

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

**Date:** Friday 18<sup>th</sup> March 2022

**Time:** 9:30am

**Venue:** Steel Gate House, Teesworks

<b>Attendees:</b>		<b>Apologies:</b>
Chris White (Chair - CW)	Darlington Building Society	John McNicholas (JM) - STDC
John Baker (JB)	Independent Member	Julie Gilhespie - TVCA
Allan Armstrong (AA)	Independent Member (observer)	
Michael Lockwood (ML)	A&G link (Redcar and Cleveland Borough Council)	
Gary MacDonald (GM)	TVCA	
Peter Judge	STDC and TVCA	
Natalie Robinson (NR)	STDC	
Victoria Smith (VS)	TVCA	
John McNicholas (JM)	STDC	
Ruth Callaghan (RC) (Secretariat)	TVCA	
Cameron Waddell (CW)	Mazars	
Michael Gibson (MG)	RSM	
Cath Andrew (CA)	Mazars	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	<b>Welcome and introductions</b>	The Chair welcomed everyone to the Meeting. AA was welcomed to his first meeting. It was noted that Adrian Jones was leaving the Committee due to leaving his role at Sir Robert McAlpine and the Committee are recommending that AA as replacement to STDC Board.	AA to be formally approved as a Committee Member by STDC Board	<b>GM</b>
2.	<b>Apologies for Absence</b>	Apologies as above.		
3.	<b>Declarations of Conflict of Interest</b>	There were no declarations of interest.  It was noted that, after the ratification of his membership, AA would need to complete the necessary Declaration of Interest.	<b>AA to complete declaration of interest. Then share with VS for audit purposes.</b>	<b>Governance team</b>
4.	<b>Minutes of previous meeting</b>	The record of the meeting held on 25 <sup>th</sup> November were an informal note as the meeting was not quorate. The record was agreed.  The following matters arising were noted: <ul style="list-style-type: none"> <li>• Risk summary still to be done for the next meeting.</li> <li>• MG had provided some further information on the scrap audit value. The sample had been around 25% of transactions reviewed.</li> <li>• A further paper setting out the testing of controls for scrap transactions had been shared with NR. This would be circulated to committee members.</li> </ul>	<b>NR to circulate that paper</b>	

		<ul style="list-style-type: none"> <li>• Internal audit action tracker would be covered under the internal audit item.</li> <li>• The final audit plan would need to be approved by Committee before May.</li> <li>• The Audit Manager at has prepared an update progress report. Not quite worded properly on the minute.</li> </ul>	<p><b>Audit plan to be shared and approved outside of the meeting once approved by Senior Audit</b></p>	<p>NR</p> <p>NR/VS</p>
5.	<p><b>Review of STDC ARC Terms of Reference</b></p>	<p>GM outlined that there had been dialogue with the Chair and other members around review of the Committee scope and activities, a particularly as it related to its role on Risk.</p> <p>STDC Board are making risk-based decisions which require a risk management framework to be in place and to be adequate. The role of the Committee is to seek assurance that the risk management framework is in place and is operating effectively.</p> <p>There had also been discussions with senior management about what they need from the Committee in terms of assurance.</p> <p>The amended Terms of Reference propose some amendments to the purpose and the name of the Committee.</p> <p>It was noted that pace of delivery meant that more risk-based decisions are being made by DC Board. The Committee does not assess individual risks on decisions rather its role is to ensure that framework is in place to ensure that risk can be monitored and managed effectively.</p> <p>JB observed that there might be some public criticism that risk is dropped from the title of the committee. It would need to be clear that there is an adequate mechanism in place for STDC Board to make its decisions and again assurance.</p>	<p><b>Undertake gap analysis of government audit handbook and redrafted Terms of Reference.</b></p>	<p>NR/GM</p>

		<p>It was noted that the draft contains some terminology that implies that the Committee does undertake risk assessments in decision-making and therefore this will need further review.</p> <p>It was agreed that a gap analysis between STDC ARC revised ToR and government audit handbook is undertaken</p> <p>Agreed that needed further refinement and discussion before approved. This work will be undertaken by Management and the Committee agreed for CW and JB to be briefed on this work along with further discussion regarding updates to the proposals. Following this meeting a revised proposed ToR will be circulated to the Committee Members for consideration and endorsement to put forward to STDC Board.</p>	<p><b>Bring forward the draft ToR for a further discussion and approval.</b></p>	<p><b>Governance</b></p>
6.	<b>Executive Update</b>	<p>GM presented the issues set out in the paper highlighting the Freeport Full Business Case (FBC) Primary Customs Zone in place and the first deal for the UK Infrastructure Bank (UKIB).</p> <p>It was noted that there appeared to be impact on supply of materials due to the war in Ukraine and this would be monitored in respect of the construction activities across the site. Risk management plans were in place to ensure programmes could identify and assess risks as required.</p> <p>The South Bank Quay project was on track to be ready for 2023.</p> <p>STSC in consultation with staff with consultation ending on Sunday 20<sup>th</sup> March. Some modifications to consultation following engagement with unions. A full range of support and training and business start-up being offered to staff. Management have engaged with staff and their representatives throughout the process and consultation period.</p> <p>JM had provided updates on key programme areas within the report.</p>		

		<p>The Committee discussed the changes that had been made to the structure of STDC. It was noted that as the remediation winds down the focus would shift from a keep safe approach as site remediator to operating as an estate manager for the site. This would require the STSC to review its governance arrangements.</p>		
7.	<p><b>Internal audit progress report – RSM</b></p>	<p>MG outlined the three papers.</p> <p>In terms of the progress paper – things had moved on since last report.</p> <p>The Chair asked for the graph in the report to be updated to show progress against where we had expected to be at the same point. There were no concerns about delivering the audit plan.</p> <p>Within the follow-up report they had looked at whether actions been completed and the evidence to support this. Auditors identified 9 actions. Reasonable progress had been made. There was satisfactory evidence for 8 out of 9. The action not progressed was a high-risk action which pulled down the overall score.</p> <p>The one high priority action related to financial regulations that these had been reported to Board and were now compliant. It was noted that there was substantial work undertaken to move to a single finance system having brought together the different parts of the group.</p> <p>Management will circulate evidence of completion so that action can be closed by first week in April</p> <p>The Group structure report looked at structure of the group to review the relationship between group elements. The Auditors had found substantial assurance.</p> <p>Assurance frameworks were put in place when first application for government funding was made and quarterly reporting to BEIS.</p>	<p><b>MG to update the Progress report going forward to compare progress to plan.</b></p> <p><b>NR - Disseminate evidence that outstanding action had been completed.</b></p>	

		<p>There has been a lot of change as programmes deliver. The current systems need to be agile enough to capture any changes to programmes as time moves on.</p> <p>Scoping meetings were discussed by the Committee – CW to be engaged to ensure the Audit on the effectiveness of the Committee answers the questions of the Committee.</p>	<p><b>CW to be included in scoping meetings for future relevant audits.</b></p>	
8.	<p><b>Internal Audit Actions Update – RSM</b></p>	<p>Paper as read. GM noted positive progress. Health and Safety – teams of people focused on these areas on a daily basis. Nothing critical causing issues for senior management however management remain vigilant in terms of regular reporting and escalation processes are in place as required.</p> <p>Tracking group risk at the proper level. Audit action tracking processes in place. Capture evidence that actions has been completed.</p> <p>GM updated the committee on the decontamination project.</p> <p>CW noted that one action remaining on several previous audits – he asked for a grid to show how many were outstanding per audit and when they should have been met.</p>	<p><b>Develop a grid to show how many actions were still outstanding in each area and how far behind they were.</b></p>	
9.	<p><b>External audit progress report</b></p>	<p>CW presented the external audit completion report. It was noted that Tait Walker were undertaking the subsidiary audits.</p> <p>It was noted that two adjustments had needed to be made to the draft accounts. VS explained the changes made to the finance team and new controls put in place to ensure these errors do not re-occur.</p> <p>It was noted that the committee need assurance from management that these controls have been put in place to allow them to sign off the final audited accounts.</p>	<p><b>Paper on final accounts to include the points of reassurance raised here.</b></p>	

		<p>GM explained that the controls and changes would be explained in the report that comes to the Committee when final accounts are presented.</p> <p>CW explained that this information should cover:</p> <ul style="list-style-type: none"> <li>• What's changed within the accounts and why;</li> <li>• What's in place to be content that current issues have been addressed; and</li> <li>• Next year process – how can the committee have a better level of reassurance next year that the issues have been fully addressed.</li> </ul> <p>GM noted that they had submitted to PSAA to procure for auditors for 23/24 FY onwards. The PSAA will allocate Auditors to Clients by December 2022 in line with statutory requirements.</p>	<p><b>Committee to meet again before next scheduled meeting to discuss and sign-off the final accounts.</b></p>	
	<b>Exclusion of the Press and Public</b>	<p>It was noted that there were no members of the press and public present.</p> <p>For completeness, the Chair proposed, and Committee agreed to pass a resolution to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972, in order to allow Board to consider matters of a commercially confidential nature.</p>		
<b>CONFIDENTIAL ITEMS</b>				
10	<b>Risk Management Update</b>	The Committee were provided an update on Risk Management.		
11.	<b>Risk Register</b>	As above.		
12.	<b>Deep Dive – Freeport</b>	NG updated the committee on progress with the Freeport.		
13.	<b>Forward plan</b>	<p>Terms of reference</p> <p>Forward plan update on materials for circulation between meetings.</p>		

14.	<b>Date and Time of Next Meeting</b>	16 <sup>th</sup> June 2022 7 <sup>th</sup> September 2022 23 <sup>rd</sup> November 2022		
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