

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

**Thursday 9<sup>th</sup> February 2023 at 1pm**

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

**PRESENT**

**Members**

Councillor Matt Storey (Middlesbrough Borough Council)  
Councillor Anne Watts (Redcar and Cleveland Borough Council)  
Councillor Barry Woodhouse (Stockton Borough Council)  
Angus Kidd (Independent Member)  
Jonny Munby (Independent Member)  
Andrew Evans (Independent Member)  
Lee Webb (Independent Member)  
Iain Robson (Independent Member)

**Apologies for Absence**

Councillor Scott Durham (Darlington Borough Council)  
Councillor Kevin Tiplady (Hartlepool Borough Council)  
Cameron Waddell (Mazars – External Auditors)

**IN ATTENDANCE**

**Officers**

Gary Macdonald (Group Director of Finance & Resources, TVCA)  
Victoria Smith (Group Financial Controller, TVCA)  
Natalie Robinson (Group Risk Manager, TVCA)  
Emma Simson (Interim Chief Legal Officer/Monitoring Officer)  
Nicola Dean (Governance & Scrutiny Officer, TVCA)

**Also in Attendance**

Cath Andrew (Mazars - External Auditors) via Teams  
Chris Potter (Azets – Subsidiary Auditors) via Teams  
Michael Gibson (RSM – Internal Auditors)

**AGC  
21/22**

**WELCOME, INTRODUCTIONS & APOLOGIES FOR ABSENCE**

New members were welcomed to the Committee and a round table of introductions were made.

Apologies for absence were submitted as detailed above.

**AGC  
22/22**

**DECLARATIONS OF INTEREST**

	<p>Iain Robson, (IR), Independent Member, declared that his company was tendering for work at the Airport and have undertaken work in the past, declaring an interest in relation to that area.</p> <p>No other declarations were made.</p>
<p><b>AGC 23/22</b></p>	<p><b>MINUTES OF PREVIOUS MEETINGS AND ACTION TRACKER</b></p> <p>The minutes of previous meetings held on 2<sup>nd</sup> and 24<sup>th</sup> August 2022 were agreed a true record.</p> <p>The Action Tracker was reviewed, and Members were advised on the completed actions and the open actions were noted to be in progress.</p> <p><b>RESOLVED that: Members agreed the previous Meeting Minutes and noted the progress of the Action Tracker.</b></p>
<p><b>AGC 24/22</b></p>	<p><b>GROUP UPDATE</b></p> <p>Gary Macdonald (GM), Director of Finance &amp; 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"> <li>• Freeport</li> <li>• Teesside International Airport</li> <li>• Tees Valley Business</li> <li>• Education, Employment &amp; Skills</li> <li>• Clean Growth &amp; Innovation</li> </ul> <p>Members queried:</p> <ul style="list-style-type: none"> <li>• Of the 376 businesses supported and the forecasted future 11k jobs, how much tracking is done to see how many jobs are created? GM explained that when grants are issued there are Funding Agreements which have a requirement for grant returns each quarter and it requires updates from the businesses and evidence where the Monitoring Team track as there are lots of conditions that need to be monitored to ensure there is compliance with the grant. The teams report to Cabinet on a macro level quarterly on this.</li> <li>• Is Multiply measured? GM explained that as part of TVCA getting the money, returns have to be provided in terms of progress to DFE and to do that there is an onward measure through a similar process in terms of returns and information from the providers.</li> <li>• Is this self-governed or are metrics set out? GM informed the Committee there are certain metrics on skill levels dependent on the qualification as set out in Funding Agreements, but it is largely a self-governed sector with regulatory oversight and AEB provider has to provide returns to DFE monthly and they then consolidate these into annual returns. Our role is to ensure we comply with funding conditions where we receive the money.</li> <li>• Are the 30 schools across the Tees Valley or just concentrated in the area of the works? GM advised the Committee that the schools are across the Tees Valley and not just focused in the Local Authority area. The Committee were informed that this query would be taken away to get the figures and these would be reported back.</li> <li>• What is the ongoing cost of the Freeport going to be to TVCA to support and maintain it? What are the ongoing liabilities? GM explained that there are 2 areas</li> </ul>

	<p>to the Freeport - tax sites and custom zones. The ongoing cost is for ongoing management of STDC activities and the primary custom zone and this is required to be compliant with the highest accreditation standards. The rest of the costs were dependent on the secondary customs zone developments by private sector partners – this would be dependent on the business case for future business and tenants coming to those locations with any costs recoverable from their customers. Going forward, ongoing financial items included operational costs and for STDC business rates income. If a business needed bespoke needs to comply with Border Force standards it forms part of their business case, so this is a commercial consideration regarding the location.</p> <ul style="list-style-type: none"> <li>• Are all Home Upgrade Grants ending in March 23 or will something follow? GM confirmed this is inked to central Government processes, so a Budget is first required to determine that. The Committee were assured that as opportunities arise, they are considered and bidding is pro-actively pursued.</li> </ul> <p><b>RESOLVED that: Members noted the Report.</b></p>
<p><b>AGC 25/22</b></p>	<p><b>SUBSIDIARY AUDIT REPORT 2021/22 (SOUTH TEES DEVELOPMENT LIMITED)</b></p> <p>Victoria Smith, (VS), Group Financial Controller advised the Committee the subsidiary audit was presented at the Committee’s request and the signed Goosepool and TIA Audit reports were shared with them. The Committee were updated that the STDL Accounts were ready for Mazars to sign with Azets when in a position to do so.</p> <p>Chris Potter, (CP), Partner at Azets, took Members through the STDL Audits Highlight Memorandum noting from an STDL perspective control points and amendments to figures showed great improvements. The debtor provision was noted to be reasonable and no issues on the underlying figures. Members were assured that there was just the reconciliation of land value with Mazars to finalise and subject to that, their work would be completed.</p> <p>GM commented that last year there was a desire to bring about improvements and it is a complicated group with testament to VS and the team and the relationship with Auditors working well to deliver improvements reflecting in the improvements to processes and limited recommendations received from Auditors this year.</p> <p><b>RESOLVED that: Members noted the position of the STDL Subsidiary Audit.</b></p>
<p><b>AGC 26/22</b></p>	<p><b>INTERNAL AUDIT ACTIONS UPDATE</b></p> <p>Natalie Robinson, (NR), Group Risk Manager, updated the Committee on the position of the current Internal Audit action plan progress as of January 2023.</p> <p>The Committee were advised that there is a lot in progress and reassurance was received that actions are being tracked and progressed. It was explained there was no overdue high priority actions identified. The Committee was informed on updates on outstanding actions including BCP and how that is helping shape continuity across the group.</p> <p><b>RESOLVED that: Members considered the analysis and audit progress set out in the paper and acknowledged the annual audit schedule.</b></p>
<p><b>AGC 27/22</b></p>	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p>

	<p>Mike Gibson, (MG), Manager at RSM, provided an update on the progress of work on the Internal Audit and outlined the following Internal Audits completed against the delivery plan:</p> <ul style="list-style-type: none"> <li>• Business Continuity Planning</li> <li>• Transport Programme</li> <li>• Procurement to Pay Process</li> <li>• Freeport Programme</li> </ul> <p><b>RESOLVED that: Members noted the Progress Report.</b></p>
<p><b>AGC 28/22</b></p>	<p><b>INTERNAL AUDIT REPORTS</b></p> <p>MG, summarised each Internal Audit area, noting the respective conclusions as follows:</p> <p><b>Business Continuity Planning</b> – This review was explained to be advisory and didn't result in the provision of any formal level of assurance. Six medium and five low priority management actions were agreed.</p> <p><b>Transport Programme</b> – One low priority management action was raised and “substantial assurance” was received in this area.</p> <p><b>Procurement to Pay Process</b> - One medium and two low priority management actions were raised with “reasonable assurance” given in this area.</p> <p><b>Freeport Programme</b> – “Substantial assurance” was given in this area with no management actions raised.</p> <p>It was confirmed that the Risk Management and the HR Management Audits would be presented at the next Committee.</p> <p>The current Audit Plan for this year was discussed and MG explained it was on track with one review to complete for this year. GM advised Reports are being received in the required timelines and items for following year will be staggered so activity is spread across each quarter to assist with effective management of resources.</p> <p>It was queried whether it would have been better to do the Audit that got moved and GM advised that when putting audit &amp; assurance elements forward management wanted to have the opportunity to implement something before reviewing, rather than looking at the implementation phase as it wouldn't be a true reflection of assurance as processes were not completed to review.</p> <p><b>RESOLVED that: Members noted the Internal Audit Reports and conclusions.</b></p>
<p><b>AGC 29/22</b></p>	<p><b>ANNUAL FINANCIAL ACCOUNTS 2021/22 FOR TIA, GOOSEPOOL AND STDL</b></p> <p>VS informed the Committee that TIA and Goosepool Financial Accounts were published on Companies House, whilst South Tees Development Limited (STDL) was still in draft form.</p> <p>CP gave the Committee assurance that the audit was easier, internal control recommendations were few, with fewer amendments. Accounts were confirmed to be signed for TIA and Goosepool and a significant improvement on last year.</p> <p>Members expressed an interest in when the Airport is expected to break even. GM informed the Committee that the Airport had a 10-year Business Plan and in that, there was a recognition there was a profile of losses to reduce over time for the Airport to be able to sustain itself in the longer term. Part of the strategy to achieve this was explained to</p>

	<p>be by diversifying income - freight/property/low-cost carriers and increased passenger numbers and the direction of travel was confirmed to be positive as the milestones in 10-year plan were being hit, giving assurance. It was confirmed that breaking even is still expected to be in line with the original plans of the Business Plan in 2024/25 and as of 1<sup>st</sup> April the Airport will be going into year 4 of the Plan and that ultimately tracking not just yearly performance but also the run rate.</p> <p>Members queried the implications if the Business Plan wasn't met and were keen to understand how it would be funded. GM advised that at July Cabinet funding was approved for TIA and as part of that process there was stress testing on the assumptions (from a risk and assurance perspective). It was explained that if there eventually came a point where the Airport continued to operate at a loss, viability would need to be looked at but that is why there is a Business Plan. From a risk and assurance perspective the Committee were assured there was no material issues envisaged at this time and milestones are being achieved, giving assurance that the Airport is where it is supposed to be at this stage of the plan, and then there is a review of the tracking of that.</p> <p>In answer to whether the position is unique in terms of ownership of the Airport it was explained that it wasn't and there were other LAs are in the same position, with other airports given as examples.</p> <p><b>RESOLVED that: the Annual Financial Accounts were noted.</b></p>
<p><b>AGC 30/22</b></p>	<p><b>EXTERNAL AUDIT ANNUAL REPORT</b></p> <p>Cath Andrew, (CA), Senior Manager at Mazars, informed the Committee that this is a historic report and a summary of 2020/21 Accounts. It was confirmed that Mazars gave the opinion on 27 September 2022 and it now includes the VFM commentary with no significant weaknesses identified.</p> <p><b>RESOLVED that: Members noted the External Audit Report.</b></p>
<p><b>AGC 31/22</b></p>	<p><b>EXTERNAL AUDIT ANNUAL PLAN 21/22 (AUDIT STRATEGY MEMORANDUM)</b></p> <p>CA advised the Audit Strategy Memorandum was presented to the Committee last year and sets out work for the year. It was noted that on page 19 of the document Risk 5 refers to 2021/22 and it should be 2020/21. This was explained to be imminently amended and re-published.</p> <p><b>RESOLVED that: Members agreed the Annual Plan.</b></p>
<p><b>AGC 32/22</b></p>	<p><b>EXTERNAL AUDIT PROGRESS UPDATE</b></p> <p>CA gave a verbal update on the position of the 21/22 Audit explaining the single entity audit for TVCA Accounts is nearing completion and that a completion report would come to the next Committee. For subsidiaries it was explained there were two areas outstanding on land valuations for STDL to know what should be in subsidiary and the parent respectively. Goosepool was noted to be complete. The other area where assurance hadn't been received was from Teesside Pension Fund, though it was hopeful to be by end of February.</p> <p>There was interest in why it might be materially different to the previous year in terms of the pension fund. CA explained it's not anticipated to be anything specific in terms of</p>

	<p>technical issues but noted there have been issues in LA Audits and all are subject to the same delays.</p> <p>Members queried what the losses were that were made by STDL and whether they were being funded out of the group. GM explained the loss was there because the costs that get attributed to entities is based on land ownership shares across STDC/STDL respectively. It was explained that the funding is contained at group level at STDC so STDC give assurances STDL can fund those costs that get incurred by STDL for its land interests. STDC ensures the funding goes through to the right areas. The STDC Board makes sure it reviews all the financial detail at a group level and don't differentiate between entities.</p> <p><b>RESOLVED that: Members noted the External Audit Progress Update.</b></p>
AGC 33/22	<p><b>FORWARD PLAN</b></p> <p>NR presented the Forward Plan to the Committee and explained how it aligned with the Terms of Reference and that there are opportunities to review policies if required and incorporated into the Plan and spread out across the 12months.</p> <p>The Committee were informed that potential dates for Induction would be reviewed and that these consist of a half day – with background, expectations etc. and details on specifics. Although it was noted that with local elections coming up, as far as Councillors were concerned, it may be better to time the Inductions after any new appointments</p> <p><b>RESOLVED that: Members noted and agreed the Forward Plan.</b></p>
AGC 34/22	<p><b>PSAA APPOINTMENT OF EXTERNAL AUDITORS UPDATE</b></p> <p>GM presented a Report on the options for the re-tender of the External Audit Contract that will cover the period 2023-24 (so some overlap on 22/23 initially with Mazars) and 2027-28 financial statements.</p> <p>Explained did some soft market testing but decided to go through the PSAA and process complete now. The Committee were notified that Ernst and Young had been allocated as the new External Auditor for the next cycle (5 years).</p> <p>It was noted that there had been more updates to the FRC quality report and CA advised she would share these with the Committee.</p> <p><b>RESOLVED that: i. The Committee considered the report and the options presented in respect of future External Audit services;</b>  <b>ii. Note that the preferred Option 1 for progression of future External Audit Services has been agreed by Senior Management and notified to PSAA;</b>  <b>iii. Note the progress made by PSAA in relation to their procurement process and next steps for the remainder of the process.</b></p>
AGC 35/22	<p><b><i>A Resolution was proposed and 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.</i></b></p>
AGC 36/22	<p><b>SUBSIDIARY AUDIT REPORTS 2021/22 (Goosepool and TIA)</b></p> <p><b>RESOLVED that: Members noted the Subsidiary Audit Reports.</b></p>

<p><b>AGC 37/22</b></p>	<p><b>RISK MANAGEMENT REPORT</b></p> <p>NR presented the report on Tees Valley Combined Authority Risk as of January 2023.</p> <p><b>RESOLVED that: Members noted the Risk Management Report.</b></p>
<p><b>AGC 38/22</b></p>	<p><b>COMMITTEE EFFECTIVENESS &amp; SKILLS AUDIT RESULTS &amp; ANALYSIS</b></p> <p>Emma Simson, (ES), Acting Chief Legal Officer (Monitoring Officer), explained responses had been summarised in the Appendix along with a proposed Action Plan based on the feedback received.</p> <p><b>RESOLVED that: Members agreed the Action Plan proposed, subject to the discussed points being incorporated into the implementation of the Action Plan.</b></p> <p><b>RESOLVED that: Governance will review the format of future Agenda to look at how the key responsibilities of Members as per the Terms of reference are summarised at the beginning to reinforce Committee requirements.</b></p>
<p><b>AGC 39/22</b></p>	<p><b>INTERNAL AUDIT REPORT</b></p> <p>The Committee received the internal report in advance of the Meeting.</p> <p><b>RESOLVED that: Members noted the internal Audit Report.</b></p>
<p><b>AGC 40/22</b></p>	<p><b>DATE &amp; TIME OF NEXT MEETING</b></p> <p>The next meeting would be an Extraordinary Meeting to be arranged as soon as possible and was expected to be March time.</p> <p>Civic Year Meeting dates TBC and dates to be sent to the Committee as soon as agreed.</p>