 2022 correctly accounted for Teesworks as a joint venture. Advice was received via the External Auditors that this was incorrect and should be accounted for as a subsidiary. Further notification was received before the meeting stating presentation as a Joint Venture was correct. Statements to be update, key changes are that income and expenditure will be presented as a single line in the profit and loss account.</p> <p>It was agreed that the Committee had had sight of a clear disclosure in January so worth ensuring a meeting is arranged to see the detail of the final version.</p> <p>RESOLVED THAT: An Extraordinary meeting will be arranged to review the Financial Accounts for sign off.</p>	Arrange meeting to look at final sign off of accounts	Secretariat
7.	STDC Draft Financial Statements 2021/22 and Annual Governance Statement	<p>VS provided a verbal update on the STDC Draft Financial Statements 2021/22 and advised that the draft Statements met the requirement to publish by 31st July 22, and the final audited statements would be complete by end of November. Members were however, informed that Mazars may not be able to complete their work by the November deadline due to the shortage in the market.</p> <p>The lack of resource in external audit was discussed. VS advised that some market testing had previously been undertaken to see if other auditors could meet the deadline, but none had capacity. The</p>		

		Committee acknowledged it remains aware of the challenges in this regard and that it is a national issue and not isolated to the public sector.		
8.	External Audit Follow Up and Completion Letter for 2020/21	The key headlines of the External Audit Follow Up & Completion Letter were noted. RESOLVED THAT: Members noted the Report.		
9.	Draft Updated Terms of Reference	A revised version of the draft updated Terms of Reference (ToR) were shared in advance of the meeting. GM confirmed that the Chair’s feedback on best practice and offline feedback been reconciled into the document now. A concern was raised on the importance of monitoring how the new ToR impacts the Committee, and it was agreed there is a need to make sure the Committee is doing what it says it will. The Chair agreed the changes now reflect the remit and suggested doing a ‘State of the Nation’ against the ToR. It was agreed that the ToR will inform the Forward Plan, so priorities are scheduled and Natalie Robinson, (NR), Group Risk Manager, agreed to share what has been compiled, at the next meeting as well as the annual actions that need to be undertaken by the Committee and incorporate into the Forward Plan. RESOLVED THAT: The Draft Terms of Reference were agreed as final.	NR to contribute to Forward Plan	NR
10.	Internal Audit Reports	Mike Gibson, (MG), of RSM, presented the Internal Audit Progress Report and outlined the Internal Audits that had been finalised. The Chair suggested if the Reports could include a position statement on where we are vs where we want to be, this would be useful. A time bar of what needs to be completed through the year was agreed as a means to track against that. It was agreed that MG would look at this. In terms of the Progress Paper, it was noted that the Effectiveness of Partnership Arrangements and the Demolition Programme and South Bank Quay Project Audit Reports had been finalised.	MG to look at a time bar to track activity	MG

		<p>The Effectiveness of Partnership Arrangements audit identified that the board could “take substantial assurance” with no issues to report.</p> <p>The Chair asked how the Committee should interpret ‘no issues identified’ and how robust the Audit was if there were no issues. MG advised that all audits are done to standard, but the audit didn’t get to the details of ‘how’ its managed as it addressed the governance arrangements in place. The Chair suggested that the audits should be looking at more detailed areas and it was confirmed that the 22/23 Plan is intended to do that.</p> <p>The governance arrangements of the Demolition Programme and South Bank Quay Project identified the “Board can take substantial assurance”.</p> <p>MG gave a summary of the positive progress made in the internal audits, advising that there is now more rigour than what was observed in previous years, that this is a complex area and the Auditors knowledge and understanding has increased, reflecting the progress management has made.</p> <p>RESOLVED THAT: The Progress Update and Internal Audits were noted.</p>		
11.	Internal Audit Annual Opinion	<p>MG presented the Annual Internal Audit Opinion, and it was determined that “the organisation has an adequate and effective framework for risk management, governance and internal control” and “substantial assurance was given in regard to all assignments”.</p> <p>The Chair noted a positive outcome of the Annual Opinion and suggested when the effectiveness of the ToR has been assessed, as well as the effectiveness of the Committee, it would be useful to determine the effectiveness of each of the Internal and External Audit providers. It was agreed that this action would be picked up by Peter Judge (PJ), Chief Legal Officer.</p> <p>GM noted that need to reflect on the activity for the year ahead and consider what the Committee might want to see in the Plan since content can be modified at any point in the year if assurance is required.</p> <p>RESOLVED THAT: The Internal Audit Annual Opinion was noted.</p>	Self-Assessment and that of the Internal & External Auditors	PJ

12.	Internal Audit Annual Plan	<p>MG updated the Committee that there had been communication with management on the Annual Plan and this was the first opportunity to share with the Committee. It was agreed for more audit activity across STDC, and the proposed areas of consideration for 2022/23 Plan were discussed.</p> <p>GM noted that 2022/23 will be a transition year as a lot of the declassification of COMAH will be complete so need to transfer to a DC and arrangements for estate management. The Committee felt it would be of benefit to have this transition in the Plan to determine how that's shaping up. It was agreed the Committee need to be assured on this area and the Chair should input into scoping that to get some internal assurance. NR explained this is already carried out periodically with RSM including horizon scanning and internal mini assurance exercises with Project Leads so there is a preliminary set of information to inform on that.</p> <p>The Committee discussed the value of a Governance v Substantive style audit to check the controls of working (e.g., fraud etc.) to give a guide to allow the Committee to be aware where the focus should be. GM and MG to discuss how this will be captured to give operational assurance the mechanisms are in place and impromptu testing was suggested.</p> <p>It was agreed that the Committee need to see the Plan as early as possible (though the Committee understood why they haven't on this occasion) and that it would be useful for Committee to be involved and engaged in the creation of the Plan. Look at adding this to the Forward Plan.</p> <p>RESOLVED THAT: The Internal Audit Plan was noted.</p>	<p>Chair to input into scoping on an Audit on the transition from a COMAH site to a DC</p> <p>Consider Governance v Substantive style audits on working controls</p> <p>Add Member input into the Annual/Forward Plan</p>	<p>GM/CW/RSM</p> <p>GM/RSM</p> <p>Secretariat</p>
13.	Internal Audit Actions Update	<p>Members were presented with a Report providing a position statement of current Internal Audit action plan progress at June 2022 and were asked to consider the analysis and audit progress and acknowledge the annual audit schedule.</p> <p>NR advised that 2 Action Plans were noted as being 'in progress' and none of the outstanding actions were classed as high level. The Chair noted the desire to get to a point where there are no over due actions. It was acknowledged this is as much about ensuring there are realistic timelines and to be forward thinking so as to be aware of any action potentially becoming overdue to then address it. NR</p>		

		acknowledged the Committee's request to track any actions through to the revised delivery date and explained that having real time reporting helps with this, as does management leads doing this.		
		RESOLVED THAT: The Internal Audit Actions Update was noted.		
		IT WAS PROPOSED AND AGREED TO PASS A RESOLUTION TO EXCLUDE THE PRESS & PUBLIC FROM THE FOLLOWING CONFIDENTIAL ITEM		
14.	Risk: Risk Management Update & Risk Framework Compliance Update	The Annual Risk Management and Risk Framework Compliance Policies were circulated to Members in advance of the meeting.		
15.	Forward Plan	The Forward Plan was noted and agreed to be updated as had been discussed during the meeting. Members were invited to add anything else to the Forward Plan, should they wish to.	Get Chair availability & diarise 22/23 Committee dates	Secretariat
16.	Date and Time of Next Meeting	The next meeting was agreed to be an Extraordinary Meeting to discuss the Financial Accounts.	Arrange Extraordinary Meeting	Secretariat