

Date: Friday 18th March 2022 at 9.30 – 11.30am

Venue: Steel Gate House, Teesside Management Offices, Redcar, TS10 5QW

Membership:

Chris White – (Chair - Independent member)
John Baker – (Independent Member)
Adrian Jones – (Independent Member)
Mike Lockwood – (Audit and Governance Committee representative)

In attendance:

Gary Macdonald – Group Director of Finance and Resources
Natalie Robinson – Group Risk Manager
Julie Gilhespie – Chief Executive
Peter Judge – Monitoring Officer
Ruth Callaghan - Clerk

Agenda

1. Welcome and introduction
2. Apologies
3. Declarations of Interest
4. Minutes of the last meeting
5. Review of STDC ARC Terms of Reference
6. Chief Executive's Update
7. Internal audit progress report – RSM
8. Internal Audit Actions Update – RSM
9. External audit progress report – Mazars (*to follow*)
10. Risk Management Update
11. Risk Register
This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

12. Deep Dive – Freeport

This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

13. Forward plan

14. Date and Time of Next Meetings:

16th June 2022

7th September 2022

23rd November 2022

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: Ruth Callaghan, Acting Governance and Business Support Manager, ruth.callaghan@teesvalley-ca.gov.uk.

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & RISK COMMITTEE

Date: Thursday 25th November 2021

Time: 10.30am

Venue: Teesworks Steel Gate House

Attendees:		Apologies:
Chris White (Chair - CW)	Darlington Building Society	John McNicholas (JM) - STDC
John Baker (JB)	Independent Member	Julie Gilhespie - TVCA
Adrian Jones (AJ)	Independent Member	
Michael Lockwood (ML)	A&G link (Redcar and Cleveland Borough Council)	
Gary MacDonald (GM)	TVCA	
Natalie Robinson	Teesworks	
Ruth Callaghan (RC) (Secretariat)	TVCA	
Michael Gibson (MG)	RSM	
Cath Andrew (CA)	Mazars	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome and introductions	<p>The Chair welcomed everyone to the Meeting. AJ was welcomed to his first meeting and ML introduced as the new TVCA Audit and Governance Committee representative.</p> <p>It was noted that the Declarations of Interest forms had been sent to AJ and ML and agreed that they would complete and return to the governance team asap.</p>	Complete and return DoI Forms to RC	AJ, ML
2.	Apologies for Absence	Apologies as above.		
3.	Declarations of Conflict of Interest	There were no declarations of interest.		
4.	Minutes of previous meeting	The minutes of the meeting held on 28 th July were an informal note as the meeting was not quorate. The minutes were agreed.		
5.	Chief Executive's update	<p>Noted that TVCA was the first to access borrowing from the UK Investment Bank. This option had been chosen as the rates were lower and terms more flexible than the Public Loans Board to meet STDC needs. It allows for a delay on repayment over the first two years when the money will be spent on remediation of the site and there will be no income until the Quay is operational.</p> <p>GM noted that TVCA was working through the legal aspects of the transaction with GE contract which will go into the new calendar year.</p>		

		<p>GE have a need for high levels of assurance regarding the preparation of the site. A number of measures such as environmental certification, indemnities and removal of COMAH status were being considered within the contracts. Other requested measures include a soil vapour barrier.</p> <p>The Teesside Freeport was now live. The Primary Customs Zones had been approved following extensive efforts from the STDC team and partners. The governance structure was set-up and operational.</p> <p>The complexities of tax and business rates relief within the Freeport were discussed. It was agreed that it would be helpful to have a presentation on the Freeport at a future meeting.</p> <p>GM explained that there were currently 300 live commercial enquiries and different ends of the development spectrum. The HMRC rules were discussed which are designed to ensure added value and growth rather than displacement of existing businesses in the area. Any businesses moving onto these need to be a new investment or growth of existing businesses.</p> <p>GM explained that there was bilateral connection agreement now in place with National Grid. This now allows TVCA to progress connection agreements for prospective tenants.</p> <p>CW noted that in previous Chief Exec's reports there had been a summary at the back to indicate what impact each new piece of progress/delay had had on the risk profile. It was agreed that this would be reinstated.</p> <p>The current long-lead times for materials and hyper-inflation of building materials was discussed. NR indicated that these were being factored into the risk analysis and the probability and impact would be more clearly reported in future risk documentation.</p>	<p>Nolan Gray, Freeport Director to be asked to present to ARC on the Freeport</p> <p>GM/NR to add risk summary to the back of the Chief Exec's paper at future meetings</p>	<p>RC</p> <p>GM/NR</p>
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		The relationship between investment in new business coming on site and the skills and training needs in the local workforce were discussed. GM noted that there was a close relationship within TVCA between the inward investment and skills teams.		
5.	Internal Audit update	<p>MG presented the scrap internal audit report. The overall aim was to establish whether value for money was being obtained through the sale of scrap from demolished assets on the site and that appropriate processes were in place for the management and security of scrap. The exercise had concluded that there were substantial assurances around the process to recover, manage and sell scrap. They examined the whole process 'cradle to grave'.</p> <p>Members asked what proportion of the transactions were sampled. MG agreed to provide the percentage figure in terms of tonnage and monetary value.</p> <p>Members asked what reassurances were in place regarding the incidents where transaction numbers had not been issued sequentially. It was agreed that further information would be provided to demonstrate the robustness of the accounting of the sale transactions for scrap. It was agreed that this could be circulated ahead of the next meeting.</p> <p>Members asked RSM to provide the action tracking paper at future meetings and to add audit plan update to the agenda in March</p>	<p>Report back on % sample for scrap audit</p> <p>Provide further details on the measures in place to assure the process for scrap sales.</p> <p>Action tracker to be circulated a future meetings.</p> <p>Audit Plan update to be covered at March meeting</p>	<p>MG</p> <p>NR</p> <p>MG</p> <p>MG</p>
6.	External audit update	CA provided an update on the external audit process. It was noted that there had been delays which were being experienced generally across the audit sector.		

		Members asked for the Audit Strategy Memorandum to be updated and circulated to the group.	Audit Strategy Memorandum to be updated and circulated to the group.	CA
10.	Date and Time of Next Meeting	Date of next Meeting – 9 March 2022.		

REPORT TO THE AUDIT AND RISK COMMITTEE

18TH MARCH 2022

**REPORT OF THE GROUP DIRECTOR OF
FINANCE AND RESOURCES**

REVIEW OF THE COMMITTEE TERMS OF REFERENCE

SUMMARY

This report sets out a number of proposed amendments to the Committee's Terms of Reference. This includes a proposed name change for the committee as well as an amendment to the description of the Committee's primary purpose. A tracked changes version of the proposed changes is attached at Annex 1 and the original Terms of Reference are attached at Annex 2.

RECOMMENDATIONS

It is recommended that the STDC Audit and Risk Committee:

1. Considers the proposed changes to the Terms of Reference.
2. Provides any further comments or recommended changes.
3. Propose an amended Terms of Reference which can be put to and approved by the STDC Board.

DETAIL

4. It is proposed that the Committee name is changed to STDC Audit and Governance Committee.
5. It is proposed that the primary purpose of the Committee is to:
"assist the STDC Group Board in fulfilling its oversight responsibilities in matters concerning risk by providing independent assurance of the adequacy of the governance arrangements and the internal control environment".

FINANCIAL IMPLICATIONS

6. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

7. There are no direct legal implications arising from this report.

CONSULTATION & COMMUNICATION

8. These proposed amendments will need to be approved by the STDC Board and necessary amendments made to the STDC constitution.

EQUALITY & DIVERSITY

9. No impacts.

Name of Contact Officer: Gary Macdonald

Post Title: Group Director of Finance and Resources

Email: gary.macdonald@teesvalley-ca.gov.uk

Telephone Number: 01642 527707

DATED: ~~611~~TH ~~JAN~~FEBRUARY

202~~2~~¹

SOUTH TEES DEVELOPMENT CORPORATION

GROUP AUDIT-& GOVERNANCE~~&~~
~~RISK~~ COMMITTEE TERMS OF
REFERENCE

Version Control			
Issue No	Version	Date	Approved for Issue
01	Draft	14-02-18	21-02-18
02	Updated draft	15-02-19	24-07-19
03	Updated draft	26-08-20	30-09-20
04	Updated draft	06-01-21	27-01-21
<u>05</u>	<u>Updated draft</u>	<u>11-02-22</u>	

SOUTH TEES DEVELOPMENT CORPORATION

(STDC) ("Organisation")

GROUP AUDIT-~~&~~ GOVERNANCE~~& RISK~~ COMMITTEE TERMS OF REFERENCE

1. INTRODUCTION

1.1 The primary purpose of the ~~STDC Group Audit & Governance & R~~ Committee (~~"the Committee"~~) is to assist the STDC Group Board in fulfilling its oversight responsibilities in matters concerning ~~risk risk by providing independent assurance of the adequacy of the governance arrangements and the internal control environment.~~ The Committee ~~does not just provide oversight over the Organisation's financial affairs; it also~~ considers matters of governance and ~~probity. It probity and~~ is a key component of STDC's corporate governance arrangements ~~providing independent assurance of the adequacy of the risk management framework and the internal control environment.~~ It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

1.2 In performing its duties, the ~~Group A&R~~ Committee will maintain effective working relationships with the Board, the Organisation's management, ~~the Official Receiver~~ and various professionals (including external and internal auditors, legal, financial and risk professionals).

1.3 To perform his or her role effectively, each member of the ~~Group A&R~~ Committee must be familiar with these terms of reference as well as the Organisation's business operations and risks.

2. MEMBERSHIP

2.1 The ~~Group A&R~~ Committee shall, as a minimum, comprise at least five members, which shall include:

2.1.1 the Independent Chair;

2.1.2 any 3 other nominated members; and

2.1.3 a representative of the TVCA Audit & Governance Committee.

2.2 ~~Additional members of the Group A&R Committee shall be appointed by the Board. The decision of the Board to appoint a new member must include a vote in favour of such appointment by the Board.~~

2.3 ~~Only members of the Group A&R Committee have the right to attend Group A&R Committee meetings. However, other individuals (such as the chairperson of the Board, other Directors, heads of risk and compliance) may be invited to attend all or part of any meeting, as and when appropriate and necessary.~~

- 2.4 Subject always to the requirements set out in paragraph 2.1, initial appointments to the ~~Group A&R~~ Committee are made by the Board and shall be for such period as the Board shall determine.
- 2.5 The Board shall appoint a deputy chairperson from the nominated members who will chair the meetings in the absence of the Chairperson.
- 2.6 ~~The Group A&R~~ Committee may require the attendance of external professionals, (including, without limitation, Auditors, risk professionals, legal and financial advisors and surveyors) and/or any employee of the STDC at any of its meetings (upon prior written notice) and may require the disclosure of any information relating to the STDC to such professionals. Where reasonable, the ~~Group A&R~~ Committee may obtain legal or other professional advice at the cost of the STDC on terms of any matter within these terms of reference.
3. SECRETARY
- 3.1 The secretary shall be appointed from the Governance Team of TVCA
4. QUORUM
- 4.1 The quorum necessary for the transaction of business shall be not less than three members, one of whom must be the Chair or deputy. A duly convened meeting of the ~~Group A&R~~ Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the ~~Group A&R~~ Committee.
5. FREQUENCY OF MEETINGS
- 5.1 The ~~Group A&R~~ Committee shall meet quarterly.
6. NOTICE OF MEETINGS
- 6.1 Meetings of the ~~Group A&R~~ Committee shall be called:
- 6.1.1 by any member of the ~~Group A&R~~ Committee;
- 6.1.2 at the request of external professionals if they consider necessary; or
- 6.1.3 by any member of the Board.
- 6.2 Unless otherwise agreed, notice of each meeting (confirming the venue, time and date, together with an agenda of items to be discussed) shall be forwarded to each member of the ~~Group A&R~~ Committee, any other person required to attend and all other relevant Directors no later than five working days before the date of the meeting. Supporting papers shall be sent to ~~Group A&R~~ Committee members and to other attendees, as appropriate, at the same time.

7. MINUTES OF MEETINGS

- 7.1 -The ~~secretary~~Governance and Administration function of the Group ~~A&R Committee~~ shall minute the proceedings and decisions of all ~~Group A&R~~ Committee meetings, including recording the names of those present and in attendance.
- 7.2 -The ~~secretary~~Governance and Administration function of the Group ~~A&R Committee~~ shall ascertain, at the beginning of each ~~Group A&R~~ Committee meeting, the existence of any conflicts of interest and minute them accordingly.

- 7.3 Draft minutes of ~~Group A&R~~ Committee meetings shall be approved by the Chairperson (or Deputy if the Chairperson was absent). Once approved, minutes should be circulated to all other members of the ~~Group A&R~~ Committee, unless a conflict of interest exists, or it would otherwise be inappropriate to do so.

8. DUTIES

- 8.1 The ~~Group A&R~~ Committee shall carry out the duties below for STDC. Such duties may be varied by the Board from time to time:

~~8.1.1 —To review and scrutinise STDC executive plans.~~

8.1.12 —To review the STDC's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

8.1.32 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the STDC's framework of governance, risk management and control.

8.1.43 To consider the External Auditors opinion of the STDC's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

8.1.54 To consider the STDC's framework of assurance and ensure that it adequately addresses the risks and priorities of the STDC.

8.1.65 To agree the risk management strategy and seek assurances on the ~~monitor the~~ effective development and operation of risk management in the STDC Group.

8.1.76 To ~~monitor progress in addressing~~ seek assurances regarding risk-related issues reported to the committee.

8.1.87 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

8.1.98 To review the assessment of fraud risks and potential harm to the Development Corporation from fraud and corruption.

8.1.910 To monitor the counter-fraud strategy, actions and resources.

8.1.10 To review the STDC Group Enterprise Risk Register to gain assurance ensure that residual risk is within the appetite for the STDC and for those areas that are not within appetite to gain assurance plans are in place to manage those risks.

8.1.121 ~~To recommend to the STDC Board anything it identifies as a significant risk under paragraph 28 of the STDC Constitution that in the view of the Committee gives rise to a Referral Decision.~~

Internal audit

- | 8.1.1~~3~~2 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

- 8.1.14 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 8.1.15 To approve sign interim changes to the risk based internal audit plan and resource requirements.
- 8.1.16 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 8.1.17 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 8.1.18 To consider the head of internal audit's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the STDC's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- 8.1.19 To consider summaries of specific internal audit reports as requested.
- 8.1.20 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Corporation or there are concerns about progress with the implementation of agreed actions.
- 8.1.21 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 8.1.22 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

- 8.1.23 To support the development of effective communication with the head of internal audit.

External audit

- 8.1.24 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 8.1.25 To consider specific reports as agreed with the external auditor.
- 8.1.26 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 8.1.27 To commission work from internal and external audit.
- 8.1.28 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 8.1.29 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the STDC.
- 8.1.30 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 8.1.31 To recommend approval of the annual accounts to the STDC Board.

Accountability arrangements

- 8.1.32 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 8.1.33 To report to STDC Board on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Standards

- 8.1.34 To promote and maintain high standards of conduct by STDC members and co-opted members.

- 8.1.35 To ensure the STDC members and co-opted members observe the Members' Code of Conduct.
- 8.1.36 To advise the STDC Board on the adoption or revision of the Members' Code of Conduct.
- 8.1.37 To monitor complaints received by STDC in respect of Member conduct.
- 8.1.38 To conduct hearings following investigation and determine complaints made against members and co-opted members.
- 8.1.39 Where a member or co-opted member is found to have failed to comply with the Code of Conduct to take such action as may be necessary to promote and maintain high standards of conduct, in accordance with the powers available to the Committee.

9. GENERAL DUTIES

- 9.1 In carrying out their specific duties set out above, each member of the ~~Group A&R~~ Committee should also consider their general duties as a representative of STDC, including:
 - 9.1.1 the duty to act in the way he or she considers, in good faith, would be most likely to promote the success of STDC for the benefit of its members, having regard to all relevant factors;
 - 9.1.2 the duty to exercise independent judgment;
 - 9.1.3 the duty to exercise reasonable care, diligence and skill;
 - 9.1.4 the duty to avoid conflicts of interest; and
 - 9.1.5 the duty to act in accordance with the STDC's constitution and only exercise his or her powers for the purposes for which they were conferred.

10. REPORTING RESPONSIBILITIES

- 10.1 The chairperson of the ~~Group A&R~~ Committee shall make available all Agenda papers, minutes and reports as required~~report formally to by~~ the Board ~~in respect of or~~ its proceedings ~~after each meeting on all matters within its duties and responsibilities.~~
- 10.2 The ~~Group A&R~~ Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The ~~Group A&R~~ Committee shall, as a minimum, produce a report of its activities and the STDC's risk management and strategy.
- 10.4 The Directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.

11. OTHER MATTERS

11.1 ~~The Group A&R~~ Committee shall have regard to the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook at all times when dealing with matters assigned to it.

11.2 The ~~Group A&R~~ Committee shall:

11.2.1 have access to sufficient resources in order to carry out its duties;

11.2.2 where any member of the ~~Group A&R~~ Committee requests the same, ensure that appropriate and timely training is provided to members relative to their role as a member of the ~~Group A&R~~ Committee. This may take the form of an induction programme for new members and ongoing training for all members;

11.2.3 give due consideration to laws and regulations, as appropriate;

11.2.4 oversee any investigation of activities which are within its terms of reference; and

11.2.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. AUTHORITY

12.1 The ~~Group A&R~~ Committee is authorised:

12.1.1 to seek any information it requires from any employee of STDC in order to perform its duties;

12.1.2 to obtain, at STDC's expense, outside legal or other professional advice on any matter within its terms of reference; and to call any employee to be questioned at a meeting of the ~~Group A&R~~ Committee as and when required.

DATED: 11TH FEBRUARY

2022

SOUTH TEES DEVELOPMENT CORPORATION

GROUP AUDIT& GOVERNANCE
COMMITTEE TERMS OF
REFERENCE

Version Control			
Issue No	Version	Date	Approved for Issue
01	Draft	14-02-18	21-02-18
02	Updated draft	15-02-19	24-07-19
03	Updated draft	26-08-20	30-09-20
04	Updated draft	06-01-21	27-01-21
05	Updated draft	11-02-22	

SOUTH TEES DEVELOPMENT CORPORATION

(STDC) ("Organisation")

GROUP AUDIT & GOVERNANCE COMMITTEE TERMS OF REFERENCE

1. INTRODUCTION

- 1.1 The primary purpose of the STDC Group Audit & Governance Committee ("the Committee") is to assist the STDC Group Board in fulfilling its oversight responsibilities in matters concerning risk by providing independent assurance of the adequacy of the governance arrangements and the internal control environment. The Committee considers matters of governance and probity and is a key component of STDC's corporate governance arrangements. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 1.2 In performing its duties, the Committee will maintain effective working relationships with the Board, the Organisation's management and various professionals (including external and internal auditors, legal, financial and risk professionals).
- 1.3 To perform his or her role effectively, each member of the Committee must be familiar with these terms of reference as well as the Organisation's business operations and risks.

2. MEMBERSHIP

- 2.1 The Committee shall, as a minimum, comprise at least five members, which shall include:
 - 2.1.1 the Independent Chair;
 - 2.1.2 any 3 other nominated members; and
 - 2.1.3 a representative of the TVCA Audit & Governance Committee.
- 2.2 Additional members of the Committee shall be appointed by the Board. The decision of the Board to appoint a new member must include a vote in favour of such appointment by the Board.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (such as the chairperson of the Board, other Directors, heads of risk and compliance) may be invited to attend all or part of any meeting, as and when appropriate and necessary.

- 2.4 Subject always to the requirements set out in paragraph 2.1, initial appointments to the Committee are made by the Board and shall be for such period as the Board shall determine.
- 2.5 The Board shall appoint a deputy chairperson from the nominated members who will chair the meetings in the absence of the Chairperson.
- 2.6 The Committee may require the attendance of external professionals, (including, without limitation, Auditors, risk professionals, legal and financial advisors and surveyors) and/or any employee of the STDC at any of its meetings (upon prior written notice) and may require the disclosure of any information relating to the STDC to such professionals. Where reasonable, the Committee may obtain legal or other professional advice at the cost of the STDC on terms of any matter within these terms of reference.
3. SECRETARY
 - 3.1 The secretary shall be appointed from the Governance Team of TVCA
4. QUORUM
 - 4.1 The quorum necessary for the transaction of business shall be not less than three members, one of whom must be the Chair or deputy. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
5. FREQUENCY OF MEETINGS
 - 5.1 The Committee shall meet quarterly.
6. NOTICE OF MEETINGS
 - 6.1 Meetings of the Committee shall be called:
 - 6.1.1 by any member of the Committee;
 - 6.1.2 at the request of external professionals if they consider necessary; or
 - 6.1.3 by any member of the Board.
 - 6.2 Unless otherwise agreed, notice of each meeting (confirming the venue, time and date, together with an agenda of items to be discussed) shall be forwarded to each member of the Committee, any other person required to attend and all other relevant Directors no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.
7. MINUTES OF MEETINGS
 - 7.1 The Governance and Administration function of the Group shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

- 7.2 The Governance and Administration function of the Group shall ascertain, at the beginning of each Committee meeting, the existence of any conflicts of interest and minute them accordingly. 7.3 Draft minutes of Committee meetings shall be approved by the Chairperson (or Deputy if the Chairperson was absent). Once approved, minutes should be circulated to all other members of the Committee, unless a conflict of interest exists, or it would otherwise be inappropriate to do so.

8. DUTIES

- 8.1 The Committee shall carry out the duties below for STDC. Such duties may be varied by the Board from time to time:

- 8.1.1 To review the STDC's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- 8.1.2 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the STDC's framework of governance, risk management and control.
- 8.1.3 To consider the External Auditors opinion of the STDC's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 8.1.4 To consider the STDC's framework of assurance and ensure that it adequately addresses the risks and priorities of the STDC.
- 8.1.5 To agree the risk management strategy and seek assurances on the effective development and operation of risk management in the STDC Group.
- 8.1.6 To seek assurances regarding risk-related issues reported to the committee.
- 8.1.7 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 8.1.8 To review the assessment of fraud risks and potential harm to the Development Corporation from fraud and corruption.
- 8.1.9 To monitor the counter-fraud strategy, actions and resources.
- 8.1.10 To review the STDC Group Enterprise Risk Register to gain assurance that residual risk is within the appetite for the STDC and for those areas that are not within appetite to gain assurance plans are in place to manage those risks.
- 8.1.11

Internal audit

- 8.1.12 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

- 8.1.14 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 8.1.15 To approve sign interim changes to the risk based internal audit plan and resource requirements.
- 8.1.16 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 8.1.17 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 8.1.18 To consider the head of internal audit's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the STDC's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- 8.1.19 To consider summaries of specific internal audit reports as requested.
- 8.1.20 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Corporation or there are concerns about progress with the implementation of agreed actions.
- 8.1.21 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 8.1.22 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

- 8.1.23 To support the development of effective communication with the head of internal audit.

External audit

- 8.1.24 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 8.1.25 To consider specific reports as agreed with the external auditor.
- 8.1.26 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 8.1.27 To commission work from internal and external audit.
- 8.1.28 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 8.1.29 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the STDC.
- 8.1.30 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 8.1.31 To recommend approval of the annual accounts to the STDC Board.

Accountability arrangements

- 8.1.32 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 8.1.33 To report to STDC Board on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Standards

- 8.1.34 To promote and maintain high standards of conduct by STDC members and co-opted members.

- 8.1.35 To ensure the STDC members and co-opted members observe the Members' Code of Conduct.
- 8.1.36 To advise the STDC Board on the adoption or revision of the Members' Code of Conduct.
- 8.1.37 To monitor complaints received by STDC in respect of Member conduct.
- 8.1.38 To conduct hearings following investigation and determine complaints made against members and co-opted members.
- 8.1.39 Where a member or co-opted member is found to have failed to comply with the Code of Conduct to take such action as may be necessary to promote and maintain high standards of conduct, in accordance with the powers available to the Committee.

9. GENERAL DUTIES

- 9.1 In carrying out their specific duties set out above, each member of the Committee should also consider their general duties as a representative of STDC, including:
 - 9.1.1 the duty to act in the way he or she considers, in good faith, would be most likely to promote the success of STDC for the benefit of its members, having regard to all relevant factors;
 - 9.1.2 the duty to exercise independent judgment;
 - 9.1.3 the duty to exercise reasonable care, diligence and skill;
 - 9.1.4 the duty to avoid conflicts of interest; and
 - 9.1.5 the duty to act in accordance with the STDC's constitution and only exercise his or her powers for the purposes for which they were conferred.

10. REPORTING RESPONSIBILITIES

- 10.1 The chairperson of the Committee shall make available all Agenda papers, minutes and reports as required by the Board in respect of its proceedings.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall, as a minimum, produce a report of its activities and the STDC's risk management and strategy.
- 10.4 The Directors' report in the annual report and accounts should set out risk management objectives and policies including in relation to financial instruments.

11. OTHER MATTERS

- 11.1 The Committee shall have regard to the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook at all times when dealing with matters assigned to it.
- 11.2 The Committee shall:
 - 11.2.1 have access to sufficient resources in order to carry out its duties;
 - 11.2.2 where any member of the Committee requests the same, ensure that appropriate and timely training is provided to members relative to their role as a member of the Committee. This may take the form of an induction programme for new members and ongoing training for all members;
 - 11.2.3 give due consideration to laws and regulations, as appropriate;
 - 11.2.4 oversee any investigation of activities which are within its terms of reference; and
 - 11.2.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 12. AUTHORITY
 - 12.1 The Committee is authorised:
 - 12.1.1 to seek any information it requires from any employee of STDC in order to perform its duties;
 - 12.1.2 to obtain, at STDC's expense, outside legal or other professional advice on any matter within its terms of reference; and to call any employee to be questioned at a meeting of the Committee as and when required.

AGENDA ITEM 6
REPORT TO THE STDC AUDIT
AND RISK COMMITTEE
FRIDAY 18TH MARCH 2022
REPORT OF THE EXECUTIVE

EXECUTIVE UPDATE REPORT

SUMMARY

The purpose of this paper is to provide an update to the Board on the key activity within South Tees Development Corporation (STDC) since the last meeting.

RECOMMENDATIONS

It is recommended that the Committee notes the content of this update report.

OVERVIEW

1. Since the last update the Freeport OBC has been approved and the FBC submitted. We are hoping for a final approval of the FBC within the next few weeks. As a large area of the proposed Freeport sits within the Teesworks Site Boundary, work is ongoing to reflect the impacts of freeports on the wider regeneration programme to ensure best advantage is taken of freeport incentives. In particular, tax zones, which offer a range of time limited tax incentives to eligible businesses.
2. STDC has continued to develop a business case for additional funding linked to development of the Tees Valley Offshore Wind Hub on the South Bank area of the site. This business case has secured a further £20m of funding to support site preparation works and ensure that the site is ready to accommodate offshore wind manufacturers at the earliest opportunity. A large part of the Offshore Wind hub also forms part of the Teesside Freeport and is expected to have tax zone status. The complementary development of South Bank Quay has also received approval from the UK Investment Bank (UKIB) for £107m funding in line with the Business Case taken to the Board on 29th July 2021. We are expecting this £20m to be approved by the end of March.

3. In February, as part of the plans for the proposed offshore wind hub, SeAH, a large Korean inward investor, announced plans to open and operate a plant for the production of offshore wind turbine monopiles on the Teesworks Site and Heads of terms have been agreed. The plant is currently in the detailed design phase and is expected to commence building in the summer.
4. Very promising conversations are underway with a number of other potential inward investors but nothing has yet reached the stage of being worth noting in this report.

DETAIL

FREEPORT

5. The Full Business Case (FBC) was submitted on 31st January following circulation and feedback from the Board and it is anticipated that HMG will revert with actions to be reviewed and concluded.
6. Since the launch of Teesside Freeport, there have been several hundred articles referencing the Freeport with an advertising value equivalent (AVE) of £13.45m. This is indicative of the amount of interest in the Freeport and will translate to improved awareness of the site.
7. Progress is being made in the development of the Centre for Frictionless Trade. Teesside Freeport, working in parallel with Deloitte, Plexal and TVCA have engaged with the Cabinet Office to move the project forward.
8. A plan for the operational use of the Primary Custom Zone is under review with Teesworks, and WSP have been engaged through HMG to review the remaining custom zone land and propose how access and egress could be managed in compliance with AEO(S) accreditation and smart technology.

UTILITIES

9. In December 2021 STDC placed a contract for the long lead items required to upgrade the Holmebeck Substation at South Bank in order to increase the 11kV capacity to service future customers at the South Bank part of the site. A separate agreement will be required for the remaining works, including installation and commissioning. The works is expected to complete in 2023.
10. A workstream has commenced with National Grid to formally assess the viability of the High Voltage Network to accommodate generation (TV ERF, battery energy storage and wind generation) and also to assess future site demand scenarios for Teesworks. This work is in anticipation of the large electricity demand being sought by some of the site's potential customers.

SOUTH TEES SITE COMPANY

11. Since the closure of the former SSI steelworks and the subsequent creation of the South Tees Development Corporation, the ultimate goal has been to make land at Teesworks ready for new investment. The purpose of the South Tees Site Company has been to ensure the keep-safe and security of the Teesworks site during this time. Demolition and remediation work has accelerated to help secure more investment on the site. This, however, has meant that the site requirements have also changed, including in respect of some roles and responsibilities overseen by Site Company staff.

12. We are consulting robustly and meaningfully on a collective and individual basis with staff and Union representatives and are doing everything we can to help affected employees secure future jobs. We are working alongside the Teesworks Skills Academy and regional providers to source and support fully funded training requests and opportunities, alongside other funding previously put aside.

PROGRAMME DEVELOPMENT

13. Dorman Point (150-acre site)
 - (a) we are close to agreeing a lease with the Councils' ERF facility on this site.
 - (b) In addition the Eston Road Highway Access scheme is close to completion.
 - (c) The Teesworks Academy building is similarly close to completion.
14. South Bank (c. 500-acre site)
 - (a) Construction of the main quay is well underway. All is currently being undertaken on the landside as we build the quay. Riverside work will commence soon once we obtain the River Works License. The work is currently running on time but there is contingency in the timescale anyway so it's not considered to be a significant risk.
 - (b) Site Preparation and Ground Remediation Works for the Offshore Wind Hub is on schedule with SeAH likely to be the first factory to commence construction in the summer.
 - (c) South Bank Link Road which will form a strategic route of access to South Bank commences construction in the summer and should be complete early in 2023.
15. Demolition Works Programme
 - (a) Demolition of assets at the South Bank end of the site is substantially complete with the exception of the coke oven by products plant which will be complete within the next three months.
 - (b) Demolition of assets in the Redcar side of the site is well underway and we expect all assets to be on the ground by the summer as expected.
 - (c) Work on the decontamination / demolition of the COGM is very advanced and being expedited to bring it in line with the demolition programme.
 - (d) On this basis we are looking for COMAH status on the site to be removed in the summer.
16. Net Zero Teesside Site (97 acres plus 66 acres construction laydown)
 - (a) Negotiations continue with BP on the various commercial and contractual terms and conditions of the option agreement and agreement for lease.
 - (b) The contract for the ground remediation works is now out to tender, with a contractor to be appointed in the next few weeks and planning permission expected within a similar timeframe.
 - (c) The NZT DCO application is in deferral, with a 3-month extension being sought by BP. Our dialogue with BP continues in connection with their project proposals and related impacts and implications for Teesworks, with a view to resolving as many of these as possible before the DCO Inquiry.
17. Park and Ride Facility – Steel House
 - (d) Concept design work is now underway on the development of a 1500-space park and ride facility on land adjacent to Steel House and the Trunk Road, where a new highway access will be required.
 - (e) The facility is needed in order to accommodate the significant ramping up in workforce numbers that will occur when the construction of projects such as the NZT facility commences. NZT alone is estimated to peak at around 1500 construction operatives.

- (f) The facility will enable workforce members to park their vehicles outside of the secure Teesworks site and be security cleared within the park and ride zone, before boarding buses that will take them to their construction site destination, so expediting security clearance protocols and processes, and mitigating traffic impacts on the neighbouring highway network.

18. Key Risks to Delivery

As noted, STDC is working on a number of significant projects all of which carry deliver risks. These are actively in mitigation through our project management arrangements, with plans in place and measures being taken to address potential impacts to programme.

EQUALITY & DIVERSITY

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

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Resources

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SOUTH TEES DEVELOPMENT CORPORATION (STDC)

Follow Up of Previous Internal Audit Management Actions (2.21/22)

FINAL

3 February 2022

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

Background

The focus of this review is to provide assurance that agreed recommendations have been fully implemented. These are in respect of the following internal audit reports:

- Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review (2. 2018/19);
- Budget Setting and Control (3. 2019/20);
- Follow Up of Previous Internal Audit Management Actions (5. 2019/20);
- STSC: Actions Follow Up (2. 2020/21) and;
- Key Financial Controls (5.2020/21).

A total of nine actions have been marked as closed and we have subsequently reviewed these during the audit. These are comprised of **one high** priority, **four medium** priority and **four low** priority actions.

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 STDC has demonstrated **reasonable progress** in implementing agreed recommendations.

We were supplied with satisfactory evidence for eight out of the nine actions declared as complete by the respective action owner. Of the eight actions we have received evidence for, one action has been superseded and the remaining seven have been marked as complete. For the remaining action which we have not received evidence for, we have marked this as incomplete. This action relates to the action table and the creation of an action plan with implementation dates to help implement the actions listed on the table from the Key Financial Controls audit. It should be noted that this is a high priority action.

Of the five reports above, only Follow Up of Previous Internal Audit Management Actions (5. 2019/20) and Key Financial Controls (5.2020/21) have actions remaining. The one remaining action for the Key Financial Controls is also the action reviewed during this audit.

Progress on actions

The following table includes details of the status of each recommendation:

Implementation status by category of action	Number of actions agreed	Implemented	Status of recommendations		
			Implementation ongoing	Not implemented	Superseded
Low	4	4	0	0	0
Medium	4	3	0	0	1
High	1	0	0	1	0
Total:	9 (100%)	7 (78%)	0 (0%)	1 (11%)	1 (11%)

Implementation status by review	Number of actions agreed	Implemented	Status of recommendations		
			Implementation ongoing	Not implemented	Superseded
Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review (2. 2018/19) (Report date: 13.06.19)	2	1	0	0	1
<ul style="list-style-type: none"> ACTION 2: Project and corporation risk registers ACTION 7: Freedom of Information policy 					
Budget Setting and Control (3. 2019/20) (Report date: 24.02.20)	1	1	0	0	0
<ul style="list-style-type: none"> ACTION 5: Presenting full management accounts to the Audit and Risk committee 					
Follow Up of Previous Internal Audit Management Actions (5. 2019/20) (Report date: 21.05.20)	2	2	0	0	0
<ul style="list-style-type: none"> ACTION 5: Risk Management Framework 					

-
- ACTION 11: Creating a risk appetite statement and risk tolerance level
-

STSC: Actions Follow Up (2. 20.21) (Report date: 22.04.21)

- ACTION 1: Incorporating STSC into TVCA governance and assurance framework
 - ACTION 2: Formal risk acceptance documented for a decision to not adopt an action from the Value for Money action plan
 - ACTION 3: An action from the Budget Forecasting and Control action will be revisited to ensure completion
-

Key Financial Controls (5.2020/21) (Report date: 13.05.21)

- ACTION 1: Review of the action table in Appendix A to document and develop an action plan
-

Total:	9	7	0	1	1
	(100%)	(78%)	(0%)	(11%)	(11%)

2. FINDINGS AND MANAGEMENT ACTIONS

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.

Assignment: Key Financial Controls 5.2020/21

Original management action / priority	We will review the action table in Appendix A and document the actions and action dates to be undertaken and by when. We will then develop our own action plan, using both the findings as per this review and actions identified by ourselves. Priority: High
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Audit finding / status	Whilst we have been informed that work has been undertaken to complete this action, we have not been provided with any evidence to support its completion. As such, we have marked this action as not complete. 3. The action has not been implemented.
-------------------------------	---

Management Action 1	We will review the action table in Appendix A and document the actions and action dates to be undertaken and by when. We will then develop our own action plan, using both the findings as per this review and actions identified by ourselves.	Responsible Owner: Head of Finance and Resources	Date: 31 March 2022	Priority: High
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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 priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

APPENDIX B: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented or superseded.

Assignment title	Recommendations
Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review	<p>Status: Superseded</p> <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 approval in the timescale indicated by management, to the Audit and Risk Committee in September 2019.</p> <p>Rationale: This action has been superseded as an approach has been taken in that an overall corporate risk register exists with specific project risk registers detailing risks relating to each project as support.</p> <p>Priority: Significant</p>
Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review	<p>Status: Implemented</p> <p>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.</p> <p>Once the policy is finalised, staff will require training on how to deal with different types of information requests.</p> <p>Priority: Significant</p>
Budget Setting and Control	<p>Status: Implemented</p> <p>We will present full management accounts to the A and RC to allow for sufficient challenge.</p> <p>Priority: Medium</p>
Follow Up of Previous Internal Audit Management Actions	<p>Status: Implemented</p> <p>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.</p> <p>Priority: Medium</p>

Follow Up of Previous Internal Audit Management Actions	<p>Status: Implemented</p> <p>An exercise is already planned for October 2019 to formulate a risk appetite statement and a tolerance level for each of the risk types, which is in line with the Corporation's Delivery Strategy.</p> <p>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.</p> <p>Priority: Medium</p>
STSC: Actions Follow Up	<p>Status: Implemented</p> <p>Consideration will be given as to how best to incorporate STSC into the overall TVCA governance and assurance framework so that STSC is fully considered alongside all other group entities, and ensuring related actions are included within reporting escalation / mechanisms.</p> <p>Priority: Medium</p>
STSC: Actions Follow Up	<p>Status: Implemented</p> <p>The decision to not adopt in full action 3.1 from the Value for Money action plan will be logged on the Finance Risk Register and a formal risk acceptance will be documented.</p> <p>Priority: Medium</p>
STSC: Actions Follow Up	<p>Status: Implemented</p> <p>Action 1.2 from the Budget Forecasting and Control action plan will be revisited to ensure this has been completed in full</p> <p>Priority: Medium</p>

APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

Objectives relevant to the scope of the review

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.

Scope of the review

We will review the list of actions stated by management as being completed to determine whether the evidence supplied supports that assertion. The actions to be reviewed will be agreed with management in advance of our fieldwork.

The following limitations apply to the scope of our work:

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

Debrief held 21 January 2022
Draft report issued 28 January 2022
Responses received 3 February 2022

Final report issued 3 February 2022

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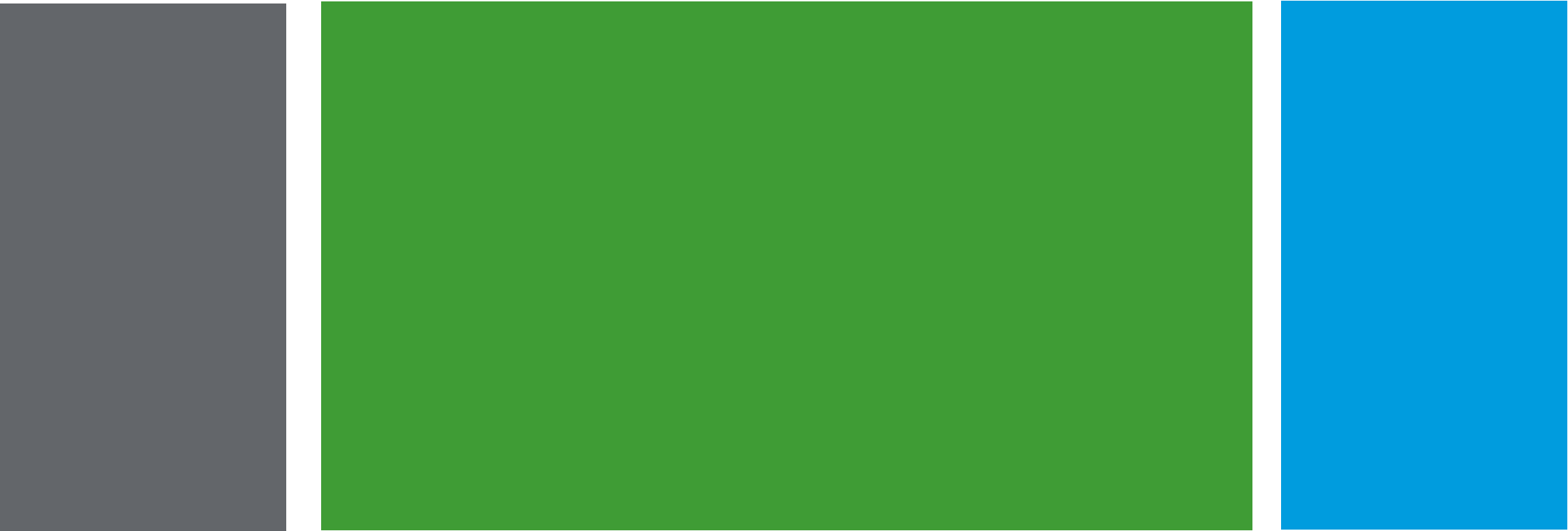
The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. 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.

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 UK 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 UK 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 UK 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

Group Structure

Internal audit report 3.21/22

FINAL

8 March 2022

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

THE POWER OF BEING UNDERSTOOD
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1. EXECUTIVE SUMMARY

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 / assignment and provide you with the assurances you require. It is these exceptional circumstances which mean that the majority of this audit has been conducted remotely. Based on the information provided by you, we have been able to sample test the control framework.

Why we completed this audit

A review of the Group structure was undertaken as part of the agreed internal audit plan for 2021/22 to determine whether the structure and governance arrangements in respect of South Tees Development Corporation (STDC) and its subsidiary or related entities is appropriately matched to the activities of those entities.

STDC is a 100% subsidiary of the Tees Valley Combined Authority (TVCA). In order to support TVCA's purpose to drive economic growth and job creation across Teesside and thereby improve the local economy, STDC is charged with the work to clear and redevelop the old SSI Steelworks site. In order to do so, a number of entities have been created, acquired or contracted with by STDC, including (information correct as at the time of audit):

- A joint venture, Teesworks Limited ("Teesworks"), between STDC (10%), Northern Land Management (45%) and JC Musgrave Capital Limited (45%) for the purpose of the physical clearance of the site and disposal of scrap.
- A 100% subsidiary, South Tees Developments Limited (STDL), which holds the land.
- A 100% subsidiary, South Tees Site Company (STSC), which is responsible for all health, safety and environmental matters.

Overseeing STDC's operations sits the STDC Delivery Group which has the primary purpose of overseeing the performance of all delivery partners and facilitate appropriate reporting to the overall TVCA Executive Group and the STDC Board. The STDC Delivery Group is supported by five STDC Operational Groups that manage the day to day operational activities of STDC as follows:

- Keepsafe – responsible for managing the health and safety COMAH (control of major accident hazards) assets and working with project teams to support their decontamination and demolition.
- Commercial – to identify commercial opportunities and liaise with investors and funding bodies to progress transactions and land and property legal agreements, as well as leading on branding and communication matters.
- Projects – to lead the progression of the capital programme, including letting and managing contracts and dealing with strategic planning matters. Also has responsibility for the STDC master programme and project spend.
- Performance – to control budget and cashflow, and be responsible for performance monitoring, providing management information to the STDC Board, TVCA, the Department for Business, Energy, and Industrial Strategy (BEIS) and the Ministry for Housing, Communities and Local Government (MHCLG). Would also manage the procurement pipeline.
- Estates – to manage the Teesworks site, the 'Estate Management Company', with responsibility for common services and securing/managing tenant service charges. Will also be responsible for additional services, such as quay handling and rail connections.

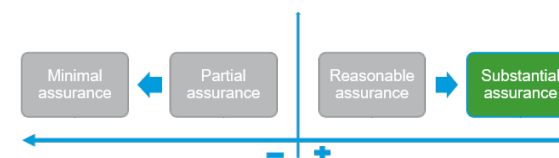
Our review was undertaken to determine whether the control framework in place surrounding the Group structure has a clearly mapped governance framework that maps directly to the Group structure ensuring clear lines of reporting throughout the Group with specific lines of delegation and decision-making authority.

Conclusion

As a result of sample testing, walkthroughs, review of documentation and interviews with staff, we have not detected any issues and therefore have raised no management actions.



Internal audit opinion:

Taking account of the issues identified, the Board can take **substantial assurance** that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.



Key findings

Our audit review identified that the following controls are suitably designed, consistently applied, and are operating effectively:

-  South Tees Development Corporation have a clearly aligned structure covering all subsidiaries and joint ventures documented within a detailed Constitution document. Through detailed review of the breakdown of all companies, subsidiaries and joint ventures there is a clearly defined matrix of all aspects of each company with no duplications or gaps identified.
-  A review of the TVCA organisation chart and the STDC Assurance Framework shows a clearly defined breakdown of responsible people under each section as set down within the structure of the companies, subsidiaries and joint ventures ensuring a clear governance framework is in place with each detailed by sector including:
 - The Mayor's office
 - Local Authority Leaders
 - Local Enterprise Partnerships
 - Communications and Marketing
 - Strategy & Investment Planning Directorate
 - Commercial & Delivery Directorate
 - Business Skills Directorate; and
 - Finance and Resources Directorate.



The STDC Constitution clearly details the statutory framework and documented rules of procedure that detail how the Board operates. Roles and responsibilities are clearly defined with agreed powers of delegation to chief officers. This governance framework details the processes by which STDC is directed and controlled at its most senior levels, in order to achieve its objectives whilst meeting the necessary standards of accountability and probity.



The Group's delegation and decision making process is comprehensively detailed the within the Constitution and is mapped in detail to ensure that levels of authority are clear and relevant to all parties with clearly defined roles and responsibilities throughout the organisation. Within this, the Chief Executive Officer is responsible for the corporate management and overall operational capacity of the Development Corporation, including the strategic management of all of the Development Corporation's staff.



Each governing body has a detailed Terms of Reference which clearly and appropriately maps to its purpose in comprehensive detail to ensure a clear oversight of the responsibility of each governing body, in turn ensuring that all areas of risk are reviewed with appropriate action recorded. Additionally, there is a clearly defined meeting matrix to ensure the frequency of meetings held is in line with the reporting frequency scheduled to so that there is a clear "flow" of information and decisions between governing bodies.



There is a clear escalation mechanism throughout the STDC structure and this is detailed comprehensively within its Constitution in the form of a detailed organigram. Through review, it is clearly defined within the Terms of Reference for each governing body under roles and responsibilities the appropriate escalation and reporting processes for the members of each group within the organisation.



There is a clear cycle of meetings generated prior to each year starting in line with the Terms of Reference for each governing body, The structure of meetings is split across the four main areas of the Organisation these being:

- TVCA;
- TIAL (Teesside International Airport Limited);
- STDC; and
- Freeport

Under each section is noted the mandatory meetings across the Group with sub sections detailing the frequency of the meeting. By cross-referencing this information, we confirmed that all meetings stipulated within the Terms of Reference of the Group are correctly contained within the Meeting Spreadsheet. Additionally, we confirmed that the schedule of meetings is correctly timed within the year to ensure that the generation of reports and meeting minutes can be attained prior to Group Board and Governance meetings held on a quarterly basis.



All papers and agenda details are sent to all relevant members at least five working days prior to the meeting being undertaken to provide an update to STDC Board on the key activity within STDC since the previous meeting. It is clearly noted as a standard agenda item within all meeting minutes reviewed that data reported in each paper has been considered by the STDC Operational Performance Group and the Delivery Group before being collated into the Board report to ensure accuracy and full acceptance of the data provided.



All meeting minutes are captured and shared with relevant staff and retained on each key governing body meeting that takes place throughout the year. Additionally, we confirmed that all meeting minutes once generated and approved are uploaded to the STDC website to ensure public awareness of all meetings, and proposals set are publicly available. Through review of the STDC website we concluded that within each governing body all minutes have been approved and published for public review.



STDC ensures that there is a clear framework in place to ensure any external partners that are incorporated within the STDC set of ongoing works are adequately reviewed before the take on of works with a critical scoring system in place and hierarchy of approval for the fulfilment of any agreed contracts. There is a clear mechanism for the management of any external partners to ensure that they are continually managed, reviewed, and reported upon within STDC to monitor the delivery of agreed contractual works and report on a timely basis within the Board papers.



There is a clearly aligned framework in place for the appointment of partners within the private sector. A comprehensive robust tender process is in place where both evaluations at both stage 1 and stage 2 have been undertaken using external consultants Faithful and Gould (F&G). This included a scored interview stage. The evaluation process was overseen and managed by a senior member of STDC's Procurement Team. Contracts are being managed on STDC's behalf by F&G, who are providing the roles of Project Manager and Supervisor under the NEC4 ECC Option A D&C contract, along with related cost management, schedule management and risk management functions.

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
Group structure	0	(11)	0	(11)	0	0	0
Total					0	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Objective relevant to the scope of the review

Objective of the area under review

The structure and governance arrangements in respect of South Tees Development Corporation and its subsidiary or related entities is appropriately matched to the activities of those entities.

Scope of the review

The South Tees Development Corporation (STDC) is a 100% subsidiary of the Tees Valley Combined Authority (TVCA). TVCA's purpose is to drive economic growth and job creation across Teesside in order to improve the local economy. A key element in achieving this is to clear and redevelop the old SSI Steelworks site. A joint venture, Teesworks Limited ("Teesworks"), has been set up between STDC (10%), Northern Land Management (45%) and JC Musgrave Capital Limited (45%) for this purpose.

Within this connect, our review will focus on the following areas:

- The structure of companies, subsidiaries and joint ventures is appropriate for their intended purposes, with no obvious gaps or duplication.
- The governance framework maps appropriately to that structure.
- Reporting lines are clear and well understood by all relevant parties.
- Delegation and decision making authority is clear to all relevant parties.
- Each governing body has a clear Terms of Reference which maps appropriately to its purpose.
- Whether there is a clear mechanism for the escalation / cascade of matters throughout the structure.
- Meetings of governing bodies are held at the optimum frequency and timing with due regard to other governing bodies into which they report.
- The papers presented to each governing body provide sufficient coverage so as to enable each body to make informed and timely decisions.
- Minutes are made and retained in respect of each governing body.
- Actions are recorded and tracked.

- Where activities rely upon an external partner, that relationship is appropriately designed and managed. Note, in this instance we are referring only to mission-critical strategic partners and not to contractors and service providers involved in, for example, site clearance activities.
- Where activities rely on the work of a partner in the private sector, that relationship is appropriately designed and managed. As above, we are referring only to mission-critical strategic partners.

The following limitations apply to the scope of our work:

- 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.
- Our work will not cover arrangements in respect of TVCA, Goosepools Limited or Teesside International Airport Limited.
- We will not review the legal constitution of any of the entities within the scope of this review or the status of any statutory directors.
- We will not perform any audit work over operational reports or accounting records.
- We will not audit minutes arising from meetings or the delivery of actions.
- Our review will not cover any environmental or health and safety matters.
- Our review will not cover procurement, due diligence or contractual arrangements with or over external delivery partners.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Please note that the full scope of the audit can only be completed within the audit budget if all the requested information is made available at the start of the audit, and the necessary key staff are available to assist the audit process during the audit. If the requested information and staff are not available we may have to reduce the scope of our work and/or increase the audit budget. If this is necessary, we will agree this with the client sponsor during the audit.

Date of debrief / last evidence received	1 March 2022	Internal audit contacts	Rob Barnett, Head of Internal Audit
Draft report issued	7 March 2022		Philip Church, Senior Manager
Responses received	8 March 2022		Mike Gibson, Client Manager
			Darren Yarnold, Senior Auditor
Final report issued	8 March 2022	Client sponsor	Gary MacDonald, Group Director of Finance and Resources
			Victoria Smith, Group Finance Director
		Distribution	Gary MacDonald, Group Director of Finance and Resources
			Victoria Smith, Group Finance Director

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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.

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 UK 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 UK 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.

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South Tees Development Corporation

Internal Audit Progress Report

18 March 2022

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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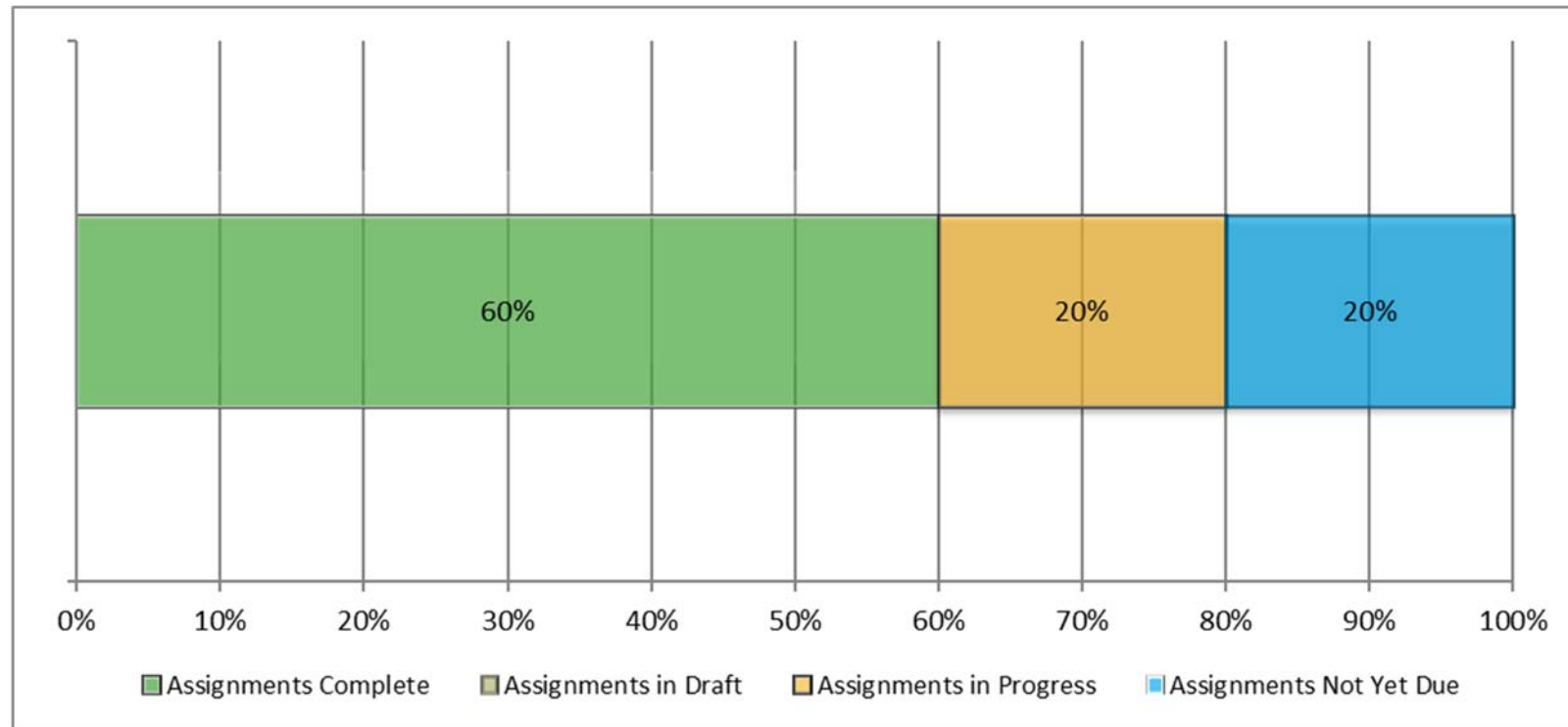
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1 Introduction

The internal audit plan for 2021/22 was discussed by the Audit and Risk Committee on 2 June 2021. As the committee was not quorate, the plan was discussed and approved outside of the meeting and the Group Director of Finance and Resources confirmed its approval on 21 June 2021.

The graphic below provides a summary update on progress against the 2021/22 plan.



2 Reports

2.1 Summary of final reports being presented to this committee

We have finalised the following reports since the previous meeting and this is detailed below:

Assignment	Opinion issued	Actions agreed		
		L	M	H
Follow Up of Previous Internal Audit Management Actions		0	0	1
<u>Objective of the review:</u>				
To ensure that management actions have been implemented in accordance with the agreed timetable and that any new controls are operating effectively.				
<u>Overall assurance rating and management actions:</u>				
An overall assurance rating of reasonable progress has been given for this review. We were supplied with satisfactory evidence for eight out of the nine actions declared as complete by the respective action owner. Of the eight actions we have received evidence for, one action has been superseded and the remaining seven have been marked as complete. For the remaining action which we have not received evidence for, we have marked this as incomplete.				
We have raised one high priority management action. We summarise the high action below:				
<ul style="list-style-type: none">This action relates to the creation of an action plan with implementation dates to support delivery of a suite of actions agreed with management during our previous Key Financial Controls audit. These actions were listed in a table intended to form the basis of a management action plan and, as such, were agreed as being one single, high priority management action. Whilst we have been informed that work has been undertaken to complete this action, we have not been provided with any evidence to support its completion. As such, we have marked this action as not complete.				



Assignment

Opinion issued

Actions agreed

L M H

Context:

We undertook a review to follow up on progress made to implement the previously agreed management actions in respect of the following internal audit reports:

- Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review (2. 2018/19);
- Budget Setting and Control (3. 2019/20);
- Follow Up of Previous Internal Audit Management Actions (5. 2019/20);
- STSC: Actions Follow Up (2. 2020/21) and;
- Key Financial Controls (5.2020/21).

A total of nine actions had been marked as closed and we subsequently reviewed these during the audit. These are comprised of **one high** priority, **four medium** priority and **four low** priority actions.

Group Structure

Objective:

The structure and governance arrangements in respect of South Tees Development Corporation and its subsidiary or related entities is appropriately matched to the activities of those entities.

Conclusion:

Taking account of the issues identified, the Board can take **substantial assurance** that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

As a result of sample testing, walkthroughs, review of documentation and interviews with staff, we have not detected any issues and therefore have raised no management actions.

Substantial Assurance

0 0 0





Assignment

Opinion issued

Actions agreed

L M H

Context:

In order to support TVCA’s purpose to drive economic growth and job creation across Teesside and thereby improve the local economy, STDC is charged with the work to clear and redevelop the old SSI Steelworks site. In order to do so, a number of entities have been created, acquired or contracted with by STDC, including (information correct as at the time of planning):

- A joint venture, Teesworks Limited (“Teesworks”), between STDC (10%), Northern Land Management (45%) and JC Musgrave Capital Limited (45%) for the purpose of the physical clearance of the site and disposal of scrap.
- A 100% subsidiary, South Tees Developments Limited (STDL), which holds the land.
- A 100% subsidiary, South Tees Site Company (STSC), which is responsible for all health, safety and environmental matters.

Overseeing STDC’s operations sits the STDC Delivery Group which has the primary purpose of overseeing the performance of all delivery partners and facilitate appropriate reporting to the overall TVCA Executive Group and the STDC Board. The STDC Delivery Group is supported by five STDC Operational Groups that manage the day to day operational activities of STDC as follows:

- Keepsafe – responsible for managing the health and safety COMAH (control of major accident hazards) assets and working with project teams to support their decontamination and demolition.
- Commercial – to identify commercial opportunities and liaise with investors and funding bodies to progress transactions and land and property legal agreements, as well as leading on branding and communication matters.
- Projects – to lead the progression of the capital programme, including letting and managing contracts and dealing with strategic planning matters. Also has responsibility for the STDC master programme and project spend.
- Performance – to control budget and cashflow, and be responsible for performance monitoring, providing management information to the STDC Board, TVCA, the Department for Business, Energy, and Industrial Strategy (BEIS) and the Ministry for Housing, Communities and Local Government (MHCLG). Would also manage the procurement pipeline.
- Estates – to manage the Teesworks site, the ‘Estate Management Company’, with responsibility for common services and securing/managing tenant service charges. Will also be responsible for additional services, such as quay handling and rail connections.



Assignment

Opinion issued

Actions agreed

L M H

Our review was undertaken to determine whether the control framework in place surrounding the Group structure has a clearly mapped governance framework that maps directly to the Group structure ensuring clear lines of reporting throughout the Group with specific lines of delegation and decision-making authority.

Appendix A – Progress against the internal audit plan

The current Covid-19 situation means that our clients and internal audit are working differently. We understand and recognise the organisation's strategic objectives, and that the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile. We will continue to work closely with management to deliver an internal audit programme which remains flexible and agile to ensure it meets your needs in the current circumstances.

Assignment	Status	Audit and Risk Committee reporting per approved internal audit plan	Actual reporting to the Audit and Risk Committee
Effectiveness of Partnership Arrangements	Fieldwork scheduled for week commencing 14 March 2022 Planning document issued and approved	June 2022	June 2022
Project Management Office	Fieldwork started week commencing 28 February 2022 and is ongoing	November 2021	June 2022

Appendix B – Other matters

Changes to the audit plan

Detailed below is the changes to the audit plan:

Note	Auditable area	Reason for change
1	Scrap and Disposal of Assets	<p>As part of the internal audit plan this review was scheduled to take place week commencing 12 July 2021. This review has been pushed back to week commencing 6 September 2021 to allow for planning to take place following the approval of the internal audit plan, although an initial site visit was conducted during August 2021 at the request of management.</p> <p>Reported to the Audit and Risk Committee on 1 September 2021</p>
2	Group Structure	<p>As part of the internal audit plan this review was scheduled to take place week commencing 13 September 2021. Following a planning meeting with the Group Director of Finance and Resources this review has been rescheduled for week commencing 3 January 2022.</p> <p>Reported to the Audit and Risk Committee on 25 November 2021</p>
3	Project Management Office	<p>As part of the internal audit plan this review was scheduled to take place week commencing 20 September 2021. This review has been rescheduled to week commencing 28 February 2022.</p> <p>Reported to the Audit and Risk Committee on 25 November 2021</p>



4	Effectiveness of Partnership Arrangements	This audit has been rescheduled from week commencing 14 February 2022 to week commencing 14 March 2022.
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Appendix C – 2020/21 Internal audit assignments previously reported

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

Assignment	Opinion issued	Actions agreed		
		L	M	H
Scrap and Disposal of Assets	Substantial Assurance	4	0	0

Appendix D - Key performance indicators (KPIs)

Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	5 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 days of management response	3 days	1 day (average)	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working day	-



For more 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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AGENDA ITEM 8

REPORT TO THE AUDIT AND RISK COMMITTEE

MARCH 2022

REPORT OF THE GROUP DIRECTOR OF FINANCE AND RESOURCES

INTERNAL AUDIT REPORT

SUMMARY

This report presents the Teesworks position on internal audit updates, of February 2022. Internal Audit action plans are reviewed on a regular basis by action owners and sets out progress on plans and any risks that have been identified with delivery.

RECOMMENDATIONS

It is recommended that the STDC Audit and Risk Committee:

- i. Consider the updates set out in the report.

DETAIL

1. This report presents Teesworks internal audit updates as of February 2022.

Current Action Plans

There are currently 7 action plans active.

28 actions, 3 actions remaining.

Actions are relating to Planning applications and permits on site and are ongoing. These are managed by the EHS team.

No issues flagged.

GIAA & HSE, 1 action remaining.

Action is to continue monitoring the Lackenby Channel (stream) for pollution.

Teesworks continue to monitor the Lackenby Channel as responsible landlords but not against any limits imposed under the old, disclaimed permit.

COMAH, 2 actions remaining.

Training will be rolled out as part of SMS updates when required.

Ongoing action until all necessary persons have had the required training.

PMO, 13 actions remaining.

Actions relate to the delivery of the PMO system, which is ongoing and currently being audited.

Key Financial Controls (including Follow up of previous actions), 1 action remaining.

Group Finance Manager is progressing the action plan as agreed.

No issues with delivering this in line with target dates.

Scrap and Disposal of assets, 2 actions remaining.

Procedures and delegations to be documented.

1 action plan has closed with all actions now delivered.

STSC Follow up, all actions now implemented.

Ongoing Audits

- Group Structure
- Effectiveness of partnership arrangements
- PMO

Upcoming Audits

- GE Programme
- Scrap and disposal of assets
- COMAH declassification
- Procurement to pay process
- Follow up on previous audit actions

FINANCIAL IMPLICATIONS

2. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

3. There are no direct legal implications arising from this report.

RISK ASSESSMENT

4. The content of this report is categorised as low to medium risk.

CONSULTATION & COMMUNICATION

5. None required.

EQUALITY & DIVERSITY

6. No impacts.

Name of Contact Officer: Gary Macdonald

Post Title: Group Director of Finance and Resources

Email: gary.macdonald@teesvalley-ca.gov.uk

Telephone Number: 01642 527707

Audit Completion Report

South Tees Development Corporation –
Year ended 31 March 2021

March 2022



Contents

- 01** Executive summary
- 02** Status of the audit
- 03** Audit approach
- 04** Significant findings
- 05** Internal control recommendations
- 06** Summary of misstatements
- 07** Value for Money

Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Corporation are prepared for the sole use of the Corporation and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



Audit and Risk Committee
South Tees Development Corporation
Teesside Management Offices
Redcar
TS10 5QW

March 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021 for South Tees Development Corporation single entity accounts. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 2 June 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{_es_:signer1:signature }}

Cameron Waddell

Mazars LLP

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation; and
- Valuation of property, plant and equipment.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; there are no unadjusted misstatements. Section 7 outlines our work on the Corporation's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, there are matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We have not yet completed our work in relation to the arrangements that the Corporation has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Corporation's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Corporation and to consider any objection made to the accounts.









02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Fraud, laws and regulations		We are awaiting a response to our request for information from those charged with governance, which we issued in April 2021.
Movement in reserves statement and reserves		Detailed testing of balances and notes.
Debtors		Review of potential impairments and query on income cut-off.
Creditors, segmental analysis, senior officer remuneration and journals		Detailed transaction testing, some evidence is still to be received.
Financial instruments		Review of disclosures for consistency.
Group consolidation audit work		Our audit approach includes reliance on the component auditor for South Tees Development Limited. We have liaised with the component auditor throughout the year, but as yet, we have not received a response to our Group Instructions issued in November 2021. We are aware that Tait Walker's audit is underway.



Likely to result in material adjustment or significant change to disclosures within the financial statements.








Potential to result in material adjustment or significant change to disclosures within the financial statements.




Not considered likely to result in material adjustment or change to disclosures within the financial statements.


2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.


Audit area	Status	Description of the outstanding matters
Events after the Balance Sheet date		Management intend to update the note nearer sign off, to reflect the latest position in respect of events after the Balance Sheet date.
Property, plant and equipment and contractual commitments		Outstanding queries on presentation and evidence.
Provisions and contingencies		There is ongoing litigation and potential claims which may need reflecting in the financial statements.
Closing procedures		Review and closure processes, including checking the amended version of the financial statements.
Annual governance statement		Review of the final, published statement.



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £0.816m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £0.508m using the same benchmark.

Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management's use of experts.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

As detailed in our Audit Strategy Memorandum, we identified Tees Valley Combined Authority and Stockton-on-Tees Borough Council as service organisations providing general ledger and payroll services to the Corporation.



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention at this stage.



4. Significant findings

Net defined benefit liability valuation	Description of the risk
	The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.
	How we addressed this risk We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.
	Audit conclusion Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention at this stage. Our work identified no indication of material estimation error in respect of pensions.

Valuation of property, plant and equipment	Description of the risk
	The 2020/21 group financial statements are expected to contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Group's holding of property, plant and equipment (PPE). Management will need to consider whether a valuation expert is required to provide information on valuations in line with the Code for STDC Group, or if not revalued in year management will need to gain assurance that asset values are not materially misstated. There remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of Group PPE to be an area of significant risk.
	How we addressed this risk We considered the Corporation's arrangements for ensuring that PPE values are reasonable, challenged the reasonableness of the valuations provided by the Corporation's valuer, Avison Young using other sources of data, assessed the competence, skills and experience of the valuers and the instructions issued to the valuer and, where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate.
	Audit conclusion Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought and we have not identified any other matters to report in relation to property, plant and equipment valuations.



4. Significant findings

Qualitative aspects of the Corporation's accounting practices

We have reviewed the Corporation's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Corporation's circumstances.

Draft accounts were published on the Corporation's website on 31 July 2021 to meet the statutory deadline. However, subsequent work by management identified that there were weaknesses in the arrangements for preparing the accounts and a new team were brought in to undertake a review. The review found significant changes were needed to the approved and published accounts.

This demonstrates that the quality of the approved and published accounts was not of a high quality and indicates weaknesses in the arrangements for preparation of the financial statements.

Our initial review of the published draft accounts identified several presentational issues, most of which had not been addressed in the updated single entity statements.

In addition, the annual governance statement was not published with the statement of accounts which represents a failure to comply with the requirements of the Accounts and Audit Regulations 2015.

The tables below show changes made to-date to the CIES and Balance Sheet.

CIES	Published £000	Updated £000	Difference £000
Core Running Costs	0	-16	16
Enabling Infrastructure	837	0	837
Development Costs	21,962	23,144	-1,182
Cost Of Services	22,799	23,128	-329
Financing and Investment Income and Expenditure:			
Net interest on the net defined benefit liability/asset	0	10	-10
Taxation and Non-Specific Grant Income:			
Capital grants and contributions	-9,487	-13,940	4,453
(Surplus) or Deficit on Provision of Services	13,312	9,198	4,114
Actuarial (gains) or losses on pension assets & liabilities	305	305	0
Other Comprehensive Income and Expenditure		305	-305
Total Comprehensive Income and Expenditure	13,617	9,503	4,114

4. Significant findings

Qualitative aspects of the Corporation's accounting practices

Balance sheet	Published £000	Updated £000	Difference £000
Non-current assets			
Investments in subsidiaries	476	470	6
Property, plant and equipment	17,473	14,623	2,850
Long term loan	11,273	22,372	-11,099
Long Term Debtors	150	0	150
Total non-current assets	29,372	37,465	-8,093
Current assets			
Short term investments			
Inventories	500	500	0
Debtors	5,210	29,142	-23,932
Cash and Cash Equivalents	1,727	1,727	0
Total current assets	7,437	31,369	-23,932
Current liabilities			
Short Term Creditors	-5,021	-30,231	25,210
Provisions			
Total current liabilities	-5,021	-30,231	25,210
Long term liabilities			
Long Term Borrowing	-38,752	-41,453	2,701
Other Long Term Liabilities	-884	-884	0
Grants Receipts in Advance			
Total long term liabilities	-39,636	-42,337	2,701
Net Assets:	-7,848	-3,734	-4,114

Balance sheet	Published £000	Updated £000	Difference £000
Reserves			
Usable reserves:			
General Fund Balance	9,063	322	8,741
Earmarked General Fund Reserves	626	626	0
Capital Grants Unapplied	1,502	53	1,449
	11,191	1,001	10,190
Unusable Reserves:			
Capital Adjustment Account	-18,132	-3,827	-14,305
Pensions Reserve	-884	-884	0
Accumulated Absences Account	-24	-24	0
	-19,040	-4,735	-14,305
Total Reserves:	-7,849	-3,734	-4,115

Executive summary

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4. Significant findings

Significant matters discussed with management

We requested further information around the underlying rationale for the structure of Teesworks and also raised an issue around an alert from Companies House that the accounts for Teesworks had been filed with Companies House with an 'audit exemption', when we understood the subsidiary audit was not yet complete and signed off by the auditor. Management informed us of their intention to re-file the Teesworks accounts when they have been audited.

Management requested a discussion about the requirement for disclosure of an event after the Balance Sheet date for the transfer of land from the Corporation to Teesworks in August 2021, disclosure has not been included in the single entity financial statements as management are going to review nearer to the date of closure.

The single entity accounts included inventories of £500,000 which relate to assets held on the site including various items of scrap equipment. The items as described do not meet the definition of inventories included in IAS 2 which states 'inventories include assets held for sale in the ordinary course of business, assets in the production process for sale in the ordinary course of business, and materials and supplies that are consumed in production'. The balance has subsequently been transferred to South Tees Development Limited.

Significant difficulties during the audit

We have encountered some delays and difficulties during the audit including:

- Significant delays in management providing required information to both the subsidiary and group auditors. For example, the final version of the single entity financial statements was only received on 4 March 2022
- Group accounts are still being prepared to consolidate South Tees Development Limited into the South Tees Development Corporation accounts.



4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	2
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

There are significant weaknesses in the arrangements for accounts preparation.

Potential effects

Inaccurate accounts are approved and published.

Recommendation

Continue to strengthen the arrangements in place for accounts preparation.

Management response

Description of deficiency

The Annual Governance Statement has not been approved or published in line with the requirements of the Accounts and Audit Regulations 2015.

Potential effects

Failure to comply with laws and regulations.

Recommendation

Put in place arrangements to approve and publish the Annual Governance Statement alongside the financial statements.

Management response



5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

The Corporation has three directors registered with Companies House, there are however two further senior officers listed with the job title ‘directors’ who are included in the senior officers remuneration. As these are not formal directors registered with Companies House, the Corporation do not require them to complete an annual declaration of interest and disclose in the register of interest.

Potential effects

There may be related parties which exist with senior officers which are not identified and disclosed in the statement of accounts.

Recommendation

Extend the requirement for an annual declaration of interest to include all senior officers.

Management response

Follow up on previous internal control points

Our work in 2019/20 did not identify any control points.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £15,000. There are no misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The table below outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: PPE - additions plant and equipment			3,500	
	Cr: Impairment				3,500
All expenditure in respect of work on the SSI site, including professional fees/consultancy have been initially capitalised and then impaired. As this expenditure is not of a capital nature should have been taken straight to revenue and not through PPE. Has no impact on the y/e carrying value of PPE or expenditure in the Statement of Accounts.					
2	Dr: Inventories			500	
	Cr: South Tees Development Limited				
STDC have capitalised the assets acquired as part of the CPO as stock. From list of assets acquired these appear to be mainly plant and machinery and not stock. Subsequently transferred to South Tees Development Limited					
Total unadjusted misstatements				4,000	3,500

6. Summary of misstatements

Disclosure amendments

All expenditure in respect of work on the SSI site, including professional fees/consultancy have been initially capitalised and then impaired. As this expenditure is not of a capital nature it should have been taken straight to revenue and not through property, plant and equipment. This has no impact on the year-end carrying value of property, plant and equipment or expenditure in the Statement of Accounts.

Other matters

The Corporation has capitalised the assets acquired as part of the CPO as stock. From the list of assets acquired these appear to be mainly plant and machinery and not stock. In addition, the position in relation to VAT still needs to be resolved (invoice was for £500k plus VAT. The £600k was charged to STDL and only £500k transferred back out. The £100k VAT balance therefore appears to be incorrectly included in Long term debtors.

The Corporation has capitalised part of the in-year development costs as an investment in subsidiaries with a total value of £470k. The development costs include payments to KPMG and refer to project Polestar, it is not clear why this is accounted for as an investment in a subsidiary or if this accounting treatment is consistent with the CIPFA code.



07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider whether the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Corporation plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Corporation ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Corporation uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Corporation has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Corporation's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in [insert date].

Status of our work

We are yet to complete our work in respect of the Corporation's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Corporation's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Corporation's arrangements. As noted above, our commentary on the Corporation's arrangements will be provided in the Auditor's Annual Report.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be included to Group Audit Completion Report.



Appendix B: Draft audit report

To be included to Group Audit Completion Report.



Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none">a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; andb. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Resources that South Tees Development Corporation will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit and Risk Committee, confirming that</p> <ul style="list-style-type: none">a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

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