

**Tees Valley Combined Authority (TVCA) Audit and Governance
Committee**

Tuesday 2nd August 2022 at 10.00am

These Minutes are in draft form until approved at the next Audit & Governance Committee meeting and are therefore subject
to amendments.

<u>PRESENT</u>
Members Councillor Jamie Bartch, (Darlington Borough Council) Councillor Barry Woodhouse (Stockton-on-Tees Borough Council) Councillor Anne Watts (Redcar and Cleveland Borough Council) Councillor Matt Storey (Middlesbrough Borough Council) Councillor Kevin Tiplady (Hartlepool Borough Council) Angus Kidd (Independent Member) James Stuart (Independent Member)
Apologies for Absence Jonny Munby (Independent Member) Councillor Scott Durham (Darlington Brough Council) Peter Judge (Group Chief Legal Officer, TVCA)
<u>IN ATTENDANCE</u>
Officers Gary Macdonald (Group Director of Finance & Resources, TVCA) Victoria Smith (Group Financial Controller, TVCA) Natalie Robinson (Group Risk Manager, TVCA) Nicola Dean (Governance & Scrutiny Officer, TVCA) Eve Pritchard (Governance Support Officer, TVCA)
Also in Attendance Cameron Waddell (Mazars – External Auditors) via Teams Michael Gibson (RSM – Internal Auditors) Robert Barnett (RSM – Internal Auditors)

AGC 01/22	WELCOME, INTRODUCTIONS & APOLOGIES FOR ABSENCE Apologies for absence were submitted as detailed above.
AGC 02/22	DECLARATIONS OF INTEREST No declarations of interest were received.

<p>AGC 03/22</p>	<p>APPOINTMENT OF CHAIR & VICE CHAIR</p> <p>Gary Macdonald, (GM), Group Director of Finance & Resources invited nominations or any volunteers for the position of Committee Chair for the forthcoming civic year: MS was nominated by BW, and this was seconded by JS.</p> <p>GM then invited nominations or any volunteers for the position of Committee Vice Chair for the forthcoming civic year: AW was nominated by BW, seconded by MS.</p> <p>It was confirmed that the appointment to these roles will be submitted to the next Cabinet to approve the nominations in October and an induction would be arranged with Members to cover the TVCA Group and its statutory Committee's.</p>
<p>AGC 04/22</p>	<p>APPOINTMENT TO SOUTH TEES DEVELOPMENT CORPORATION, AUDIT & RISK COMMITTEE</p> <p>The Committee took the view, as it had the previous year, that the position on the South Tees Development Corporation should be filled by the Committee member representing Redcar & Cleveland Borough Council. Therefore, the nomination was Cllr Anne Watts and was agreed unanimously by the Committee.</p>
<p>AGC 05/22</p>	<p>MINUTES OF MEETING HELD ON 20th JANUARY 2022 AND ACTION TRACKER</p> <p>The minutes of the previous meeting were agreed as a true record.</p> <p>The outstanding actions were discussed, and Members were advised that the actions were discharged as noted.</p>
<p>AGC 06/22</p>	<p>GROUP UPDATE</p> <p>Gary Macdonald (GM), Director of Finance & Resources, provided a summary of the Group Update to the Committee detailing the key activities of the Combined Authority since the last Committee meeting including the following areas:</p> <ul style="list-style-type: none"> • Teesworks • Freeport • Teesside International Airport • One Public Estate • Business Investment • Education, Employment & Skills • Mayoral Development Corporations • Transport • Clean Growth & Innovation • Creative Place <p>Members asked:</p> <ul style="list-style-type: none"> • What is happening regarding the dead crustaceans being identified on the quay? GM advised that the purpose of getting an independent government review was for scientists to investigate this and determine the cause and this has been reported

	<p>back. GM assured the Committee that all work on the quay is in line with best practice for the work being undertaken and the requirement to apply for licenses.</p> <ul style="list-style-type: none"> • What engagement is there with Trade Unions on the site? Work is undertaken via contractors on the site and expect some things to come as standard, and if they have Union representation on those areas. • How does it all link to education and skills and having local people working on these sites? GM noted the strategic points – governance and the Skills Strategy covering priority areas and synergies (GM pointed to the Strategy on the TVCA website). It was recognised that there is a need to keep a feedback loop with providers as to the make up of those accessing education and the Education, Employment and Skills Advisory Group is the nominated group that reviews and considers such matters in addition to the TVCA Cabinet. Datasets are coming through and the Education, Employment and Skills Advisory Group is looking at impact and engagement on a regular basis. It was explained it's not just about skills but also about how to co-ordinate and make connections with employers – this is already happening with SeAH Wind. • Can this be tracked via the A&G Committee? GM explained there is quarterly reporting to Cabinet and there's access to that detail. Its Cabinet and Scrutiny's remit to assess performance but not the remit of the A&G Committee directly. • Why is training so slow to implement? South Bank was noted as having great deprivation and training is needed. GM recommended feeding that back to the Skills Team and Cllr Bob Cook as the EES Portfolio Lead, to get an understanding of what is happening in each of the localities. • What outcomes are being seen for the investment in skills? There are KPI's but compared to the UK average these are below that and the Skills strategy has considered this information and the most effective ways improve this. Data is being captured and worked up to go into Cabinet Reports. • What are the benefit of MDC's? GM advised with MDC get public and private sector leadership on the Board and, depending on powers selected, get powers/strategies in the DC area to transform that area and in the case of Middlesbrough and Hartlepool funding is propose via the TVCA Investment Plan to help enable that. • What if outcome of the MDC consultation is that the support/appetite isn't there? At the last Cabinet these approvals were agreed, subject to scrutiny and are subject to approval after consideration of the feedback which so far looks positive. • How is Middlesbrough Council linked to the DC? GM some implementation planning is required and now dealing with the strategic part first to determine how it would be delivered. • Is there a minimum level required on how many responses there should be on the consultation? VS advised a piece had been done to target engagement for a greater impact than normal in specific areas. It was advised there isn't a specific level required to pass consultation. • Does TVCA have oversight of any MDC? GM explained that the governance won't be much different to STDC so linked in the Group Structure, so connectivity and a link is there as it's a Mayoral Development Corporation. <p>RESOLVED that: Members noted the Report.</p>
<p>AGC 07/22</p>	<p>TVCA 2020/21 FINANCIAL STATEMENTS (LATEST POSITION)</p> <p>The latest position of the TVCA 2020/21 Financial Statements were presented. VS advised it was unusual to bring both sets of Financial Statements to the Committee, but due to</p>

	<p>constraints in the audit market and the draft publication deadline for the 2021/22 accounts this is the position TVCA are in.</p> <p>VS discussed the status of the 2020/21 accounts. In January the set of accounts brought was as a 50/50 joint venture and the External Auditors had asked to change it to a subsidiary. The change was made but now the requirement is to record it as a joint venture. It was explained that this has resulted in not being able to ask the Committee to sign off the accounts.</p> <p>RESOLVED that: Members noted the latest position of the Financial Statements.</p>
AGC 08/22	<p>TVCA DRAFT 2021/22 FINANCIAL STATEMENTS AND ANNUAL GOVERNANCE STATEMENT</p> <p>A verbal update was provided to Members regarding the TVCA DRAFT 2021/22 Financial Statements and Annual Governance Statement. This was done in line with the draft deadline. Government agreed deadline is now the end of November for the audited accounts and the drafts were advised to be ready for audit and ensuring the November deadline would be complied with was dependent on the external auditors Mazars.</p> <p>VS advised at the next meeting will go through those accounts in detail and that the draft accounts had to be published by end of July and this has happened.</p> <p>RESOLVED that: Members noted the latest position of the Financial Statements.</p>
AGC 09/22	<p>INTERNAL AUDIT PROGRESS UPDATE</p> <p>Mike Gibson, (MG), RSM, provided an update on the progress of work on the Internal Audit and a summary of the final reports being presented to the Committee.</p>
AGC 10/22	<p>INTERNAL AUDIT REPORTS</p> <p>MG, summarised each Internal Audit area, noting the conclusion for each as follows: HR Payroll – 6 management actions identified comprising of 2 medium priority actions and 4 low priority actions. “Reasonable assurance” given in this area. GM advised the medium management areas were being reviewed and addressed by Senior Managers. TIAL Reporting – identified no issues or management actions and “substantial assurance” given. Effectiveness of Partnership Arrangements – 4 low priority management actions identified, with “substantial assurance” given. Portfolio Structure – 1 low priority action was agreed, and “substantial assurance” given.</p> <p>RESOLVED that: Members noted the Internal Audit Reports.</p>
AGC 11/22	<p>INTERNAL AUDIT ANNUAL OPINION</p> <p>Robert Barnett, (RB), RSM, updated the Committee that the Internal Audit Annual Opinion had found that the organisation had an “adequate and effective framework for risk management, governance and internal control”.</p> <p>The Committee noted that it recognised the work and effort having gone into achieving this by the respective teams as a positive achievement.</p> <p>RESOLVED that: Members agreed the Annual Opinion.</p>

<p>AGC 12/22</p>	<p>INTERNAL AUDIT ANNUAL PLAN</p> <p>The internal draft Plan for 2022/23 and the proposed areas of review were examined. It was noted that the Plan was flexible to add/move things around. The 3-year rolling programme was discussed, and the purpose of it taking into consideration sector updates.</p> <p>Members were asked to consider if the Plan covered the risks, the governance assurance and if the priorities were right.</p> <p>The Airshow was discussed. The committee asked if the risks were appropriately managed and discussed the reputational risk that arises. It was asked whether any lessons were identified and how have they been rolled out across the Group. GM advised that TVCA involvement in the management of the event was limited, noting it was a private sector led project. It was confirmed that lessons learnt had formed part of the subsequent report by the Airport Managing Director that was published on the website and the TIAL Executive Board and Goosepool are continuing to receive relevant updates on this. Members noted that there were implications at group level which raises the question whether internal systems manage the risks appropriately. The Committee asked for feedback on the assurance of the risk profiling element of this in future. The Chair noted that TVCA are the accountable body for any TVCA funding provided to the Airport, and as those arrangements did not work for that part of the airport, the Committee have the accountability role of taking that forward and addressing that. GM advised the Committee he would feedback to Management Team and discuss with RSM.</p> <p>It was suggested that the strategic Risks for the proposed MDC's also be covered in the plan. GM advised that if the MDC's area's are accepted, they would then need to pass through legislation to come into governance processes and the MDC's would need to be implemented to see how successful they are. It was explained that the Plan was done before the MDC's were proposed. RB suggested adding this into the 2nd year of the Plan and would update that. The Committee agreed this.</p> <p>The UKSPF was considered with some challenge on the funding levels and any differences on compliance requirements with funding UKSPF compared to what was received from Europe previously. GM explained the funding sources and that TVCA have to ensure compliance with guidelines and get independent assurance on the conditions of the grant on those things. It was agreed this could be added to the Internal Audit Plan in appropriate years but would need to be specific topics. It was agreed to put a placeholder in the Plan for UKSPF and suggested it may be useful to add in the scope of the Skills Strategy to the Internal Audit Plan to see how it's embedded and how effective it is.</p> <p>The progress of the implementation of management actions was queried. NR explained that actions remain 'open' until confirmation is received from RSM that they are suitable, but some actions are follow up items from previous audits. GM emphasised the need to be realistic with the timeframes for the actions and there is some work to do internally on that.</p> <p>RESOLVED that: Members agreed the Annual Plan with the noted amendments.</p>
<p>AGC 13/22</p>	<p>INTERNAL AUDIT ACTIONS UPDATE</p> <p>Natalie Robinson, (NR), Group Risk Manager presented a Report to the Committee on the position of current Internal Audit action plan progress as of June 2022.</p>

	<p>The Committee was asked to consider the analysis and audit progress set out in this paper and to acknowledge the annual audit schedule.</p> <p>The outstanding actions were reviewed - another 4 plans were noted as completed since the report was produced in June. NR noted that the automation tool for external audit is being carried over for internal audit also, so Managers can review and manage it.</p> <p>It was agreed this item will go ahead of the Internal Audit reports in future and an additional column to denote when things will happen, was agreed to be useful.</p> <p>The Committee asked if external audit actions could be tracked in the same way to flow into the detail of progress reports for both internal and external audit. This was agreed.</p> <p>RESOLVED that: Members noted the Internal Audit Actions Update.</p>
<p>AGC 14/22</p>	<p>EXTERNAL AUDIT PROGRESS UPDATE</p> <p>The 2020/21 The External Audit Progress Report was circulated to Members in advance of the meeting. It was advised that the substantive testing for the audit of the Development Corporation is complete, but the completion report is still outstanding. VS advised the subsidiaries that consolidate into the group have been filed with Companies House.</p> <p>VS advised the Committee that it would be necessary to arrange an extraordinary meeting for the new statements and noted that the meeting needs to be held in person. The extraordinary meeting was required due to TVCA previously presenting Teesworks as a joint venture and being advised by Mazars to change to a subsidiary. This was actioned, however communication prior to the Committee was received by Mazars requested the treatment be changed back to a joint venture. VS highlighted this was what management believed to be the best treatment and therefore would ensure this was updated and reflected in the final accounts.</p> <p>CW explained that there are other issues with consolidation to TVCA and not just treatment of Teesworks accounting though most work is completed on TVCA single entity. Still awaiting Group Instructions on Goosepool so can't conclude at present. VS noted Goosepool was filed with companies house in April and advised that Mazars reach out to Azets the subsidiary auditor to receive the instructions. STSC was noted to have been accounted for at a merger basis and so needs to be revisited. It was agreed that VS would catch up with CA on this. Communication improvements between Auditors and Management are to be made to ensure information shared at Committee is shared in advance between relevant parties.</p> <p>CW advised Mazars now had capacity to complete the 2021/22 audit by the November deadline providing the subsidiary accounts and audit work are concluded to timescale.</p> <p>The Committee agreed lessons need to be learnt from this to prevent this in the future and assurance is needed that processes are adopted so that it's agreed what the treatment is at the point of change. VS advised the Committee that if there are any significant transactions, they are trying to reach out in advance to agree the treatments so want to do this going forward, especially when Auditors have to send to internal technical team so it's referred earlier.</p>

	<p>With the complexity of organisation it was agreed there a need to bring a whole team together and Azets should also attend Committee meetings as the delays seem to be timing and sequence. VS will re-share the previous letter from Azets showing the improvements made. It was to be considered by GM if there would be benefit for the component Auditors to be invited to future meetings.</p> <p>CW advised that Mazars would like to have STDC and TVCA signed off this month and move forward for 2021/22 by the end of November deadline, providing component parts in place.</p> <p>Itemised agenda items for specific subsidiaries to see how they are performing through the course of the year was suggested so that the Committee can have oversight as it would be useful to hear from STDC/ Goosepool / TIAL on how the accounts are progressing. It was agreed that an item on progress against plan, noting key milestones would cover this. VS noted that this information is captured internally so can bring this to future meetings.</p> <p>RESOLVED that: Members noted the External Audit Progress Update.</p>
AGC 15/22	<p>COMMITTEE EFFECTIVENESS & SKILLS AUDIT PROPOSAL</p> <p>A Paper proposing a method to review the effectiveness of the Audit & Governance Committee was provided to Members along with a Skills Audit to ensure it has access to the necessary skills to discharge its function.</p> <p>RESOLVED that: Members agreed the Effectiveness & Skills Proposal and timelines.</p>
AGC 16/22	<p>FORWARD PLAN</p> <p>The Forward Plan was reviewed, and the work identified for the future, was agreed including adding the ToR review and Skills Assessment.</p>
AGC 17/22	<p>A Resolution was passed to exclude the Press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972 for following update to be delivered to the Committee.</p>
AGC 18/22	<p>RISK MANAGEMENT REPORT AND COMPLIANCE UPDATE</p> <p>The Risk Management and Compliance Update was presented to the Committee.</p> <p>RESOLVED that: Members agreed the Risk Management Framework & Compliance Update Reports</p>
AGC 19/22	<p>DATE & TIME OF NEXT MEETING</p> <p>The next meeting would be an Extraordinary Meeting to be arranged as soon as possible.</p> <p>Civic Year Meeting dates TBC and dates to be sent to the Committee, along with a draft of the Forward Plan with standard and bespoke agenda items.</p>
AGC 20/22	<p>FOR INFORMATION</p> <p>Group Governance Structure</p>