

Audit & Governance Committee Agenda

Date: Thursday May 28th 2020 at 10.00am

Venue: Under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this meeting will take place via video link.

Membership:

Councillor Matthew Storey (Chair, Middlesbrough Borough Council)
Councillor Brenda Harrison (Vice Chair, Hartlepool Borough Council)
Councillor Paul Crudass (Darlington Borough Council)
Councillor Sandra Smith (Redcar & Cleveland Borough Council)
Councillor Barry Woodhouse (Stockton-On-Tees Borough Council)
Paul Bury (Independent member)
Christopher White (Independent member)
Jonny Munby (Independent member)

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of meeting held on January 23rd 2020**
Attached
4. **Action Tracker**
Attached
5. **Draft Annual Governance Statement**
Attached
6. **Draft Risk Framework**
Attached
7. **Corporate Risk Register**
Attached
8. **Internal Audit Update**
 - Internal Annual Audit Opinion
 - Internal Audit Progress Report
 - Declarations of Interest
 - Cyber Risk Management
 - Programme / Project Delivery
 - Follow UpAttached

9. Internal Audit Plan

Verbal Update

10. External Audit Plan

Attached

11. Fee Scale for the Audit 2020/21

Attached

12. Forward Plan and scheduling of future meetings

Attached

13. Date and Time of Next Meeting:

- Tuesday July 21st 2020

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: John Hart, 01642 524 413 or john.hart@teesvalley-ca.gov.uk

Tees Valley Combined Authority Declaration of Interests Procedures

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the [Combined Authority's Constitution](#) under the "Code of Conduct for Members" (Appendix 8).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The constituent councils of the Combined Authority are closely integrated with its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict

of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

Tees Valley Combined Authority (TVCA) Audit and Governance Committee

**Cavendish House, Stockton-On-Tees
23rd January 2020 – 10am**

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

Attendees

Members

Councillor Matthew Storey (Chair, Middlesbrough Borough Council)
Councillor Barry Woodhouse (Stockton Borough Council)
Councillor Paul Crudass (Darlington Borough Council)
Paul Bury (Independent member)
Christopher White (Independent member)

Apologies for Absence

Councillor Brenda Harrison (Hartlepool Borough Council)
Councillor Sandra Smith (Redcar & Cleveland Borough Council)
Jonny Munby (Independent member)

Officers

Gary Macdonald (Director of Finance & Resources, TVCA)
John Hart (Governance Manager, TVCA)

Also in Attendance

Gareth Roberts (Mazars – External Auditor)
Philip Church (RSM – Internal Auditors)

AGC 26/19	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were submitted as detailed above.</p> <p>John Hart, Governance Manager for the Tees Valley reported that notification had been received from Redcar & Cleveland Borough Council that Councillors Smith and Berry wished to reverse their positions as member and substitute member representing the authority on the Committee, with Cllr Berry becoming full member, and Cllr Smith becoming substitute member. He continued by stating that it would be necessary for this decision to be ratified by both Redcar and Cleveland Full Council and the Tees Valley Combined Authority Cabinet.</p>
AGC 27/19	<p>DECLARATIONS OF INTEREST</p> <p>No declarations of interest were received.</p>

AGC 28/19	MINUTES OF MEETING HELD ON OCTOBER 15th 2019 AND NOTES OF CONFERENCE CALL HELD ON NOVEMBER 19th 2019
	The minutes and notes were agreed as a true record.
AGC 29/19	ACTION TRACKER John Hart, Governance Manager reported that all items on the Action Tracker were either completed or ongoing.
AGC 30/19	ANNUAL FINANCIAL STATEMENTS Completed Annual Financial Statements, as examined by members in the Conference Call of November 19 th were presented for information. The Chair stated that members were satisfied with the information presented and approved the statements. Christopher White recommended that future Annual Financial Statements provided greater narrative explanation as to the relationship between the Combined Authority, Goosepool and the South Tees Development Corporation, seconded by Councillor Paul Crudass and Paul Bury. This recommendation was accepted by officers.
AGC 31/19	ANNUAL AUDIT LETTER AND EXTERNAL AUDIT PROGRESS REPORT Gareth Roberts, External Auditor, reported to members that no changes had been made to the Annual Audit Letter since members last received it in June 2019, but that the document was being circulated again for information following completion of the Annual Financial Statements. He continued by drawing members attention to an anticipated revised Code of Practice for Auditors from the National Audit Office which may result to changes to future External Audit Reports, about which the committee would receive a briefing.
AGC 32/19	CORPORATE RISK REGISTER Consideration was given to the Corporate Risk Register. Gary Macdonald reported to members that following a recommendation from the Internal Auditor the Combined Authority was developing directorate-level risk registers, with the intention of achieving implementation by the end of March 2020. He further updated members on risks relating to: <ul style="list-style-type: none"> • The UK Shared Prosperity Fund • The South Tees Development Corporation, including the ongoing Compulsory Purchase process. The Chair requested that members receive a briefing on the Combined Authority ask relating to the Shared Prosperity Fund.

	<p>Christopher White queried whether risk C06, relating to the South Tees Development Corporation, should be elevated as the Corporation moved into a delivery phase. Gary Macdonald stated that the Combined Authority view was that sufficient controls, funding and collateral were in place to justify its current rating. Christopher White stated that he was satisfied with the answer, but suggested that greater detail be included relating to the justification for ratings in future registers.</p> <p>Paul Bury noted a lack of change to the Register to the version previously circulated to members. Gary Macdonald stated that the register was reviewed quarterly and that no additional risks or mitigation to existing risks had been identified.</p> <p>Cllr Barry Woodhouse requested information about inquorate meetings of the Combined Authority Overview and Scrutiny Committee, as reported in the press. John Hart stated that whilst four meetings had been inquorate in the past year, this had not inhibited the committee's ability to provide comprehensive and robust scrutiny of Combined Authority activities and decisions. He also outlined statutory obligations on the membership which complicate quoracy, such the requirement that 10 out of 15 members be present, and substitute members and remote attendance not being permissible. Gary Macdonald stated that officers had made representations to government that these restrictions be relaxed.</p> <p>The Chair asked if the Register's reference to the Tees Valley Mayor lobbying for government investment in transport projects could be taken as an indication that there was a risk that such funding may not be secured. Gary Macdonald stated that until any government funding was finalised, the Combined Authority would utilise any tools at its disposal to ensure maximum leverage, including lobbying from the Mayor.</p>
<p>AGC 33/19</p>	<p>INTERNAL AUDIT PROGRESS REPORT</p> <p>Phillip Church, Internal Auditor introduced an Internal Audit Progress Report and reports into Combined Authority Procurement and GDPR practice, reporting that:</p> <ul style="list-style-type: none"> • The Internal Audit was on target to be completed by the end of the financial year. • The Combined Authority is compliant with GDPR regulations. • RSM have recommend that the Combined Authority produce a Procurement Strategy and put in place procedures allowing it to take a longer-term approach to procurement. • Further reports on Governance and Cyber Security were being finalised and would be presented to members at the next Committee meeting. <p>Paul Bury requested that members be in future provided with a report detailing progress made toward the implementation of recommendations made in previous Internal Audit Reports. Gary Macdonald agreed that this would be produced for future meetings.</p>

	<p>Christopher White queried whether the absence of a Procurement Strategy should be rated as a higher risk than “moderate”. Phillip Church stated that the audit had concluded that suitable and appropriate procurement processes were being undertaken by the Combined Authority, but that these processes had yet to be formalised in writing.</p> <p>Paul Bury asked for further information as to the role of Social Value in Combined Authority procurement practice. Gary Macdonald stated that a process and matrix were being developed, with supporting software procured, and market engagement was commencing. He continued by stating that this process would include social value efforts undertaken by national suppliers working in the Tees Valley. The Chair suggested that efforts be made to communicate the meaning and impact of social value to residents.</p> <p>Christopher White queried why some Internal Audit reports contain rating judgements whilst others do not. Phillip Church stated that in some areas, clients are either compliant with regulations and legislation or not, and no further judgement from the Internal Auditor is necessary.</p> <p>With regards to the forthcoming report on Cyber Security, Christopher White highlighted that with regards to passwords and information security, having stronger passwords updated less frequently was currently considered best practice.</p> <p>RESOLVED: Members noted the report.</p>
<p>AGC 24/19</p>	<p>FORWARD PLAN AND SCHEDULING OF FUTURE MEETINGS</p> <p>Gareth Roberts reported that an External Audit Plan would be circulated to members before the end of the financial year. Members expressed a view that due to the length of time until the next meeting, members may convene an additional meeting if required to consider the plan.</p>
<p>AGC 25/19</p>	<p>DATE OF NEXT MEETING</p> <p>Thursday May 28th 2020 at 10am.</p>

TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER –2019-20

Meeting	Item	Action	Owner	Target Date	Update
27 th September 2018	Action Tracker	Committee requested that consideration be given of a formal introduction program for committee members, detailing TVCA audit framework.	TVCA	After July 2020AGM	To be actioned now committee membership has been confirmed.
29 th November 2018	Any Other Business	Committee be provided with briefing on TVCA Vision and Values exercise	TVCA		Added to Forward Plan
28 th February 2019	Treasury Management Strategy	External advisors Arling Close to be invited to a future meeting of the committee to brief members on methodology used with regards to treasury management.	TVCA		Added to Forward Plan
15 th October 2019	Annual Financial Statements	Members to hold conference call to discuss statements following approval from External Auditors	TVCA	January 23 rd 2019	COMPLETE
23 rd January 2020	Corporate Risk Register	Members to be provided with briefing note on TVCA ask of government with regards to the UK Shared Prosperity Fund	TVCA	May 28 th 2020	COMPLETE
23 rd January 2020	Internal Audit Progress Report	Members to be provided with regular progress report on TVCA response to recommendations made by Internal Auditors	TVCA	May 28 th 2020	COMPLETE Report from auditors to be presented at May meeting. Further updates to be presented by TVCA officers at future meetings of committee.

AGENDA ITEM 5**REPORT TO THE
AUDIT AND GOVERNANCE COMMITTEE****THURSDAY MAY 28th 2020****REPORT OF THE DIRECTOR OF
FINANCE AND RESOURCES****DRAFT ANNUAL GOVERNANCE STATEMENT****SUMMARY**

This report presents to members the Tees Valley Combined Authority's draft Annual Governance Statement for 2019/20.

RECOMMENDATIONS

It is recommended that Members note the draft Annual Governance Statement for 2019/20 and provide comments for consideration by Cabinet.

DETAIL

1. The Accounts and Audit Regulations 2015 require all authorities in England to conduct a review at least once a year of the effectiveness of their governance framework and produce an Annual Governance Statement to accompany their annual Statement of Accounts.
2. Due to revised timescales necessitated by the COVID-19 outbreak, the draft Tees Valley Combined Authority Statement of Accounts and the Annual Governance Statement will be presented to Tees Valley Combined Authority Cabinet on Friday 24th July 2020. Final accounts will be presented to Cabinet in November 2020.
3. A requirement of the regulations state that the Governance Statement should be signed by a minimum of the Chief Executive and the Mayor, following approval by Cabinet. As with previous years, to maximise corporate ownership of the statement's contents the Annual Governance Statement will also be signed by the Chair of the Local Enterprise Partnership, in line with best practice recommendations made by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in their 2016/17 review of Annual Governance Statements.
4. The Annual Governance Statement acknowledges the Tees Valley Combined Authority's responsibility for ensuring that proper arrangements are in place around the governance of its affairs. The statement includes a description of the key elements of its governance framework, a description of the process applied in reviewing the effectiveness of this framework and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.

5. The Combined Authority's draft Annual Governance Statement for 2019/20 is attached at Appendix 1. At this time the Authority has not identified any significant issues that are not being addressed within the Statement.

FINANCIAL IMPLICATIONS

6. None directly from this report

LEGAL IMPLICATIONS

7. The Accounts and Audit Regulations 2015 require all English authorities to prepare an Annual Governance Statement and for it to accompany the Statement of Accounts.

RISK ASSESSMENT

8. None directly from this report

CONSULTATION

9. None

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Tees Valley Combined Authority

Annual Governance Statement 2020/21

1. Introduction

Good governance continues to be key to the delivery of our organisational objectives.

In the past twelve-months the Combined Authority's governance operations have expanded in scale and complexity to support the incorporation of Teesside International Airport into the Combined Authority Group and to integrate the governance arrangements of the South Tees Development Corporation into a single governance framework.

Our growing responsibilities are reliant upon maintaining robust governance arrangements which ensure the effective delivery of our activities and the management of risk.

Our ambition remains to make the Tees Valley the best place to live in the UK by driving rapid and sustainable economic growth, delivering better life chances and a better quality of life for our communities. But these are not the limits of our ambition or our responsibilities.

Our goal is that the Tees Valley Combined Authority continue to be perceived to be at the forefront of this devolution revolution and recognised by our peers as a role model when it comes to delivery and innovation in local government.

As part of the first wave of Mayoral Combined Authorities we are aware that we have a responsibility to prove that the best answers for local people come from local people and that devolution is the most effective way of driving regional economic development and creating vibrant, inclusive and prosperous communities throughout the United Kingdom. We do not believe that the government would be proposing to devolve further powers to Mayoral Combined Authorities had we not successfully met this challenge to date. The evolving devolution agenda places further duties on us to ensure that our governance framework continues to be an exemplar of best practice and has the flexibility to adapt to any new responsibilities and new challenges the coming period presents.

It is also our ambition that our Governance Framework adds genuine value to the decision and policy-making of the Combined Authority Group.

2. The Scope of Responsibility

The Tees Valley Combined Authority is responsible for ensuring that our operations are conducted in accordance with the law and appropriate standards. We are also responsible for making sure public money is used effectively and appropriately and is properly accounted for. We have a responsibility to ensure we have proper arrangements in place for the governance of our affairs and effective exercise of our functions, including the management of risk. We also have a duty under the 1999 Local Government Act to make continuous improvements to the way we operate.

Our Constitution sets out how we operate, how decisions are made, what our governance arrangements are and what processes are followed to ensure these are effective, transparent and accountable.

These arrangements are designed to be consistent with the principles and best practice outlined in the CIPFA guidance on good governance.

This Annual Governance Statement details how we have complied with this framework and also how we meet our responsibilities under the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.

3. The Purpose of our Governance Framework

Meaningful and dynamic corporate governance establishes the conditions and culture for us to work effectively, economically and ethically.

Our governance framework comprises the systems and procedures we believe will achieve our strategic objectives and deliver our activities in an appropriate and cost-effective way.

These objectives, as laid out in our Strategic Economic Plan and Investment Plan are:

- Driving **business growth** to increase job numbers and business density.
- Enhancing the **productivity** in key industrial sectors through the commercialisation of knowledge.
- Establishing a local labour market with the **skills** to meet local business needs.
- **Attracting and retaining innovative local, national and international businesses and individuals**, with an emphasis on vibrant town centres.
- **Changing perceptions** of the Tees Valley through its cultural and leisure offer, and making our area an attractive place to work, visit and live.
- Facilitating local, regional, national and international **connectivity** through investment in road, rail, air and broadband infrastructure.

A 10-year Investment Plan was agreed in January 2019 setting out how we will allocate resources to deliver these objectives. This plan is reviewed annually at Cabinet level, most recently in January 2020

Our governance framework enables us to monitor the achievement of these strategic objectives, and the system of internal control which derives from it allows us to manage risk at a realistic level. Although it is impossible to eliminate all risk, this structure is designed to identify and prioritise risks to the achievement of our objectives, evaluate the likelihood of those risks being realised and managing their impact should they be realised.

4. The Key Elements of our Governance Framework

The following arrangements are in place to quantify the quality of our services, ensure that they are delivering our objectives and make certain that we are providing value for money.

The Constitution

The responsibilities of Combined Authority employees and members is clearly laid out in the Authority's Constitution. This document – subject to annual review – explicitly documents

how the Authority operates, responsibilities for specific functions, schemes of delegation and how decisions are made. A new Scheme of Delegation was introduced in the Autumn of 2020 to deliver greater transparency and efficiency of the Combined Authority's day-to-day decision-making process.

The Constitution – which can only be amended by the unanimous agreement of the Cabinet – also sets out expected standards of behaviour for both officers and members.

The Constitution clearly sets how both the activities of the Mayor, Cabinet and Senior Officers will be subject to a robust set of check and balances, and details how this scrutiny process will be delivered.

Statutory and non-Statutory Committees

The Combined Authority Constitution details a number of Statutory Committees.

- A statutory **Overview and Scrutiny Committee** of members appointed by each of the Constituent Authorities, reviews the policies and operations of the Combined Authority and ensures effective democratic scrutiny of decisions. This committee has the authority to 'call in' for review Authority decisions which have yet to be implemented and the power to prevent their implementation whilst under review. The committee has utilised this power on one occasion to date. The committee continues to conduct strong scrutiny of the Combined Authority's activities, including establishing a Task and Finish Group to conduct an in-depth investigation into the draft Combined Authority Budget for 2020/21, as part of the consultation process. The committee also receives reports detailing decisions taken under delegated powers for scrutiny and review.
- A statutory **Audit and Governance Committee**, assuring sound governance and financial management of the Combined Authority, with members appointed from each Constituent Authority working in tandem with appropriately-qualified and experienced independent members. This committee oversees the operation of the Authority's risk management arrangements, considers and reviews its Internal Audit arrangements and reviews its Financial Statements.
- A statutory **Transport Committee**, reviewing transport strategy and policies and making recommendations to Cabinet. Members are drawn from the executive member with transport responsibilities from each Constituent Authorities and private sector representation.
- The **Local Enterprise Partnership (LEP)**, the principal forum for collaboration between the public and private sectors, is an integral part of the Combined Authority. A network of LEPs exists across England, but in the Tees Valley this partnership is strengthened by LEP members holding the role of Associate Members of the Combined Authority Cabinet.

The work of both these committees and the wider Combined Authority is given strategic support and oversight by a series of non-statutory and advisory groups, made up of experts from the private, public and third sector and designed to create channels of communication with stakeholders and add value to the Combined Authority's wider community consultation and engagement efforts, including but not limited to the:

- Education, Employment and Skills Partnership Board – beneath which sit several specialised workstreams addressing specific areas of operation.
- Culture and Tourism Partnership Board

- Innovation Task Group
- Transport Advisory Group
- Business Compass Steering Group

Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Commercial and Legal Manager at Redcar and Cleveland Borough Council is the Authority's designated Monitoring Officer and a protocol is in place with all directors, to safeguard the legality of all Authority activities. All Cabinet reports are considered for legal issues before submission to members.

Internal Audit

The Combined Authority's Internal Audit function, undertaken by RSM Limited, ensures compliance with the relevant standards and statutory requirements. The service liaises with relevant statutory and senior officers throughout the year to develop and maximise the effectiveness of the Authority's internal control systems and delivers an annual report on the quality of our processes.

In the past twelve months we have commissioned a new provider of our Internal Audit function with the intention of the Combined Authority benefiting from a more independent, comprehensive and rigorous service. This new provider has already made several service improvement recommendations which have been implemented by officers or which are in the process of implementation.

External Audit

The purpose of the External Auditors, Mazars, is to provide an opinion on the accounts and Value For Money conclusion.

Chief Financial Officer and Financial Arrangements

Under the requirements of Section 73 of the 1985 Local Government Act the Combined Authority has appointed a suitably-qualified Chief Finance Officer, the Director of Finance and Resources.

This officer, who is part of the Combined Authority's Senior Management Team, is responsible for:

- The operation of a robust system of budgetary control, including quarterly and annual financial reports indicating financial performance against forecasts.
- Ensuring that the Authority's finance function is appropriately resourced.
- Assessing the short, medium and long-term implications of all material business decisions, and identifying and mitigating financial and organisational risks arising from them.
- Aligning the Combined Authority's business and financial planning processes.
- Promoting good financial management throughout the organisation.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including quarterly and annual financial reports, which indicate financial performance against forecasts. The authority's financial management arrangements conform to the

governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Assurance Framework

As part of the Devolution Deal signed with HM Government, a significant proportion of central government regional investment funding has been consolidated into a Single Pot, over which the Combined Authority has significant autonomy over allocation.

An Assurance Framework has been developed setting out how the Tees Valley will ensure accountable and transparent decision making with regards to this fund, appraise projects and monitor and evaluate schemes to achieve value for money and ensure that funds are spent lawfully.

The Assurance Framework is reviewed annually, most recently in March 2020.

South Tees Development Corporation (STDC)

The Mayoral Development Corporation has in place its own governance arrangements, constitution and statutory committees. The Tees Valley Mayor is chair of the STDC board and TVCA and STDC share a Director of Finance & Resources.

Regular updates are provided to TVCA Cabinet, Local Enterprise Committee and Overview & Scrutiny Committee on the progress of STDC activities, and any significant decisions are brought to the TVCA Cabinet for decision through a referral mechanism.

The TVCA Governance Team assume responsibility for the management of STDC governance arrangements in the Autumn of 2019, in order to strengthen the integration of decision-making across different aspects of the Combined Authority Group and to strengthen the governance arrangements of the Development Corporation.

The South Tees Development Corporation Currently operates the following statutory committees:

- A **Board**, the ultimate decision-making body of the Development Corporation with a constitutional responsibility to guide and oversee delivery of the key objectives of the STDC.
- An **Audit & Risk Committee** with oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit arrangements.

The work of both these committees and the wider Development Corporation is given strategic support and oversight by a series of non-statutory advisory groups, made up of experts from the private, public and third sector. These groups include:

- **Planning & Infrastructure Workstream**
- **Business & Innovation Workstream**
- **People Search and Remuneration Committee**

The land at the STDC site is currently managed by the South Tees Site Company Ltd (STSC), an interim government body established in December 2016 to ensure the safe, secure and cost-effective management of the former site. This company has its own Board, which contains representation from the Development Corporation.

A Governance Review undertaken at the time led to amendment to the STDC Constitution, including the requirement that meetings of the STDC Board and Audit & Risk Committee be open to the public, with agenda, papers and minutes for the meetings published on the Development Corporation website.

Goosepool

TVCA are 75% shareholders in Goosepool 2019 Ltd who in turn own 89% of the shares in Teesside International Airport.

Goosepool has its own Governance arrangements in place and the Deputy Chair of the LEP is the Chair of the Board of Goosepool. 3 senior officials of TVCA make up the board members along with 1 official from the minority shareholder. The TVCA Governance Team assumed responsibility for governance arrangements of the Goosepool Board in the Spring of 2020, in order to strengthen the integration of decision-making across different aspects of the Combined Authority Group and to strengthen its governance arrangements.

Regular updates on the progress against the Airport Business Plan are given to TVCA Cabinet and relevant committees.

Adult Education Budget Governance

Responsibility for post-19 education funding was devolved to the Tees Valley Combined Authority in August 2019. An appropriate governance framework was developed alongside this process to ensure effective and appropriate decision-making, oversight and value-for-money assurance and this process has been incorporated into the wider Combined Authority Assurance Framework.

Corporate Risk Register

The Combined Authority operates a comprehensive and proactive Risk Management Strategy outlining its approach to Risk Management. Central to this strategy is a Corporate Risk Register which details what risks have been identified, the probability and impact of these risks being realised and which controls are in place to mitigate against these risks. This report is periodically presented to the Senior Leadership Team and scrutinised on a quarterly basis by the Audit and Governance Committee.

In the past twelve months our approach to risk management has been extended to include Directorate Level Risk Registers which identify risks specific to individual teams within the Combined Authority, which in turn inform the Corporate Register.

Declarations of Interest and Code of Conduct

All Combined Authority employees and members are subject to a formal Code of Conduct – forming part of the Authority's Constitution - and must complete, at least annually, a formal Declaration of Interest.

- An annual review of members Declarations of Interest was completed in January 2020.
- An annual review of officer Declarations of Interest was completed in April 2020.

In the interests of transparency the member declarations are reviewed by both the Chief Executive and Monitoring Officer and published on the Authority's website. The Chief Executive's Employee Declaration of Interest is also published online.

Gifts and Hospitality

The Combined Authority maintains a register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

Governance Arrangements

A dedicated Governance team is in place to ensure that the Combined Authority is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees number of areas including transparent decision making, Declarations of Interest, Whistle-blowing and Freedom of Information request handling.

5. Review of Effectiveness

The Combined Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance arrangements. Any areas for review are overseen and co-ordinated by the Chief Executive and Finance Director and any findings reported to the Audit and Governance Committee, where appropriate.

Internal Audit

The Internal Audit service compiles an annual report on its Internal Audit arrangements, which forms an integral part of this Annual Governance Statement.

This report, carried out by an independent provider, incorporates an Audit Plan detailing timescales for assurance work relating to specific activities. High priority is given to significant corporate projects and key financial systems, as well as other specific areas requested by the Senior Management Team.

Although annual assessment has yet to be received from the current internal audit provider, all area reviews carried out to date under the Audit Plan have resulted in a positive assessment.

External Audit

The Audit Completion Report from the Combined Authority's external auditors for the financial year ending March 31st 2019 concluded that:

"In all significant respects the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended March 31st 2019".

6. Conclusion

It is our conclusion – validated by external opinion – that the Combined Authority operates suitably effective and robust governance framework which supports the achievement of its policies, aims and objectives and meets all statutory requirements.

7. Impact of COVID-19 outbreak

Although the COVID-19 outbreak in March 2020 presented significant challenges to local government, the nature of work of the Combined Authority and robust pre-existing business continuity plans ensured it was possible to minimise the impact of the disruption on the delivery of services and finances.

The outbreak did, however, present challenges to the Combined Authority's governance framework – not least ensuring appropriate and transparent decision-making and operations was maintained in a time of disruption and enforced social distancing.

The Combined Authority responded to the situation by:

- Ensuring continuity of the governance framework by immediately re-arranging all non-statutory meetings to take place by video conferencing and preparing for statutory meetings to take place by video conferencing in advance of this power being granted to local authorities.
- Implementing power to temporarily hold statutory meetings remotely granted under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 from April 2020.
- Conducting an internal review of the implications of the postponement of the scheduled Mayoral Election of May 2020.
- Implementing guidance from the relevant supervisory authority – the Information Commissioner's Office – relating to the treatments of Freedom of Information requests during the outbreak and informing request makers.
- Adjusting financial reporting schedules to reflect revised deadlines and communicating these changes to the appropriate committee members.

The Combined Authority also responded to the COVID-19 outbreak by establishing a call centre to support local businesses affected by the disruption. The collection of information about these businesses also necessitated a review of the organisation's Privacy Notice and the taking of steps to ensure that all data protection requirements were appropriately adhered to.

As we progress to the recovery stage the Combined Authority will have a significant role to play in driving the region's economic revitalisation, which may involve the re-evaluation of long-term plans in light of altered circumstances. This re-evaluation will be conducted in conjunction with our established governance framework.

8. Progress

At this time the Combined Authority has not identified any significant governance issues. The following actions have been proactively taken, however, since the publication of the previous Annual Governance Report in order to mitigate against future risks and continue to strengthen our arrangements.

Progress made on implementing Improvement Plan from previous Annual Governance Report:

Action	Outcome
Review of Combined Authority Constitution	Constitution review completed and amendments approved and implemented, in Summer 2019. A new Scheme of Delegation was introduced in the Autumn 2019 to deliver greater transparency and efficiency of the Combined Authority's day-to-day decision-making process.
Review of Assurance Framework	Revised Framework agreed by the Cabinet in March 2020.
Implementation of Directorate-level Risk Registers.	Enhanced regard for management of risk embedded across organisation.
Combined Authority Governance Team assumes responsibility for governance arrangements of Goosepool Board and South Tees Development Corporation.	Strengthened integration of decision-making across different aspects of the Combined Authority Group and strengthened governance arrangements within constituent elements.
Adult Education Budget Governance arrangements to be finalised	Governance arrangements finalised and incorporated into the revised Assurance Framework.

9. Action Plan

The following actions are envisaged for the future development of our governance and risk management systems.

Action	Outcome	Responsibility	By When
Review and update the Authority's Constitution	Reviewed constitution	Chief Executive	End July 2020
Review of existing Monitoring Officer arrangements	Potentially enhanced transparency and decision-making.	Director of Finance & Resources	Autumn 2020
Introduction of Governance Framework Toolkit	Further embed governance framework across organisation.	Director of Finance & Resources	Autumn 2020
Review of governance of delivery of constituent elements of Combined Authority Group	Enhanced transparency, risk management and decision-making.	Chief Executive/Director of Finance & Resources	End July 2020
Investigate feasibility of publishing aspects of the Combined Authority Gifts and Hospitality Register.	Potentially enhanced transparency	Governance Manager	End July 2020
Governance Review setting out governance proposals for proposed devolution of further powers to Combined	Further powers devolved to the Tees Valley.	Chief Executive	End of July 2021

Authority under Government Levelling Up Agenda.			
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Signed

Ben Houchen
Mayor of the Tees Valley
Combined Authority

24th July 2020

Julie Gilhespie
Chief Executive, Tees
Valley Combined Authority

24th July 2020

Paul Booth
Chair of the Tees Valley
Local Enterprise Partnership
and Member of the Tees
Valley Combined Authority
Cabinet

24th July 2020

AGENDA ITEM 6**REPORT TO THE
AUDIT AND GOVERNANCE COMMITTEE****THURSDAY MAY 28th 2020****REPORT OF THE DIRECTOR OF
FINANCE AND RESOURCES****REVISED RISK MANAGEMENT FRAMEWORK****SUMMARY**

This report presents to members the Tees Valley Combined Authority's draft revised Risk Management Framework.

RECOMMENDATIONS

It is recommended that Members make comment on and approve the draft revised Risk Management Framework.

DETAIL

1. The Risk Management Framework sets out the Tees Valley Combined Authority's (TVCA) organisational approach to managing risk and opportunity.
2. The primary objective of the Framework is to support the achievement of TVCA's strategic objectives (contained in the TVCA Strategic Economic Plan and Investment Plan) and to safeguard TVCA's resources, people, finance, property, knowledge and reputation through:
 - Provision of a structured and consistent approach to risk and opportunity management
 - Facilitating good management decisions through an environment of tolerable strategic and enterprise risk limits.
 - A culture where staff understand and assume responsibility for managing the risks for which they are responsible for the controls to mitigate those risks.
 - Provision of relevant, timely information across clear reporting structures
 - Independent assurance and audit activities to provide feedback to management that quality processes and controls are in place and are effective.
4. The framework applies to all aspects of the TVCA organisation and its programmes. It will be implemented through our standard decision-making and

management processes and Assurance Framework and in accordance with all other group policies as appropriate.

5. The most recent Risk Management Framework was approved and implemented in June 2017. It is proposed in future that the Combined Authority Risk Management Framework is reviewed every year by the Audit and Risk Committee and any observations or recommendations relating to it submitted to the TVCA Cabinet at its Annual Meeting.
6. Senior Officers, working in tandem with the Combined Authority's Internal Audit partners, have carried out a review of organisational risk practices. This work has culminated a revised Risk Management Framework – attached as Appendix 1.
7. Significant changes to the previous Risk Management Framework in the revised framework include:
 - Changes reflecting the TVCA directorate structure implemented in Autumn 2019.
 - The introduction of a Risk Appetite Statement which will be used to challenge and inform strategic decisions.
 - The implementation of directorate-level Risk Registers integrated with annual directorate Business Plans.
 - More regular reviewing of operation of the Framework.

FINANCIAL IMPLICATIONS

6. None directly from this report

LEGAL IMPLICATIONS

7. The Tees Valley Combined Authority (along with all other local authorities) is legally required to have risk management arrangements in place.

RISK ASSESSMENT

8. None directly from this report

CONSULTATION

9. The Revised Risk Management Strategy has been reviewed and approved by the Combined Authority Senior Leadership Team and shared with the Combined Authority's Internal Audit partner.

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Risk Management Framework

May 2020

Contents

Section	Page Number
1. Risk Management Policy Statement	2
2. Introduction	4
3. Roles and Responsibilities	5
4. Risk Management Principles	9
5. Risk Management Processes	10
• Identifying Risk	12
• Evaluation Risk	14
• Treating Risk	17
6. Risk Appetite	20
Appendix 1: Template Corporate Risk Register	21
Appendix 2: Template Directorate Risk Register	22
Appendix 3: Risk Appetite Statement	23

1. Risk Management Policy Statement

Purpose

Our vision for the Tees Valley Combined Authority is to see our region transformed into a hotbed of modern and clean industry and enterprise and to drive sustained economic growth and job creation in the region we serve.

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of our objectives. The purpose of this risk policy is to ensure that risk management is an integral, visible and consistent part of routine management activity across the Authority.

Commitment

Managing risk and opportunity is critical to the successful delivery of the Tees Valley Combined Authority Investment Plan and Strategic Economic Plan. Tees Valley Combined Authority (TVCA) is accountable for using public resources in drive significant economic growth and job creation in our region; but it must do so with incomplete knowledge of future events, in a complex environment and within known funding and timing constraints.

TVCA is committed to implementing an organisation-wide risk management culture where risk is perceived as an opportunity as well as a threat, adopting ISO31000 best practice in the identification, evaluation and effective management of risk and opportunity. Risk management is an essential part of good operational and project management and is a central responsibility of all those working within the Authority.

We are an organisation where:

- Risk Management activity is aligned to corporate and business plan aims, objectives and priorities and encompasses all strategic and operational areas that may prevent the Combined Authority from fulfilling its strategic aims.
- We anticipate and take preventative action to avoid risk rather than manage consequences.
- However, we acknowledge that there are times where as an organisation we are required to take some risk to drive economic growth in circumstances where it will not otherwise happen, but where we do so, we do this in a clear and managed way.
- We seek to realise opportunities that arise from the monitoring of risk.
- Take a consistent approach for the identification, assessment and management of risk.
- We ensure risk control and mitigation is effective, appropriate, proportionate and affordable.
- All employees are required to take responsibility for the effective management of risk throughout the organisation.

Applicability

This policy applies to all aspects of the TVCA organisation and its programmes.

It will be implemented through our standard decision-making and management processes and Assurance Framework and in accordance with all other group policies as appropriate.

The Chief Executive has the ultimate responsibility and accountability for ensuring that risk is managed across TVCA, supported by the Director of Finance & Resources.

The Cabinet, Chief Executive, Senior Leadership Team, and Audit & Governance Committee provide governance leadership, agree the strategic direction and risk appetite, and promote the culture and 'tone from the top', all to ensure the best outcome for TVCA, staff and the wider Tees Valley.

This policy is to be reviewed at least annually by Senior Leadership Team to ensure its continuing relevance to our appetite and tolerance of risk and meeting our objectives.

The Framework will also be reviewed every year by the Audit and Risk Committee and any observations or recommendations relating to it submitted to the TVCA Cabinet at its Annual Meeting.

Objectives

The primary objective of the Framework is to support the achievement of TVCA's strategic objectives contained in the TVCA Strategic Economic Plan and Investment Plan and to safeguard TVCA's resources, people, finance, property, knowledge and reputation through:

- Provision of a structured and consistent approach to risk and opportunity management
- Assisting decision makers to make good management decisions within an environment of tolerable strategic and enterprise risk limits, including identifying and leveraging opportunities
- A Risk Appetite statement which is used to challenge and inform strategic decisions
- A culture where staff understand and assume responsibility for managing the risks for which they are responsible and the controls to mitigate those risks
- Provision of relevant, timely information across clear reporting structures
- Independent assurance and audit activities to provide feedback to management that quality processes and controls are in place and are effective.

For the Framework to be effective it must be integrated into TVCA's decision-making and business planning cycles.

2. Introduction

It is critical for TVCA to understand the internal and external risks that may impact the delivery of its organisational goals and have processes in place to identify, mitigate, manage and monitor those risks to ensure the best outcome for TVCA, staff and the Tees Valley.

The ISO Standard on Risk Management ¹ describes **risk** as “*the effect of uncertainty on objectives*”. Risk is the probability of an internal or external situation (an incident) with the potential to impact upon the work of the Combined Authority; preventing TVCA from successfully achieving its objectives, delivering its services or capitalising on its opportunities. Risks are an everyday occurrence that could potentially positively or negatively impact on TVCA’s ability to meet its obligations to central government, stakeholders and the community. TVCA recognises that while some risks cannot be fully eliminated, they can be identified, controlled and managed to an acceptable level.

TVCA’s Risk Management Framework is aligned to the [ISO Standard](#) and will be applied to all activities of TVCA. The Framework will be agreed every year by the Audit & Governance Committee (A&RC) and noted by Cabinet. This Framework document should be read in conjunction with TVCA’s Risk Management Policy.

Risk needs to be considered and addressed by everyone, including the TVCA Cabinet, executive staff and senior management, employees, partners and related stakeholders.

TVCA is committed to promoting an organisational culture where risk management is embedded in all activities and business processes. The responsibility of managing risk sits with all officers and is driven with a focus on actively being aware of all risks and not risk avoidance.

TVCA undertakes proactive risk management because:

- It provides a rigorous decision-making and planning process to understand the strategic, project and operational risks and opportunities facing TVCA in order to make informed decisions and meet organisational and strategic goals.
- It equips the organisation to take advantage of opportunities as they arise, including in circumstances where TVCA is required to take some element of risk to drive economic growth that would not otherwise happen, and must do so in a clear and well managed way.
- TVCA and its subsidiaries will have service agreements and contractual obligations with government and nongovernment agencies and organisations.
- It equips managers with tools to anticipate changes and threats that face TVCA and to allocate appropriate resources.
- It provides assurance to TVCA Cabinet, management and stakeholders that critical risks are managed appropriately.

The scope of this Risk Management Framework is organisation-wide to provide the architecture for a common platform for all risk management activities undertaken by TVCA; from individual function, process or project-based assessments to directorate and

¹ ISO Standard on Risk Management: ISO 31000-2018

whole-of-organisation assessments, with the aim of enabling comparative analysis and prioritisation of those assessments either individually or cumulatively. The Framework is directly linked to the achievement of objectives of TVCA and delivery of the programme of investment projects.

3. Roles and Responsibilities

It is the responsibility of everyone within TVCA to manage risk - the accountability for managing any specific risk sits with the person most appropriate to manage that risk.

Notwithstanding our “whole of organisation” approach to risk management responsibility, our Risk Management Framework has specific elements which require defined alignment of roles and responsibilities. The responsibilities for each of the roles identified are as follows:

- **Cabinet**

- Overall responsibility for determining what types of risk are acceptable/not acceptable through annual approval of Risk Appetite Statement.
- Annual receipt of recommendations relating to the Authority’s Risk Management Framework from the Audit & Risk Committee.
- Setting the moral standards, tone and influence of the culture of risk management across the organisation in line with the Nolan Principles.
- Receiving assurance that strategic risks are identified, managed and controlled appropriately.
- Annually approving membership of the Audit & Governance Committee.
- Receives reports on individual cabinet items that contain project specific risk analysis and commentary.

- **Chief Executive**

- Ensures appropriate risk management within TVCA, with the support of Directors.
- Monitors implementation of Risk Management Framework.
- Provides executive leadership in the management of strategic, operational and project risk and generally champion risk management within TVCA.
- Ensures that risk profiles are reviewed, updated and approved quarterly (monthly for high & severe risks)
- Reports expeditiously to Cabinet and Audit & Governance Committee on any fraud and corruption incidents or material risk mitigation failures and actions taken.

- **Audit & Governance Committee**

The Audit & Governance Committee (A&G) assists Cabinet in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of major strategic, reputational, financial, operational, regulatory, information, health and safety and other significant risks inherent in the organisation and mitigation planning with respect to such risks.

- Approves and oversees the Risk Management Framework and reviews the mechanisms in place to comply with the framework.
- Regularly receives and reviews Corporate and Directorate level Risk Registers and reports from Internal Auditors.
- Monitors the systems and process via the TVCA's risk profile and consider the risk profile when approving and implementing the Internal Audit Programme.
- Considers the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to the TVCA.
- Identifies and refers specific projects or investigations deemed necessary to assess risk management through the Chief Executive, Director of Finance & Resources or the Internal Auditor.
- Receives reports of any subsequent investigations and makes recommendations to Cabinet where appropriate.
- Ensures the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

- **Internal Auditors**

- Provide independent assurance.
- Consider strategic and operational risks in the development and implementation of the Internal Audit and Compliance Plan and recommend improvements.
- Periodically audit TVCA's Risk Management practices and provide recommendations on improvement to management and the Audit and Risk Committee.

- **Director of Finance & Resources**

- Lead officer for development, implementation and review of the Risk Management Policy, Risk Management Framework, and general risk management practice within organisation.
- Oversee financial risk management reporting to the Senior Leadership Team and Audit & Risk Committee in co-ordination with the Governance Manager.

- Ensure the financial function has the appropriate culture, capability, processes and systems to deliver on this policy and the Risk Management Framework.
- Ensure senior staff have adequate training in order to appropriately assess and mitigate risk.
- **Governance Manager**
 - Assurance that all TVCA activities comply with the necessary regulatory framework and established organisational processes.
 - Develop, maintain and quality assure corporate and directorate level risk registers and monitor implementation of controls and agreed treatment actions.
 - Oversee preparation of various risk management reports to the Senior Leadership Team, Cabinet and A&G Committee.
 - Liaise with the Internal Auditor and provide risk support to the Audit and Governance Committee.
 - Lead the refinement, implementation and review of the Risk Management Policy, Risk Management Framework, and supporting processes and systems.
 - Ensuring that cabinet reports and other report templates require risk analysis/commentary, as appropriate.
- **Other Directors**
 - Ownership of risk management within their Directorate, including production of directorate-level risk register.
 - Ensure Directorate Risk Register is routinely reviewed at Directorate Management and Team meetings.
 - Championing risk management within their Directorate and appropriate risk management practice by staff, volunteers, contractors, and service providers.
 - Ensuring coordination of activities such as risk register, assessments and reporting are completed.
 - Ensuring that individual cabinet reports contain adequate item-specific analysis and commentary on risks.
- **Risk Owners**
 - Responsibility for ensuring risk remains within defined tolerances and triggering of out-of-cycle review of the risks if material change occurs.
 - Ensuring personal compliance with risk management policies and procedures in performance of duties/activities.

- Ensuring controls mitigating risks are designed and operating effectively to reduce the risk exposure to a level which is acceptable to the TVCA.

- **Control Owners**

- In charge of ensuring that controls (which may be outside responsibility of risk owners e.g. IT controls) are identified, documented and effective.
- Understanding the importance of the effective operation of the control and potential impact of failure on all areas that rely upon it.
- Provide appropriate communication when controls fail or do not operate as expected.

- **Staff, Contractors and Service Providers**

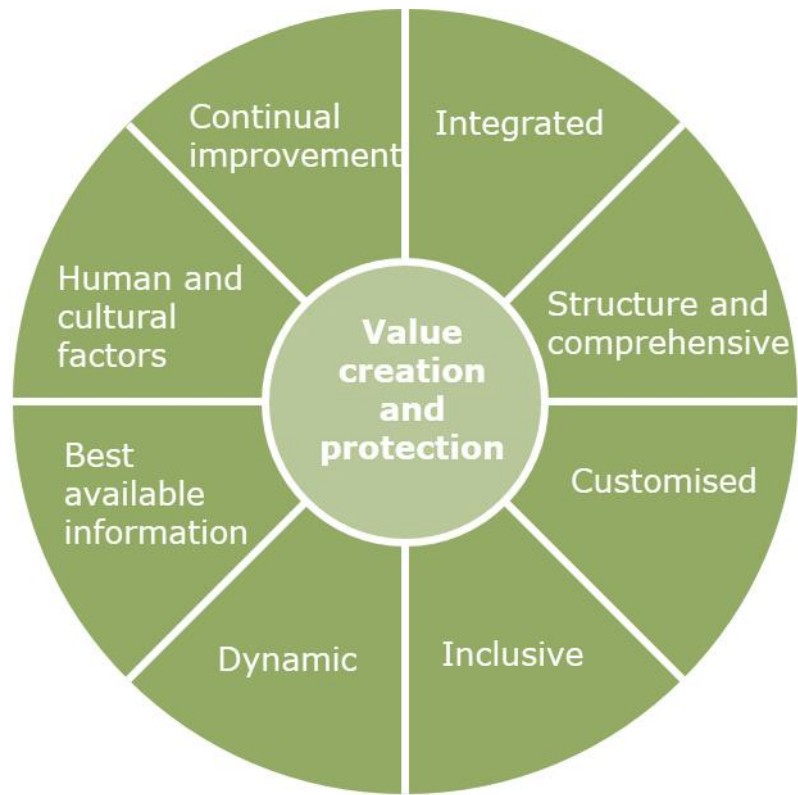
- Applying risk management practices in their area of work and ensuring that management are aware of risks associated with TVCA's operations.
- Recommending or providing suitable plans to manage risks; obtaining appropriate approval prior to action (where required) reporting on risk management practices.
- Awareness of TVCA's culture and ethos to report any perceived risks or failures in existing measures to senior management.

- **Other entities within the Combined Authority Group**

Other entities within the wider Combined Authority Group operate their own independent risk management arrangements, in particular the South Tees Development Corporation. The TVCA Audit & Governance Committee is represented on the Development Corporation Audit & Risk Committee and this representative will update members of the TVCA Audit & Governance Committee on the status of the corporation's risk profile on an annual basis. The Director of Finance & Resources will also update members as required by significant changes in the Corporation risk profile with the potential to impact upon the Combined Authority risk profile.

4. Risk Management Principles

All levels of TVCA shall commit to incorporating the following principles from the ISO Standard.



ISO 31000 Risk Management Principles

Integrated	Risk management is an integral part of all organizational activities.
Structured and comprehensive	A structured and comprehensive approach to risk management contributes to consistent and comparable results.
Customized	The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.
Inclusive	Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
Dynamic	Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
Best available information	The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
Human and cultural factors	Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
Continual improvement	Risk management is continually improved through learning and experience.

5. Risk Management Processes



The management of risk is captured within all areas of activity, as represented in the above diagram.

To understand the risks faced by TVCA and the resulting implications, risks will be identified and assessed at a hierarchy of three levels:

- **Corporate:** Those Corporate risks that, if realised, could have a significant detrimental effect on the overall Tees Valley Combined Authority key business processes and activities.
- **Directorate:** Those business risks that, if realised, could have a significant detrimental effect on the key objectives and activities of specific TVCA Directorates.
- **Project:** Risks that, if realised, could have a significant detrimental effect on the outcome of specific projects.

An overarching Corporate Risk Register details organisation-wide strategic and key risks – and appropriate migrations. Below this sits registers of risks pertaining to individual directorates. Template registers can be found as Appendixes 1 and 2.

These registers are integrated with annual Corporate and Directorate Business Plans.

Individual projects may also maintain their own risk registers as appropriate.

The Governance Team provides oversight across all risk activities within the organisation and ensures there is a consistent approach to risk management reporting and escalation that fully meets the organisation's needs.

Risk management follows a cyclical process and is a proactive activity to help identify and manage risks to ensure the Combined Authority's strategic aims, and delivery of the Business Plan can be achieved through regular monitoring.

The process follows 5 steps as demonstrated in the diagram above and is maintained through risks being clearly recorded within a risk register.

- **Confirm the Business Plan** – The objectives and key outputs of the business plan should be clearly understood before a risk assessment is completed. The business plan is all key actions over the coming year but overarching strategic risks are captured in addition to this on the Corporate Risk Register. Business Plans are implemented at both a Corporate and Directorate level.
- **Identify the risk** – Consideration should be given to any threats that could impact on the organisation or directorate's ability to deliver its objectives.
- **Evaluate the risk** – Once risks have been identified, consideration needs to be given to the likelihood of the risk materialising and the impact it will have on delivery of objectives. Risks should be evaluated by determining the risk magnitude, which is a combination of likelihood and consequence. Decisions can then be made about whether the risk is acceptable or further action is required.
- **Treat the risk** – Once the level of risk has been identified, consideration should be given to determine and take appropriate steps to ensure the risk does not have a detrimental effect on delivery of the objective. Further details are provided below but can include:
 - Tolerating the risk and no further action being required.
 - Treating the risk to reduce the opportunity for the risk to materialise.
 - Transferring responsibility for the risk to another party (e.g. Insurance).
 - Taking steps to Terminate the risk from occurring.
- **Monitor and review** – Risks are regularly monitored to ensure mitigation measures are effective and the level of risk remains at an acceptable level, or further actions or a change in approach can be sought. Risks are monitored and addressed by Senior Management Team with further assurance and oversight of risk management of corporate risks being directed through the Audit and Governance Committee.

Identifying Risk

A risk is anything which might impact on the achievement of an objective. A Risk can be raised by anyone associated with an objective programme or project.

Risk areas staff should be particularly cognisant of include those relating to:

- Reputational damage
- Political impact
- Legal & Litigation
- Operational failure
- HR related incidents / concerns such as termination issues or staff complaints
- Complaints
- Business Continuity
- Third Party failure
- IT outages/incidents
- Compliance
- Governance
- Safety, Health, Environmental and/or other regulatory breaches.
- Financial
 - Funding
 - Fraud (internal or external)
 - Fines/Penalties
 - Insurance claims
- Information (General)
- Information (Sensitive/Personal)

Comprehensive identification using a well-structured systematic process is critical, as a risk not identified will be excluded from further analysis, so identification should include all risks, whether or not they are under the control of TVCA

A systematic process includes working through each goal, objective or planned implementation action, identifying the things that may inhibit, detract from or prevent the achievement of the goal or enhance the opportunity to meet the objective. TVCA will use a range of tools and approaches to determine potential risks, including:

- Treating Risk as standing item in all team meetings.
- Annual and periodic strategic, planning, budget and risk identification workshops.
- Regular compliance reviews (internally and externally)
- Internal review by the Audit and Risk Committee
- Reviews by external service providers.

Evaluating Risk

Once identified and recorded on a risk register individual risks will be mapped into the scoring matrix below for a picture of overall risk to be developed. This will enable to organisation to clearly determine its overall risk profile and the key risks requiring immediate intervention

These ratings are achieved using the formula:

$$\text{Risk} = \text{Probability} \times \text{Impact}$$

5 - Very high Very likely to occur	5	10	15	20	25
4 - High More likely to occur than not	4	8	12	16	20
3 - Medium Could occur at some point	3	6	9	12	15
2 - Low More likely not to occur	2	4	6	8	10
1 - Very low Very unlikely to occur	1	2	3	4	5
Probability	1 Minimal	2 Minor	3 Significant	4 Major	5 Critical
	Impact				

High Risk

Risk is beyond tolerance levels and urgent action is required to demonstrate delivery can be achieved

Medium Risk

Risk is considered to have a significant impact on delivery of objectives and targeted intervention is required

Low Risk

Level of risk indicates no major concerns to threaten delivery of objectives. Remedial action should be considered if appropriate

Tees Valley Combined Authority recognises five key risk categories that have the opportunity to create a significant impact on business operations if not managed effectively. These include Finance, Reputation, Delivery, Legal & Governance and Health & Safety, details of the extent of risk for each is captured in the table below.

Consequence	Minimal (1)	Minor (2)	Significant (3)	Major (4)	Critical (5)
Financial	Costs could increase by up to 2.5% above budget.	Costs could increase by between 2.5% and 5% above budget.	Costs could increase between 5% and 7.5% above budget.	Costs could increase between 7.5% and 10% above budget.	Costs could exceed budget by greater than 10%.
Reputation	Minor poor media coverage or negative stakeholder relations contained locally over a short period of time including social media.	Poor media coverage or negative stakeholder relations contained locally, extending to television coverage over a short period of time.	Inability to maintain effective relations with stakeholders. Poor local media coverage over a prolonged period.	Inability to maintain relations with stakeholders. Potential for national media coverage impacting on stakeholder confidence in Tees Valley Combined Authority.	Inability to deliver political policies. Serious negative media coverage over a sustained period of time leading to political and/or public loss of confidence in Tees Valley Combined Authority.
Delivery	Threat could have a minimal impact on the quality of, or delivery delays of up to 3 months.	Threat could have a minor impact on the quality of, or delivery delays of between 3 and 6 months.	Threat could have a significant impact on the quality of, or delivery delays of between 6 and 9 months.	Threat could have a significant impact on the quality of, or delivery delays of between 9 and 12 months.	Threat could have a critical impact on the quality of, non-delivery, or delivery delays of greater than 12 months.
Health & Safety	Known H&S threats effectively managed through appropriate control measures.	Potential for minor injury to occur that can be satisfactorily managed through Safety Management Systems. Near miss incident necessitating review of processes.	Potential for injury or dangerous occurrence – including potential non lost time accidents.	Lost time accident or any incident which needs to be reported to a regularly authority. Potential for breach in H&S rules resulting in likely intervention by the Regulatory body.	Severe injury or fatality likely to occur. Regulatory body intervention probable with threat of statutory enforcement or prosecution.

<p>Legal/Regulatory</p>	<p>All constitutional and legislative requirements have been met and Tees Valley Combined Authority is acting within its statutory powers.</p>	<p>There is potential for legal action but measures to mitigate against any action can be demonstrated and no legislation has been breached.</p>	<p>Discretionary opinion on the interpretation of legislation or contractual terms is applied to confirm Tees Valley Combined Authority's ability to proceed with activities.</p>	<p>Discretionary opinion is not followed and action taken contrary to advice of legal colleagues.</p>	<p>Failure to comply with legislation and contractual obligations leading to the possibility of a litigation, arbitration or adjudication claim being brought.</p> <p>Tees Valley Combined Authority exceeds its legislative powers (Ultra Vires).</p>
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Treating Risk

There are a number of options available for the treatment of risk and more than one can be applied to any risk.

Typical treatment options include the establishment and operation of controls designed to mitigate, discourage, identify and/or limit the impact and likelihood of a risk from occurring. Most risks will have multiple different controls in place, some intended to prevent a risk occurrence and some will detect an occurrence whilst others are designed to respond to an occurrence. Controls are not always performed by the risk owner. For example, some projects or functions will have a key reliance on technology to manage controls to ensure systems are available and operating as required.

Examples of control options include:

- **Directive Controls** are those designed to establish desired outcomes. Examples include:
 - Setting TVCA policies and project/function policy/procedures.
 - Setting spending limits.
 - Setting IT configuration standards.
 - Laws and regulations.
 - Training.
 - Job descriptions.
 - Review Meetings.

- **Preventive Controls** are designed to discourage errors or irregularities from occurring. They are proactive controls that help to ensure Project or Functional objectives are met. Examples include:
 - Training on applicable policies, Project or Function policy/procedures
 - Review and approval for purchase requisitions to ensure they are appropriate before purchase
 - IT access authorisations to ensure access is appropriate
 - The use of passwords to stop unauthorised access to systems/applications
 - Segregation of duties (authorisation, recordkeeping & custody of the related assets should not be performed by the one same individual)
 - Physical control over assets
 - Office security measures.
 - Safe document retention and destruction.

- **Detective Controls** are designed to find errors or irregularities after they have occurred. Examples include:
 - Cash counts; bank reconciliation..
 - Review of payroll reports
 - Compare transactions on reports to source documents.
 - Monitor actual expenditures against budget.
 - Exception reports which list incorrect or invalid entries or transactions.
 - Reviews and comparisons.
 - Physical counts of inventories.
- **Corrective Controls** are intended to limit the extent of any damage caused by an incident e.g. by recovering the organisation to normal working status as efficiently as possible. Examples include:
 - Submit corrective journal entries after discovering an error.
 - Complete changes to IT access lists if individual's role changes.
 - Anti-virus software solutions.
 - System upgrades.
 - Additional training.
 - Changes to procedures.

The following actions are also examples for the appropriate treatment of risk:

- **Transfer the risk.** Risk transfer may be achieved by taking out insurance to facilitate financial recovery against the realisation of a risk or compensating a third party to own the risk because the other party is more able to effectively manage the risk. Risk may be wholly transferred, or partly transferred (that is, shared) It is important to remember that it is almost impossible to transfer risk completely. In almost all risk sharing arrangement, a degree of the original risk remains and there is inevitably financial or other consideration for the sharing of the risk. In addition, a new risk is inherited; one dependent on a third party to manage the original risk.
- **Terminate the risk.** Some risks may only return to acceptable levels if the activity is terminated. Seek to eliminate the event leading to the risk while staying within the current programme baseline.
- **Tolerate the risk.** Seeks to reduce (or eliminate) the impact, probability, or both, of the risk to some acceptable level. A risk may be accepted because:
 - the probability or consequences of the risk is low or minor,
 - the cost of treating the risk outweighs any potential benefit,

- the risk falls within the agency's established risk appetite and/or tolerance levels, or

As TVCA has limited or no control over some risks – such as natural disasters, international financial market impacts, terrorism and pandemic illnesses - TVCA will also maintain a business continuity plan in place to provide effective prevention and recovery.

Action Plans

When risks become so severe that further mitigation is required an action plan must be established.

An Action Plan provides the risk manager with a tool to continuously monitor project improvement through the implementation of the plan.

All actions must be:

- **Owned:** who is responsible for ensuring the action is addressed
- **Specific:** the exact activities that will be undertaken
- **Timely:** must be completed within appropriate and specified timeframes.
- **Achievable:** the action/activities must be realistic to ensure appropriate mitigation
- **Measurable:** it must be possible to quantify the action or assess progress
- **Justified:** can demonstrate lessening of impact or mitigation of risk.
- **Governed:** tracked, managed and reported

6. Risk Appetite

Risk appetite is the amount of risk exposure, or potential adverse impact from an event, that the Tees Valley Combined Authority is willing to accept in pursuit of its objectives.

Tees Valley Combined Authority will endeavour to keep all risks to as low a level as reasonably practical and will ensure risk activity is proportionate to the severity that each risk brings to the delivery of our objectives. We will demonstrate a focus on risk awareness but not be risk averse.

As an organisation we strive to excel in the delivery of our strategic aims and in achieving this, it may be necessary to extend our risk appetite in order to achieve optimum delivery. Any extension on the risk appetite will be undertaken following a review of the individual business case and will not threaten the organisation's statutory and legal obligations.

The Risk Appetite Statement will be presented for approval at Cabinet annually at the Combined Authority Annual Meeting.

The current TVCA Risk Appetite Statement can be found at Appendix 3

AGENDA ITEM 7**REPORT TO THE AUDIT AND
GOVERNANCE COMMITTEE****MAY 28th 2020****REPORT OF THE DIRECTOR OF
FINANCE AND RESOURCES****CORPORATE RISK REGISTER****SUMMARY**

This report presents the Tees Valley Combined Authority Corporate Risk Register as at May 2020. The risk register is reviewed on a regular basis by senior management and sets out the key corporate risks that have been identified.

RECOMMENDATIONS

It is recommended that Audit and Governance Committee consider the risk analysis as set out in Risk Register.

DETAIL

1. This report presents the Tees Valley Combined Authority Corporate Risk Register as at May 2020. The risk register is prepared in accordance with the Combined Authority Risk Management Framework and is reviewed on a regular basis by senior management. The risk register sets out the:
 - key corporate risks that have been identified;
 - type of risk e.g. legal, reputational, financial;
 - consequences if the risk is realised;
 - risk owner;
 - controls in place to manage the risk;
 - net risk score determined by probability and impact;
 - additional controls to be put in place and tracking implementation.

2. Notable changes to the Risk Register since its last presentation to members include the incorporation of two new entries (C22 and C23) relating to the COVID-19 outbreak of March 2020. Although the significant worldwide impact and realised probability of these entry attracts high net risk ratings, members can be assured that Combined Authority Business Continuity and Project Management arrangements have proved robust and efficient and allowed the work of the Combined Authority to progress with minimal disruption. As we move towards the recovery phase, the Combined Authority is already developing approaches to support recovery and longer-term resilience of the Tees Valley economy and working with our partners to develop a package of targeted measures to help businesses impacted by the pandemic to recover quickly, to be resilient to future shocks and to help them grow.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

5. This content of this report is categorised as low to medium risk.

CONSULTATION

6. None required.

Name of Contact Officer: Gary Macdonald
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Email: gary.macdonald@teesvalley-ca.gov.uk
Telephone Number: 01642 527 707

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C01	Failure to secure agreement on new future investment priorities. (INVESTMENT PLANNING)	<ul style="list-style-type: none"> • Delay in agreeing and approving projects to go into Investment Programme, potentially affecting spend • Impacts TVCA's reporting on progress to Government • Adverse effect on 5 year Government funding conversation and ability to bid successfully for other funding for projects • Failure to achieve SEP targets and outcomes • Reputational damage 	Strategy & Investment Planning Director/ Chief Executive	<ul style="list-style-type: none"> •TVCA Cabinet has overall responsibility for developing & delivery of SEP, Investment decisions and allocation of resources. • Proposals developed at early stage with Leaders & Mayor, LEP members, chief officers, partners and Government departments • Agreement to Investment Plan • Investment report on every Cabinet agenda as standing item • Additional EOIs reviewed as received • Oversight by TV Management Group • Quarterly performance reporting being developed • Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19 • Assurance Framework agreed by Cabinet and submitted to Government - now adopted • New processes and delegations agreed and implemented • Investment Plan Review agreed at Cabinet January 2020 	5	2	10			On-going dialogue with Mayor and Leaders on the Investment Plan review		<ul style="list-style-type: none"> •New Assurance Framework approved by Cabinet in March, along with Investment Plan Q3 Update. 	May-20
C02	Impact of EU Exit including financial uncertainty and economic instability that affects national policy in relation to devolution and impact on ability to progress TVCA devolution strategy; in particular uncertainty on UK successor regime to ESIF funding (UKSPF) and the loss of Local Growth Funding. (FINANCIAL)	<ul style="list-style-type: none"> • Loss of funding for Tees Valley compared to previous ESIF position • Failure to maximise opportunities for funding for Tees Valley under replacement arrangements •Increased funding to address economic shocks • Need to mobilise support to businesses and communities •Reduced Inward Investment activity •Loss of key businesses •Loss of jobs • Increased deprivation 	Chief Executive/Strategy & Investment Planning Director/ Commercial & Delivery Director	<ul style="list-style-type: none"> • Ongoing engagement with Leaders & Mayor, Chief Officers and Government departments • Continuation of focus on TVCA delivery of objectives and SEP • Secured ESIF guarantee from Government • Engagement with Government on future funding plans post Brexit, including tracking progress with development of proposed UK Shared Prosperity Fund • Action plan agreed for utilising remainder of ESIF funding • Working with partners on proposals for current open call (closing Aug19) •EU Exit Action Plan being prepared •Funding to support businesses being developed •Potential impacts being monitored •Joint LA and partner EU Exit group established •LEP/Growth Hub business intelligence gathering and business engagement being undertaken 	4	3	12	↓8		<ul style="list-style-type: none"> • Liaison with other CAs/LEPs 	Ongoing	Regular liaison with Government on progress with UK Shared Prosperity Fund.	May-20

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C03	Failure to secure sufficient additional resources to fund proposed activity. (FINANCIAL)	<ul style="list-style-type: none"> Impacts ability to deliver SEP targets and outcomes Reputational damage 	Strategic & Investment Planning Director/ Finance & Resources Director/Chief Executive	<ul style="list-style-type: none"> Robust Budget, Investment Plan and Medium Term Financial Plan, Treasury Management Strategy 2020/21 to TVCA Cabinet March 2020 Submission of high calibre bids for external funding Identifying opportunities for efficiency and greater impact Ongoing review of EZ income potential Ongoing review of commercial potential of individual projects and TVCA borrowing potential/limits Ten Year Investment Plan 2019-29 agreed (including funding plan) Regular meetings between Mayor and Government Ministers Progress with external funding bids reported quarterly to TVMG 	4	3	12			<ul style="list-style-type: none"> Investments identified in Local Industrial Strategy need to feed into Investment Plan and other external sources Tightening up bidding process - approval to bid and actual bid sign off 		<ul style="list-style-type: none"> TVCA bids submitted to ERDF Open Calls Ongoing discussions with Government on specific projects and funding requirements TVCA Directors met with Chief Secretary to the Treasury- Rishi Sunak, now Chancellor of the Exchequer, and Senior Govt Officials to discuss funding on 17th Jan 2020 	May-20
C04	Transport specific funding secured from government is not sufficient to meet TVCA programme aspirations eg significant local contributions sought that are not affordable and/or TCF not awarded on ongoing annual basis. (FINANCIAL)	<ul style="list-style-type: none"> Not all planned transport projects can be delivered Harder to leverage other funding Reputational damage 	Commercial & Delivery Director/ Head of Transport	<ul style="list-style-type: none"> Transport programme approved by Cabinet January 2020 Programme shared with DfT Reporting to DfT on progress with TCF spending/delivery Ongoing liaison with DfT re specific projects eg New Tees Crossing, Darlington Northern Link Road, Darlington Station, Middlesbrough Station Ongoing discussions with key partners eg Northern Rail, Train Operators, TfN & Highways England Annual conversation with government Briefing The Mayor to lobby Government - discussions ongoing on specific project funding requirements 	4	3	12	-				Discussions ongoing on specific project funding requirements	May-20

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C05	Failure to secure appropriate funding from Government for the operation of the South Tees Development Corporation. (FINANCIAL)	<ul style="list-style-type: none"> • Delay to delivery of STDC planned development • Potential effect on TVCA's other funding priorities • TVCA cannot itself meet funding requirements • Loss of potential inward investment into Tees Valley, and other opportunities to meet SEP objectives • Reputational damage 	Chief Executive/ Director of Finance & Resources	<ul style="list-style-type: none"> • STDC established as legal entity 1st Aug 2017 • Official launch 23rd August 2017 • STDC Constitution requires significant financial matters to be referred to TVCA Cabinet • TVCA FD is also FD of STDC • STDC Board meeting regularly • Continued dialogue with Government • £123m funding secured in 2017 Budget • £14m in 2018 budget • CSR Business Case to HMG 2019 • New Chief Exec of STDC recruited • New STDC structure proposals to enhance operational capacity/capability 	4	3	12	↓4		<ul style="list-style-type: none"> • Detailed STDC Area assessments and statutory studies required to inform longer term funding requirements 	31/12/20	Secured £71m Government funding from Treasury, supported by MHCLG/BEIS. Successful negotiations with SSI regarding CPO Objections	May-20
C06	Obligations undertaken by STDC have potential financial impact on TVCA	<ul style="list-style-type: none"> • Strain on TVCA funding availability • Potential effect on other TVCA funding programmes • Reputational damage 	Director of Finance & Resources	<ul style="list-style-type: none"> • STDC Constitution requires significant financial matters to be referred to TVCA Cabinet • TVCA FD is also FD of STDC • Development of a STDC programme management structures • Aligning STDC reporting updates with TVCA • New STDC structure proposals to enhance operational capacity/capability 	4	2	8			Securing successful CPO to consolidate land ownership and support comprehensive regeneration	Oct-20	Secured £71m Government funding from Treasury, supported by MHCLG/BEIS. Successful negotiations with SSI regarding CPO Objections CPO confirmed as successful in April 2020.	May-20
C07	Failure to provide sufficient capacity to deliver TVCA functions. (DELIVERY)	<ul style="list-style-type: none"> • Delays in terms of TVCA business being transacted, decisions being made and funding being defrayed • Potential loss of investment into Tees Valley • Delays in achieving SEP and Investment Plan outputs and outcomes • Potential effect on ability to bid credibly for additional funding • Key staff may decide to leave organisation • Reputational damage 	Chief Executive	<ul style="list-style-type: none"> • Oversight by Senior Management Team • Reviews being implemented • Recruitment under way in key areas (eg AEB devolution) • Further reviews as part of annual medium term financial plan to go to January Cabinet • Implementation of reviews under way 	4	3	12	-					May-20

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C09	Failure to build and maintain relationships with key partners. (REPUTATIONAL)	<ul style="list-style-type: none"> Potential impact on LEP and its operation More difficult to maximise opportunities to access significant external funding which requires a partnering approach Delays to agreement and delivery of Investment Programme Risk to achievement of SEP targets and outcomes Reputational damage 	Chief Executive/ Senior Leadership Team	<ul style="list-style-type: none"> Regular Cabinet meetings (including LEP Board members) Regular portfolio holders meetings and briefings Directors/Heads meeting LA officers regularly MOU agreed with Teesside University Regular liaison with other key partners eg. CPI, MPI, TWI, Digital City Regular liaison with other key government agencies (and others) eg. Homes England, Highways England, HLF, Arts Council, BLF, TfN etc Perception study undertaken 	4	2	8	-					May-20
C10	Uncertainty within the economy and/or the political environment (DELIVERY)	<ul style="list-style-type: none"> Potential delay to agreement of TVCA priorities and approval of any additional funding Potential delay in delivering SEP targets and outcomes Reputational damage 	Chief Executive	<ul style="list-style-type: none"> Engagement with local MPs Engagement with local authorities 	4	3	12	-		<ul style="list-style-type: none"> Engagement with national parties Develop relationships with new MPs and Ministers 	Ongoing		May-20

Ongoing discussions between Mayor and

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C11	Failure to pass the first Gateway Review. (FINANCIAL) See sub risks A & B below	<ul style="list-style-type: none"> Inability to deliver Ten Year Investment Plan and strategic investments and achieve SEP outcomes Increased workload/resources required to address issues Risk to future funding of organisation Significant reputational damage 	Strategy & Investment Planning Director/Finance & Resources Director	<ul style="list-style-type: none"> Bi-monthly meeting with Government officials and on-going dialogue Assurance framework (monthly conversation with BEIS) Internal Audit arrangements Annual conversations with Government Mayor meets with Government Ministers Funding cannot progress to final approval unless it meets the Assurance Framework process. Staff trained on the Assurance Framework to ensure it is being adhered to Tees Valley baseline prepared by SQW Evaluation plan agreed between SQW, Tees Valley & government Internal Audit reviewing processes over last 12 months 	5	2	10	↓5		<ul style="list-style-type: none"> Quarterly reporting to Cabinet on Investment outputs and outcomes to be introduced Annual Review to be undertaken End to End process presentations to more teams in diary 	Oct-19 Mar-20	Awaiting SQW "One Year Out" report	May-20
C11-A	Failure to deliver the existing pipeline of funding commitments and achieve targeted spend. (DELIVERY)	<ul style="list-style-type: none"> Impacts TVCA's reporting on progress to Government Adverse effect on 5 year Government conversation & ability to bid successfully for other funding Failure to achieve SEP targets and outcomes Reputational damage 	Strategic Investment Planning Director/Commercial & Delivery Director/Finance & Resources Director	<ul style="list-style-type: none"> Creation and utilisation of Advanced Funding to provide upfront investment in feasibility work Programme monitoring and review Assurance Process in place Investment Plan Risk Register operational Regular Investment Panel meetings Regular liaison with BEIS Monthly spend reviews in place Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19 Revised Assurance Framework in place Quarterly review of progress against internal business plan targets Investment Plan delivery progress reported to Cabinet quarterly Investment Plan Review was agreed at Cabinet January 2020. Investment Plan Performance Report going to March 2020 Cabinet 	5	2	10	-				Dir of F&R introducing new, improved IT systems & financial reporting in due course which will support management in this risk	May-20

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C11-B	Failure to manage funding in order to deliver maximum value for money. (FINANCIAL)		Strategic Investment Planning Director/ Director of Finance & Resources	<ul style="list-style-type: none"> Revised Assurance Framework approved by Cabinet on 13th March prior to submission to Government 	4	2	8	-		<ul style="list-style-type: none"> Review to ensure appropriate development, appraisal and assurance processes are operating effectively and efficiently Staff briefing sessions on the whole process 	Sep-20	Dir of F&R introducing new, improved IT systems & financial reporting in due course which will support management in this risk	May-20
C12	Failure to detect fraud. (FINANCIAL)	<ul style="list-style-type: none"> Loss of funds that cannot be recovered and applied to required spend objectives Staff resources required to manage any instances Reputational damage 	Director of Finance & Resources	<ul style="list-style-type: none"> Internal audit arrangements External audit arrangements Internal expenditure approvals process Assurance Framework for Investment Review of internal expenditure process undertaken Staff induction process 	5	2	10	-		<ul style="list-style-type: none"> Review need for particular controls on specific new funding programmes Investment Plan shared and developed with Directors 	Ongoing		May-20
C13	Failure to properly manage AEB Budger	<ul style="list-style-type: none"> Reduction in availability of skills training in the region. Financial impact on FE priorities 	Director of Business & Skills	<ul style="list-style-type: none"> TVCA Cabinet approves annual allocation Monthly submissions by providers are monitored Regular meetings with providers Regular update to directors, Management Group & Cabinet 	4	2	8	-			Ongoing		May-20
C14	Failure to adequately communicate and explain the TVCA and Mayor functions and role may mean expectations are not managed. (REPUTATIONAL)	<ul style="list-style-type: none"> Confusion is possible in terms of relations with partners, businesses and residents Reputational damage 	Head of Communication	<ul style="list-style-type: none"> Communications plan in place Regular liaison with Mayor's office on Comms issues & opportunities Communications Strategy agreed Working with SBC and other Local Authorities to promote the Mayoral election to drive up voter registration and awareness Issued a tender to marketing agencies to augment and support this work 	3	3	9	-				Mayoral election postponed until May 2021 as a result of COVID-19 outbreak	May-20

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C15	Senior Officers leave the organisation. (DELIVERY)	<ul style="list-style-type: none"> Insufficient senior resource to lead and manage the workload over a critical period Delays to delivery of Investment Programme Risk of not delivering against SEP targets and outcomes Loss of confidence by Government funding departments Resource not available to lead on funding bids Reputational damage Reduction in TVCA team morale 	Chief Executive	<ul style="list-style-type: none"> Regular SLT meetings Regular management one to ones Director of Finance & Resources appointed Director Business & Skills appointed 	2	4	8	-					May-20
C16	Failure to agree a Local Industrial Strategy with Government. (REPUTATIONAL)	<ul style="list-style-type: none"> Failure or delay causes reputational damage Potential impact on ability to bid for national funding Potential impact on regeneration of STDC site Potential impact on SEP delivery as a consequence 	Strategy & Investment Planning Director	<ul style="list-style-type: none"> Detailed timetable in place for the Local Industrial Strategy is being undertaken Partners to support development of Local Industrial Strategy identified Engagement events held with key sectors in Jan19 Thematic engagement events Feb19 Workshops with LEP and Leaders May19 Ongoing dialogue with Government on final draft with a view to publish before the national Budget. 	4	3	12			<ul style="list-style-type: none"> Comms engagement to be planned 			May-20
C17	Failure to operate within TVCA constitution. (LEGAL)	<ul style="list-style-type: none"> TVCA decisions are ultra vires Risk of legal challenge, leading to delay to delivery of TVCA programme(s) and costs Reputational damage 	Chief Executive/ Monitoring Officer	<ul style="list-style-type: none"> Updates and reports to TVCA Cabinet Briefing and engagement with Constituent Authorities' members Public Consultation undertaken A&G Committee in place and meeting regularly O&S Committee in place and meeting regularly Additional independent members recruited to A&G Committee Involvement of Monitoring Officer at Cabinet and in review of papers/decisions Legal & Commercial Manager has left TVCA 	5	1	5	-				<ul style="list-style-type: none"> Temporary legal support in place. Directors reviewing legal capacity requirements for TVCA and associated group. 	May-20

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C18	Failure to maximise influence at regional/national level. (REPUTATIONAL)	<ul style="list-style-type: none"> Missed opportunities to influence national and regional agendas to benefit Tees Valley Potential impact on ability to bid for and get additional funding Potential impact on delivery of SEP 	Chief Executive/ Strategy & Investment Planning Director	<ul style="list-style-type: none"> LEP Meetings LEP Network representation Mayoral role Membership of Transport for the North Membership of NP11 Maintaining key relationships (see C09 above) MCA network influencing Government 	2	2	4	-					May-20
C19	Failure to operate DTVA successfully and turn around operation. (DELIVERY)	<ul style="list-style-type: none"> Reputational damage Increased financial liabilities (see C17) Impact on economic growth potential 	Chief Executive/Commercial & Delivery Planning Director	<ul style="list-style-type: none"> Strategic partnership joint venture with Stobart Aviation 5 year Business Plan agreed annually Agreed governance arrangements Monitoring & reporting to DTVAL & Goosepool Ltd Boards TVCA oversight and Scrutiny via Cabinet and Overview & Scrutiny Goosepool Executive Director overseeing TVCA investment 	4	2	8	-					May-20
C20	More TVCA investment required for DTVAL than is foreseen in Business Plan. (FINANCIAL)	<ul style="list-style-type: none"> Increased financial liabilities Impact on other projects/programmes 	Chief Executive/ Finance Director	<ul style="list-style-type: none"> Strategic partnership joint venture with Stobart Aviation 5 year Business Plan agreed annually Agreed governance arrangements including Executive Meetings Monitoring & reporting to DTVAL & Goosepool Ltd Boards TVCA oversight and Scrutiny via Cabinet and Overview & Scrutiny Goosepool Executive Director overseeing TVCA investment 	4	2	8	-				<ul style="list-style-type: none"> Business Plan under review Development of Southside proposals to compliment overall Airport infrastructure and to provide additional returns to support the Business Plan. 	May-20
C21	More TVCA investment required for DTVAL than is foreseen in Business Plan. (FINANCIAL)	<ul style="list-style-type: none"> Increased financial liabilities Impact on other projects/programmes 	Chief Executive/ Finance Director	<ul style="list-style-type: none"> Strategic partnership joint venture with Stobart Aviation 5 year Business Plan agreed annually Agreed governance arrangements including Executive Meetings Monitoring & reporting to DTVAL & Goosepool Ltd Boards TVCA oversight and Scrutiny via Cabinet and Overview & Scrutiny Goosepool Executive Director overseeing TVCA investment 	4	2	8	-					May-20

TVCA Corporate Risk 2019/20 - Q4

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C22	Pandemic Illness Outbreak - Impact on organisation	Potential consequences of widespread national disruption include: Prolonged closure of offices. High levels of staff absenteeism - including senior staff.	Chief Executive/Senior or Leadership Team	Existing Business Continuity Plans -including use of Microsoft Teams and secure tablets for all staff - were designed to address prolonged inaccessibility of Cavendish House, facilitate prolonged periods of home-working and to manage absence of senior staff members and high levels of staff absenteeism. Weekly SLT meetings to manage organisaitonal impact of outbreak and to deploy/redeploy resources where required.	5	5	25	+25	Outbreak of COVID-19	Regular liason with government. Adaptations to ways of working and office space to deliver a safe socially-distanced working environment once a return to Cavendish House becomes viable. Daily communication from senior leaders.	Ongoing	TVCA has operated entirely remotely since late March 2020. Business Continuity Plans have proved robust and effective and the impact of the disruption on the operation of the organisation has been minimised, with staff rapidly adapting to new ways of working.	May-20
C23	Pandemic Illness Outbreak: Impact on delivery	Widespread national disruption and economic impact inhibits organisational ability to deliver on key projects and outcomes	Chief Executive/Senior or Leadership Team	Response to current situation includes: Establishment of 24/7 Business Support Helpline. Launch of Buy Local Tees Valley website to connect local people with businesses and tradespeople that have remained open, or are operating differently, during the outbreak. Survey of 900 businesses to increase understanding of effects the pandemic and short, medium and long-term support required. Established project management process ensures progress of straregic projects.	5	5	25	+25	Outbreak of COVID-19	Regular liason with government. As we move towards the recovery phase, the Combined Authority is now developing approaches to support recovery and longer-term resilience of the Tees Valley economy and working with our partners to develop a package of targeted measures to help businesses impacted by the pandemic to recover quickly,	Ongoing		May-20



TEES VALLEY COMBINED AUTHORITY

Final Annual internal audit report 2019/2020

18 May 2020

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.





CONTENTS

1 The Head of Internal Audit opinion.....	2
2 The basis of our internal audit opinion	4
3 Our performance	6
Appendix A: Annual opinions	8
Appendix B: Summary of internal audit work completed 2019 / 2020	9
For further information contact	10

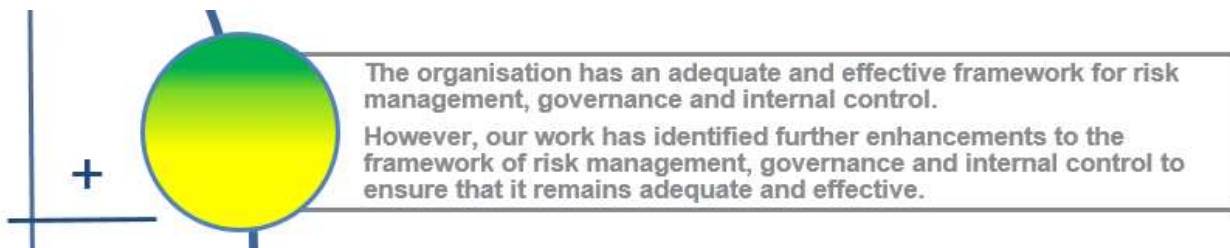
1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2020, the Head of Internal Audit Opinion for Tees Valley Combined Authority is as follows:

Head of internal audit opinion 2019/20



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Governance Committee, our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention;

- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems; and
- our internal audit work for 2019/20 was completed prior to the advent of the substantial operational disruptions caused by the Covid-19 pandemic. As such our audit work and annual opinion does not reflect the situation which has arisen in the final weeks of the year. We do, however, recognise that there has been a significant impact on both the operations of the organisation and its risk profile.

1.3 Factors and findings which have informed our opinion

Based on the work we have undertaken on the systems of internal control, governance and risk management across the organisation, we do not consider that there are any issues that need to be flagged as significant internal control weaknesses. Our opinion on governance, risk management and control have been informed by the following:

Risk

In 2019 / 2020 we have obtained our risk management opinion from observation of reporting and discussions of the risk register at the Audit and Governance Committee, and completion of the following risk-based audit:

- Programme / Project Delivery (*risk: failure to secure agreement on the future investment priorities*)

In addition, we performed a specific risk management review that resulted in a **reasonable** assurance opinion. We identified further improvement in relation to the updating of the Risk Management Strategy; documenting of assurances provided and developing a more structured approach for directorate level risk registers.

Governance

We did not undertake a specific review of corporate governance arrangements during 2019 / 2020. Therefore, our opinion for 2019 / 2020 is based on our findings from testing the governance and management reporting arrangements that we identified as part of each individual internal audit carried out during the year.

We are also aware from our attendance at Audit and Governance Committee meetings that the organisation has satisfactory governance arrangements in place.

Control

The implementation and management of actions raised during the course of the year are an important contributing factor when assessing the assurance opinion on control. RSM performed a follow up review during the year that concluded in **reasonable progress** had been made to implement the agreed management actions.

Two of the five assurance reviews undertaken attracted a substantial assurance opinion. We did not raise any high management actions during 2019 / 2020 and all of our medium and low management actions were accepted by management.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

We issued a total of two substantial assurance opinions and three reasonable assurance opinions. We do not consider these opinions need to be considered as part of the annual governance reporting.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

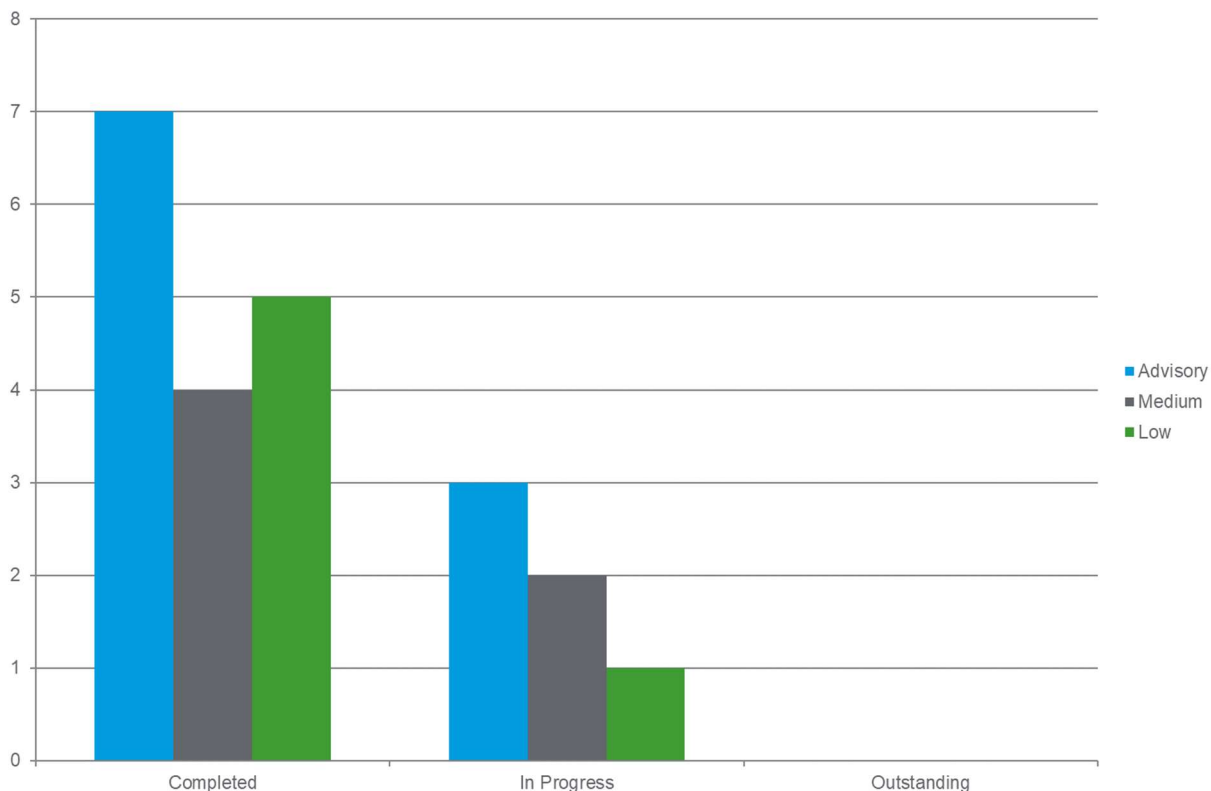
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2019 / 2020.

2.2 Implementation of internal audit management actions

Our follow up of the actions agreed to address internal audit findings shows that the organisation had made **reasonable progress** in implementing the agreed actions.



The Follow Up review considered the following areas: Risk Management; General Data Protection Regulation (GDPR) Governance; and Procurement. Six actions had not been fully implemented across the areas of Risk Management, GDPR and Procurement.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Conflicts of interest

RSM has not undertaken any work or activity during 2019 / 2020 that would lead us to declare any conflict of interest.

3.2 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.3 Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

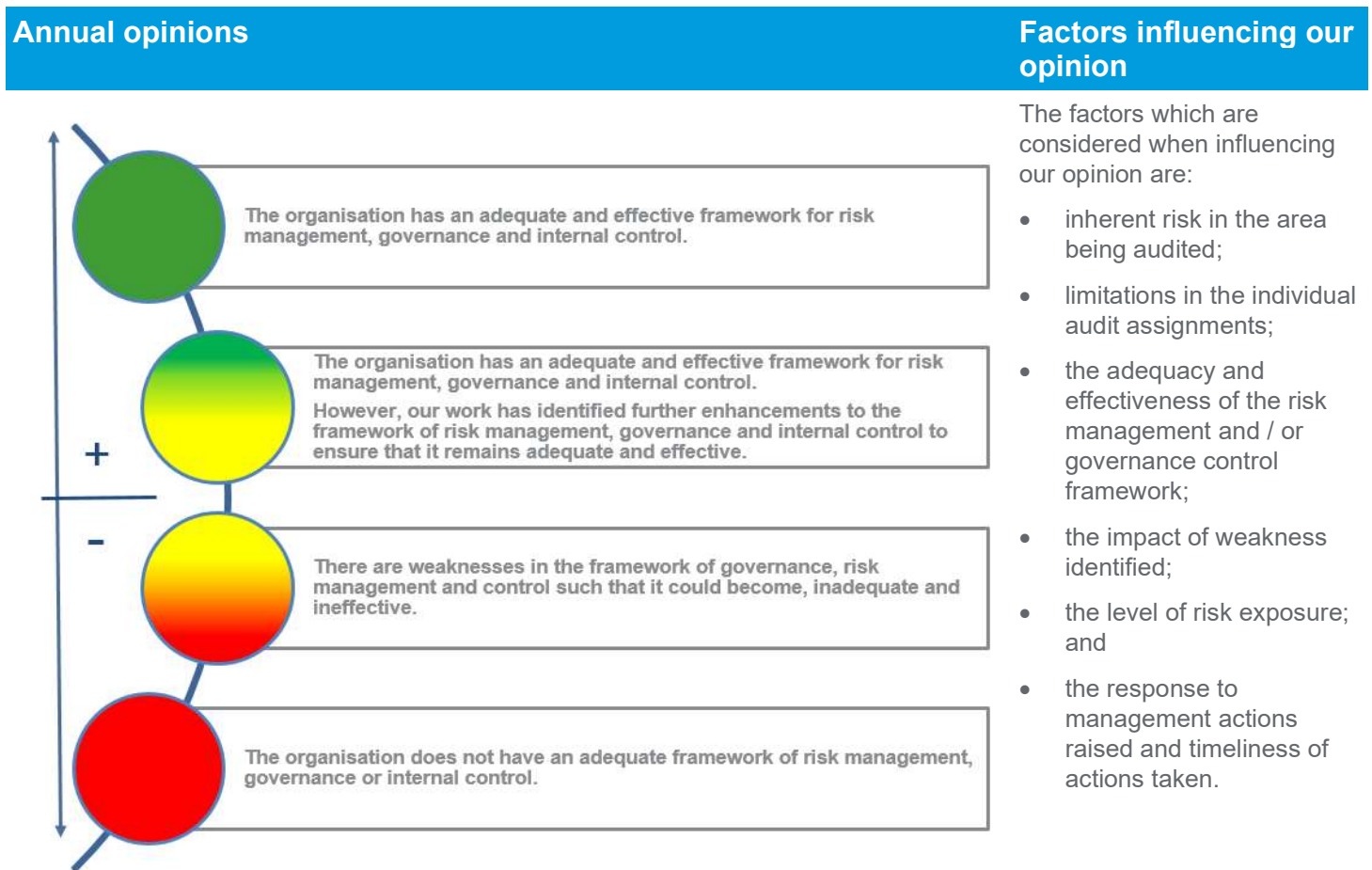
3.4 Performance indicators

A number of performance indicators were agreed with the Audit and Governance Committee. Our performance against those indicators is as follows:

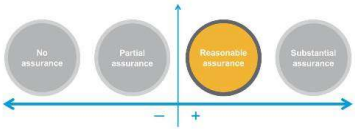
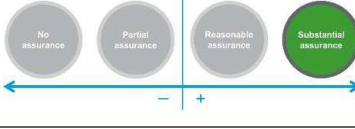
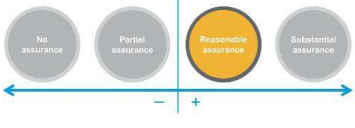


Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 working days of debrief meeting	10 working days	5 working days (average)	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 working days of management response	3 working days	1 working day (average)	% of staff with CCAB/CMIIA qualifications	>50%	70%
Medium, low and advisory recommendations followed up	Yes	Yes	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working day	1 working day (average)

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.



APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019 / 2020

Assignment	Assurance level	Actions agreed		
		L	M	H
Risk Management		5	3	0
Programme / Project Delivery		1	2	0
GDPR	No opinion provided	10 uncategorised management actions raised.		
Cyber Risk Management		3	2	0
Key Financial Controls: Procurement		1	3	0
Declarations of Interest		1	2	0
Follow Up of Previous Internal Audit Management Actions	Reasonable Progress	5	1	0

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the organisation can take:

	<p>Taking account of the issues identified, the organisation cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk.</p>
	<p>Taking account of the issues identified, the organisation can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk.</p>
	<p>Taking account of the issues identified, the organisation can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.</p>
	<p>Taking account of the issues identified, the organisation can take substantial assurance that the controls upon which the organisation relies to manage the identified risk is suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

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RSM Risk Assurance Services LLP

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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 **Tees Valley Combined Authority**, 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 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 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.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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TEES VALLEY COMBINED AUTHORITY

Internal Audit Progress Report

Audit and Governance Committee

28 May 2020

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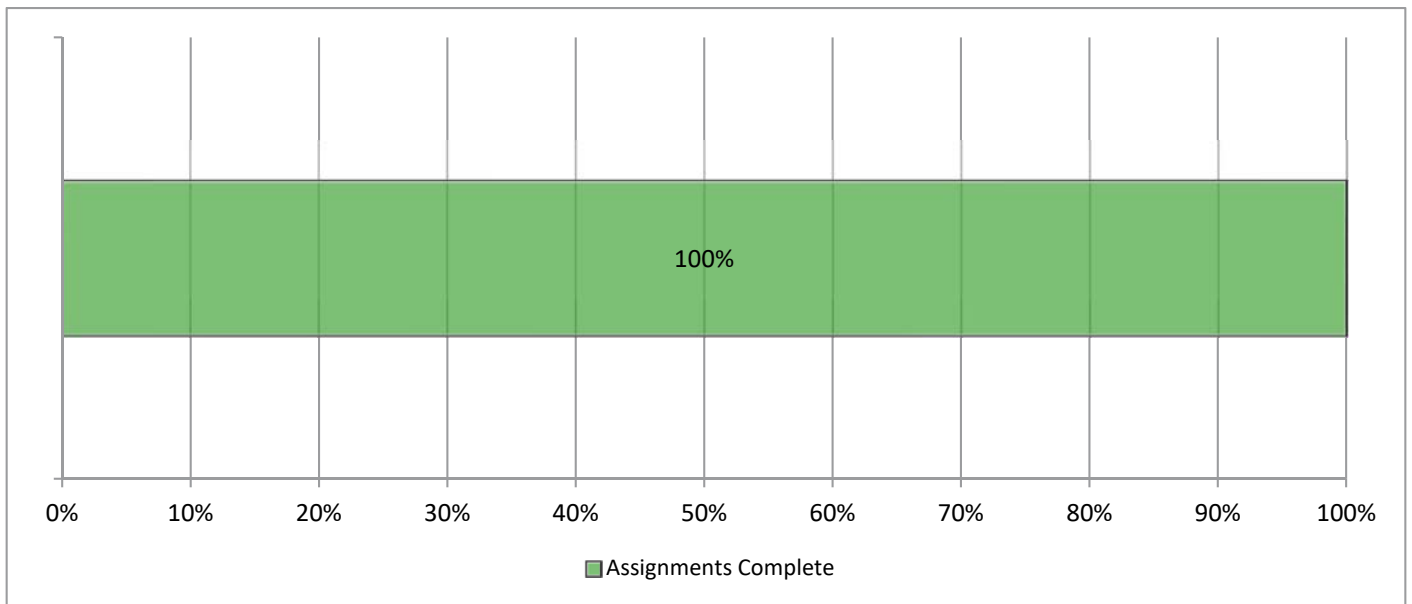
CONTENTS

1	Introduction.....	2
2	Reports considered at this Audit and Governance Committee.....	3
3	Other matters	6
	Appendix A: Internal audit assignments completed to date	7
	For further information contact	8

1 INTRODUCTION

The internal audit plan for 2019 / 2020 was approved by the Audit and Governance Committee on 24 July 2019.

The graphic below provides a summary update on progress against the 2019 / 2020 plan.



2 REPORTS CONSIDERED AT THIS AUDIT AND GOVERNANCE COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit and Governance Committee held.

We have finalised four reports since the previous meeting and these are detailed in the table below.

Appendix A also details the full history of the audits completed in 2019 / 2020.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Declaration of Interests	Final		1	2	0
Cyber Risk Management	Final		3	2	0
Programme / Project Delivery	Final		1	2	0
Follow Up of Previous Internal Audit Management Actions	Final	Reasonable progress	5	1	0

2.1 Audit findings summary

Declarations of Interest

Objective of the area under review

There is a process in place for declarations of interest (including pecuniary interests), including that they are obtained on in a timely manner, updated regularly and any declared interests are taken appropriate account of.

Impact of findings to date



Conclusion: positive

Impact on annual opinion: positive

As a result of testing undertaken **two medium** and **one low** priority findings were identified and management actions agreed for all.

The two medium agreed actions related to:

- All declarations of interest forms had not been completed and submitted at the time of our review.
 - Declarations of interests had not been collated and analysed from a group prospective.
-

Cyber Risk Management

Objective of the area under review

To ensure that computer systems and data are resilient to threats resulting from connection to the Internet.

Impact of findings to date



Conclusion: positive

Impact on annual opinion: positive

As a result of testing undertaken **two medium** and **three low** priority findings were identified and management actions agreed for all.

The two medium agreed actions related to:

- A formally documented Information Security Policy was not in place.
 - A formal process had not been established for reporting operational management information (MI) on a periodic basis.
-

Programme and Project Delivery

Objective of the area under review

There are processes in place which enable effective oversight of performance of programmes/projects for which the Authority has granted and issued funding.

Impact of findings to date



Conclusion: positive assurance

Impact on annual opinion: positive

As a result of testing undertaken **two medium** and **one low** priority findings were identified and management actions agreed for all.

The two medium agreed actions related to:

- Through sample testing, we could not confirm conditions of funding had been met prior to the release of payment for one funded project.
 - The Director of Finance and Resources, as the Section 73 Officer, had not authorised the release of payment in all cases sampled in accordance with the Authority's Assurance Framework.
-

Follow Up of Previous Internal Audit Management Actions

Objective of the area under review

To ensure that agreed management actions raised by internal audit have been actioned by management.

Impact of findings to date



Conclusion: positive assurance

Impact on annual opinion: positive

As a result of testing undertaken **one medium** and **five low** priority findings were identified and management actions agreed for all.

The audits considered as part of the follow up review were:

- Risk Management;
- General Data Protection Regulation (GDPR) Governance; and
- Procurement.

We reviewed six medium, six low and 10 advisory management actions as part of the review.

The one medium agreed action related to:

- We noted that a procurement strategy had not been drafted and approved.
-

3 OTHER MATTERS

3.1 Key performance indicators (KPIs)

Delivery	Quality		Quality	Quality	
	Target	Actual		Target	Actual
Draft reports issued within 10 working days of debrief meeting	10 working days	7 working days	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 working days of management response	3 working days	1 working day	% of staff with CCAB/CMIIA qualifications	>50%	70%
Follow up of internal audit recommendations	Yes	Yes	Response time for all general enquiries for assistance	2 working days	1 working days
			Response for emergencies and potential fraud	1 working day	N/A

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

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

Assignment	Opinion issued	Actions agreed		
		L	M	H
Risk Management		5	3	0
General Data Protection Regulation (GDPR) Governance	No opinion provided.	10 uncategorised management actions		
Procurement		1	3	0

FOR FURTHER INFORMATION CONTACT

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TEES VALLEY COMBINED AUTHORITY

Declarations of Interest

FINAL

Internal audit report 4.19/20

11 May 2020





CONTENTS

1 Executive summary	2
2 Detailed findings	5
Appendix A: Scope	11
Appendix B: Further information.....	12
For further information contact	13

Debrief held 10 January 2020
Draft report issued 20 January 2020
Responses received 11 May 2020

Final report issued 11 May 2020

Internal audit team Robert Barnett, Head of Internal Audit
Philip Church, Client Manager
Gregory Barnett, Senior Internal Auditor

Client sponsor Gary Macdonald, Director of Finance and Resources

Distribution Gary Macdonald, Director of Finance and Resources

1 EXECUTIVE SUMMARY

1.1 Background

As part of the approved internal audit plan for 2019 / 2020, we reviewed the control environment surrounding the declaration of potential pecuniary and non-pecuniary conflict of interests conducted by the Tees Valley Combined Authority ('Authority').

The Authority is a partnership of five local authorities: Middlesbrough, Hartlepool, Darlington, Stockton-on-Tees and Redcar and Cleveland, and focus on the development of transport, infrastructure, skills, business investment, housing, and culture and tourism in the Tees Valley region.

To highlight any potential conflict of interests at a senior decision-making level, members of senior committees must complete a declaration of member interests within 28 days of being appointed to the position. The Authority publishes these declarations through the register of member interests' section of the TVCA website. Said senior decision-making committees include:

- Tees Valley Combined Authority Cabinet;
- Overview and Scrutiny Committee;
- Audit and Governance Committee;
- Transport Committee.
- Local Enterprise Partnership Board.

The declarations process is overseen and falls under the responsibility of the appointed Authority Monitoring Officer, who was consulted as part of this review.

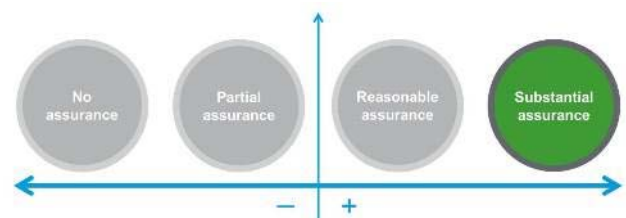
1.2 Conclusion

Based on testing conducted within this review, the Authority can take **substantial assurance** regarding the control environment surrounding disclosure of potential conflict of interests.

We have noted opportunities for improvement and in such cases, raised a corresponding management action, details of which can be found below.

Internal audit opinion:

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



1.3 Key findings

The key findings from this review are as follows:

- We obtained a copy of the Authority's Constitution which was publicly available through the TVCA website. We verified the process for registration of members' pecuniary and non-pecuniary interests was covered within appendix seven - part two (page 133 onward). We also verified that a condensed and simplified version of the directives laid out in the Constitution were communicated as a separate "TVCA Declaration of Interests Procedure", which was also available through the Authority's website.
- We inspected all 43 declarations which had been uploaded to the Authority website and in all cases, verified that:
 - The disclosure had been appropriately completed and signed off by the listed member;
 - The disclosure had been presented to and signed off by the Authority's Chief Executive Officer
 - The disclosure had been reviewed and signed off by the Authority Monitoring Officer, prior to being uploaded to the Authority website by the Governance team.
- We inspected a sample of published minutes from the Cabinet and subcommittees with the aim to verify whether each has, as a standing item on the agenda, the opportunity to disclose any potential conflict of interests regarding the matters to be covered in the meeting. Specific committees included:
 - Tees Valley Combined Authority Cabinet;
 - Overview and Scrutiny Committee;
 - Audit and Governance Committee;
 - Transport Committee.

For all 16 samples selected, we successfully confirmed that the opportunity to declare any conflicts of interest was available through a formal standing item held on the minutes.

- Procurement where the Authority directly purchases a good or service can follow three procurement channels:
 - Single tender appointment;
 - Request for Quotation (RFQ); and
 - Call off a framework.

We selected a sample of 10 instances of direct procurement with the aim to verify whether disclosure had been made regarding any actual or perceived conflicts of interest. The sample consisted of:

- Four single tender appointments;
- Four RFQs; and
- Two Call of Frameworks.

In all 10 cases, we were successfully able to verify that the direct award of contract form/contract justification form had been appropriately signed off by Director of Finance and Resources and the Legal and Commercial Manager. In all 10 cases, it was declared that there were no actual or perceived conflicts of interest from the decision makers.

- As part of an annual process at the request of the Governance and Administration Manager, the HR department obtains a list of all staff members employed by the Authority and for each individual, obtains a signed declaration of interest form. For all 10 samples selected, we were successfully able to obtain a completed declaration of interest form which had been signed and dated both by the employee and their line manager.

We noted the following opportunities for improvement:

- We inspected the register of members' interests which was available through the Authority's website, with the aim to verify whether scans of the signed disclosure documents were uploaded and appropriately completed. The register listed 57 members, however on the date of testing (09 January 2020) we noted that 14 members did not have a signed declaration submitted within the list. **(Medium)**
- We were unable to verify whether there was any formal process for analysing declarations of interest from an overall group perspective. Through conducting testing, we verified that declarations for members are maintained as the individual forms on the Authority website. We also verified that results from staff declarations are maintained within the HR department. However, we were unable to verify whether there was a single directory with the results of sources of potential conflicts. **(Medium)**

For further detail, please see section two of this report.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Declarations of Interest	1	(7)	2	(7)	1	2	0
Total	1	2	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.

2 DETAILED 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 regulatory scrutiny/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, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Declarations of Interest								
1	The Authority maintains a list of declaration forms which report on potential conflicts of interest regarding the members or substitute members of the following boards: <ul style="list-style-type: none"> Tees Valley Combined Authority Cabinet Overview and Scrutiny Committee 	Yes	No	We inspected the register of members' interests which was available through the Authority's website, with the aim to verify whether scans of the signed disclosure documents were uploaded and appropriately completed. The register categorises members according to the committee/subcommittee to which they are assigned. The results of testing are as follows:	Medium	The Monitoring Officer will introduce a formal escalation process where members have not submitted their declaration of interests within the defined 28 days of appointment, ensuring the matter is brought to the attention of an appropriately senior member of management.	31 March 2020	Authority Monitoring Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> Audit and Governance Committee Transport Committee <p>Scans of the response forms are published on the Authority website.</p> <p>The Local Enterprise Partnership Board is included in the list; however, this is not a formal meeting of the Authority as members do not have the right to vote on Authority matters.</p> <p>The conflicts of interest are monitored as they are able to advise the various committees/ cabinets on commercial matters.</p>			<p><u>Incomplete Register of Members' Interests</u></p> <p>The register listed 57 members, however at the date of testing (09 January 2020) we noted that 14 members did not have a signed declaration submitted within the list.</p> <p>A summary of declarations provided, broken down by category is listed below:</p> <ul style="list-style-type: none"> TVCA cabinet - 6/6 (complete); TVCA cabinet substitutes - 2/5; Local Enterprise Partnership - 11/12; Overview and Scrutiny Committee - 9/15; Audit and Governance Committee - 8/9; Audit and Governance Committee substitutes - 2/3; Transport Committee - 2/4; and Transport Committee Substitutes - 1/4. <p>Through discussions with the Governance and Administration Manager, we understand that the most recent committee changes occurred in October 2019, therefore</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>requiring new members to make fresh declarations.</p> <p>According to the Authority's Constitution, declarations must be made within 28 days of their appointment as a member.</p> <p>We inspected a copy of the declaration return tracker document which the Governance team use to monitor the status of fresh declaration requests. We selected one sample of unsubmitted declarations from each relevant subcommittee with the aim to understand for how long the declaration had been outstanding.</p> <p>In all six cases, we verified that the request to complete the declaration was first sent out in October 2019 and chased twice over November/December 2019.</p> <p>If there is no formalised escalation process for when declarations have not been completed and submitted within the 28-day window, there is a risk that appropriate declarations will not be made, increasing the chance of pecuniary conflicts of interest going unrecorded.</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner	
				<p><u>Analysis of declarations present</u></p> <p>We inspected all 43 declarations which had been uploaded to the Authority website and in all cases, verified that:</p> <ul style="list-style-type: none"> • The disclosure had been appropriately completed and signed off by the listed member; • The disclosure had been presented to and signed off by the Authority's Chief Executive Officer; and • The disclosure had been reviewed and signed off by the Authority Monitoring Officer, prior to being uploaded to the Authority website by the Governance team. 					
2	<p>There is a process in place for flagging concerns regarding non-compliance with the Code of Conduct for members, which follows the established whistleblowing procedure.</p> <p>The whistleblowing procedure forms part of the Assurance Framework and is available publicly</p>	Yes	No	<p>Through discussions with the Authority Monitoring Officer, we understand that there have been no reported instances of breaches/non-compliance regarding conflict of interests.</p> <p>If instances of non-compliance did occur, we understand the notification process would follow the whistleblowing procedure where concerns are subsequently communicated up to the Authority Monitoring Officer or Governance</p>	Low	The Monitoring Officer will update the whistleblowing procedure, ensuring that the contact details reflect the recent change in personnel.	31 March 2020	Authority Monitoring Officer	

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	through the Authority's website.			<p>and Administration Manager for further action to be taken.</p> <p>The complaints and whistleblowing procedure is defined under section 3.68 of the Accountability and Transparent Decision-Making section of the Assurance Framework which is made publicly available within the Constitution on the Authority's website.</p> <p>There is also guidance communicated through the whistleblowing page on the Authority's website, which provides specific details regarding who to report concerns to, and what following action may be undertaken.</p> <p>We verified that the contact details available through the whistleblowing procedure for the Monitoring Officer was accurate and correct.</p> <p>However, since the policy was published, the named contact as Governance and Administration Manager had moved to another position in the Authority and therefore was no longer accurate.</p> <p>If the contact details for the Governance and Administration Manager is incorrect, there is a risk that instances of whistleblowing will be communicated to the incorrect</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				member of staff, reducing the effectiveness of the whistleblowing process.				
3	<u>Missing control</u> Declarations of interest are collated and analysed from a group perspective.	No	-	<p>We were unable to verify whether there was any formal process for analysing declarations of interest from an overall group perspective.</p> <p>Through conducting testing, we verified that declarations for members are maintained as the individual forms on the Authority website.</p> <p>We also verified that results from staff declarations are maintained within the HR department.</p> <p>However, we were unable to verify whether there was a single directory with the results of sources of potential conflicts.</p> <p>If there is no single register of declarations made, there is a risk of reduced clarity over which potential conflicts have been disclosed.</p>	Medium	<p>The Authority Monitoring Officer will introduce a single register containing the results of all declarations of interest made.</p> <p>This will enhance overview from a group perspective and help clarify where potential conflicts may arise.</p>	31 March 2020	Authority Monitoring Officer

APPENDIX A: SCOPE

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

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objectives of the area under review

There is a process in place for declarations of interest (including pecuniary interests), including that they are obtained on in a timely manner, updated regularly and any declared interests are taken appropriate account of.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

The audit will focus on the accuracy and completeness of the declarations. The review will cover whether:

- The Authority has appropriate policies and procedures in place to manage conflicts and potential conflicts of interest and cabinet members (and substitute members), staff, consultants and the Local Enterprise Board are aware of these.
- The Authority maintains appropriate registers of interest for cabinet members (and substitute members), staff, consultants and the Local Enterprise Board.
- There are regular opportunities available to declare any interests and these are promptly recorded on the register.
- Ensuring procurement decisions have been reviewed against the register to identify any potential conflicts of interest where members may have been involved in the decision-making process.
- Review of how declarations of interest are identified and monitored for projects, programmes and other funded activity.
- Reporting concerns and identifying and managing breaches/ non-compliance – for example, whether processes are in place for managing breaches and for the publication of anonymised details of breaches.
- We will consider how declarations of interests are collated and analysed from a Group prospective.

Limitations to the scope of the audit assignment:

- We will not consider the declaration of gifts and hospitality.
- We will review the conflicts of interest processes in place, however we will not provide assurance whether all interests have been declared and managed.
- Any testing will be undertaken on a sample basis for 2019 / 2020 only.
- Our work does not provide any absolute assurance that material error; loss or fraud does not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Andrew Nixon, Authority Monitoring Officer
- John Hart, Governance and Administration Manager
- Clare Winter, HR Manager
- Neil Cuthbertson, Finance Manager

Documentation reviewed during the audit:

- Authority Constitution
- Declaration of Interests Procedure
- Whistleblowing Procedure
- Disclosure of Interests forms

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TEES VALLEY COMBINED AUTHORITY

Cyber Risk Management

FINAL

Internal audit report: 5.19/20

18 May 2020

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CONTENTS

- 1 Executive summary 2
- 2 Detailed observations and action plan 4
- Appendix A: Scope 9
- Appendix B: Further information..... 12
- For further information contact 13

Debrief held	23 January 2020	Internal Audit team	Robert Barnett, Head of Internal Audit
Draft report issued	3 February 2020		Philip Church, Client Manager
Responses received	18 May 2020		Narahari Joshi, Technology Risk Director
Final draft issued	18 May 2020		Fiona Liu, Technology Risk Consultant
			Munibah Ahmed, Technology Risk Consultant
		Client sponsor	Director of Finance and Resources
		Distribution	Director of Finance and Resources

1 EXECUTIVE SUMMARY

1.1 Background

An audit of the cyber security framework was undertaken as part of the approved 2019 / 2020 internal audit plan for Tees Valley Combined Authority ('TVCA'). Xentrall who are an IT service provider which is part of Stockton Borough Council's IT department provide IT services to TVCA. As part of this audit we reviewed the controls operated by Xentrall as part of their IT service provision to TVCA.

Cyber security consists of the technology, governance, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorised access.

The audit was carried out primarily through sample-based testing and meetings with the Director of Finance and Resources, HR Manager, and ICT Security and Assurance Team Leader for Xentrall, along with a review of key documentation relevant to the scope of the audit.

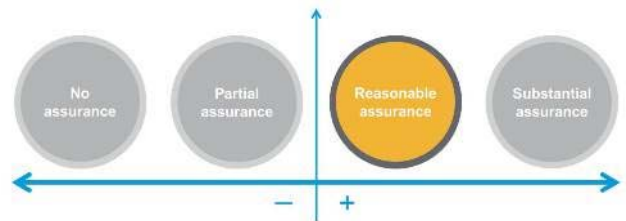
1.2 Conclusion

Some control developments are required to further enhance TVCA's cyber security processes and framework. **Two medium** and **three low** priority management actions have been raised in this report based on our observations, and these matters have been taken into consideration when determining the assurance opinion provided below.

Internal audit opinion:

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

However, we have identified issues that that need to be addressed in order to ensure that the control framework is effective in managing this area.



1.3 Key findings

The key findings from this review are as follows:

- An Information Security Policy has not been established. There is a risk that staff are not aware of IT acceptable use and hence risks associated with misuse of their account, internet services or email, which can lead to reputational damage or legal implications for TVCA.
- A formal process has not been established for reporting of operational management information (MI) on a periodic basis. In the absence of a formal process for operational MI to be produced for management, there is a risk that management are not fully informed on IT operations and service performance.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*	Non-compliance with controls*	Agreed actions		
			Low	Medium	High
Cyber risk management	4 (10)	1 (10)	3	2	-
Total			3	2	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.

1.5 Additional feedback

We have identified the following examples of good practice during this audit:

- IT services for TVCA are provided by Xentrall Shared Services, a department in Stockton Borough Council, who have been audited for PSN, PCI DSS compliance, and ISO27001 and ISO9001 certification through BSI. We noted that Xentrall has implemented a wide range of technical controls to help address the forever changing cyber security landscape, including up-to-date McAfee anti-virus deployed to all clients and servers, monthly internal vulnerability assessments, and annual penetration testing.
- IT assets used by TVCA have secure configuration through a defined standard build of PCs, which include Bitlocker encryption. Patches are also tested and applied in a phased approach on a monthly basis to reduce vulnerabilities and the risk of cyber-attack.

2 DETAILED OBSERVATIONS AND ACTION PLAN

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.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Objective: To ensure that computer systems and data are resilient to threats resulting from connection to the Internet.

1	Missing control TVCA requires staff to undertake mandatory cyber security training to raise staff awareness of cyber security threats.	No	-	Through onsite testing we noted that additional awareness efforts are not undertaken to inform staff of cyber security threats, other than the annual data protection and information security training modules. Other threats within the cyber security landscape that are applicable to TVCA include: <ul style="list-style-type: none"> • Viruses; • DDoS (distributed denial-of-service) attack; • Malware; • Ransomware; 	Low	The Authority will ensure that training is undertaken to raise cyber security awareness for all staff. This could be achieved through: <ul style="list-style-type: none"> • Online training modules; • Posters; • Emails; and • Staff briefings and meetings. 	31 August 2020	Governance Manager
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<ul style="list-style-type: none"> Spyware/adware; and MITM (man-in-the-middle) attack. <p>There is a risk that staff at TVCA are not aware of key cyber and information security threats facing TVCA and will not be appropriately trained on how to mitigate these risks.</p>				
2	<p>Missing control</p> <p>A formally documented Information Security Policy has been established.</p>	No	-	<p>Although we noted there is some reference to business use of IT in the Social Media Policy which is available on the intranet site, for all staff, TVCA do not currently have a formally documented Information Security Policy in place.</p> <p>Details of key IT related roles, responsibilities and points of contact, password policy and IT acceptable use have not been documented and communicated to all staff.</p> <p>Although there is mandatory IT security training staff must complete, there is a risk that staff are not aware of IT acceptable use and hence risks associated with misuse of their account, internet services or email, which can lead to reputational damage or legal implications for TVCA.</p>	Medium	<p>The Authority will ensure that a formally documented Information Security Policy is produced and disseminated to all staff for acceptance and signing.</p> <p>The policy will include key IT related roles, responsibilities and points of contact, password policy and IT acceptable use. The policy will also inform all users of the potential risks of misuse of IT, and consequences of breach of the policy by employees.</p>	31 July 2020	Governance Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
3	<p>Missing control</p> <p>A formal process has been established for reporting of operational management information (MI) on a periodic basis.</p>	No	-	<p>Discussion with the Director of Finance and Resources and the ICT Security and Assurance Team Leader (Xentrall) confirmed that a formal process for reporting key IT performance indicators and operational MI to senior management is not in place.</p> <p>As a minimum, reporting of IT incidents and threat management from the current period should be included.</p> <p>In the absence of a formal process for operational MI to be produced for management, there is a risk that management are not fully informed on IT operations and service performance.</p>	Medium	The Authority will establish a formal process whereby operational MI is produced by Xentrall for TVCA management on a periodic basis.	31 May 2020	Governance Manager
4	All staff are required to complete mandatory training in information security on an annual basis.	Yes	No	<p>We were able to confirm there is online information security training, which is mandatory for all TVCA staff to complete.</p> <p>We reviewed the tracker, which allows the HR team to monitor those individuals who have not yet completed their mandatory training. We were able to obtain examples of email reminders sent to staff who are overdue on completing their training.</p> <p>At the time of our review, the completion rate for staff that were required to complete the information</p>	Low	The Authority will ensure that all staff complete their mandatory information security training.	31 December 2020	Governance Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>security module was 69.16% (107 staff were assigned the module and it was completed by 74 staff members).</p> <p>A completion rate of less than 100% poses a risk of some staff not being fully aware of information security / cyber risks and the actions that they can take to prevent them, which increases the likelihood of a successful cyber-attack.</p>				
5	<p>Missing control</p> <p>There is a Security Information and Event Management (SIEM) system for collating all logs and monitoring security events in a single console.</p>	No	-	<p>Xentrall has implemented a number of monitoring tools such as:</p> <ul style="list-style-type: none"> • Anti-virus software has monitoring capabilities; • The Intrusion Prevention System and Intrusion Detection System in place has monitoring alerts; and • Qualys, the internal vulnerability scanning tools conducts scans on a monthly basis. <p>In discussion with the ICT Security and Assurance Team Leader for Xentrall, we were informed that although security logs are proactively reviewed by the responsible owner of each tool, the logs are not collated and collectively reviewed by the IT team.</p> <p>There is a risk that potential weaknesses or patterns of attack</p>	Low	The Authority's IT team will work together with Xentrall to consider the costs and benefits of implementing a SIEM solution to collate all security log information, which can be reviewed regularly to identify security threats to the network.	31 July 2020	Director of Finance and Resources

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>may not be discovered through manual review of logs, which may lead to TVCA being vulnerable to attack and unable to minimise the damage that is done to the network or prevent a data breach.</p> <p>A SIEM tool can be used to integrate the different monitoring logs, which can enable IT to review exceptions identified via one tool rather than multiple tools.</p> <p>Whilst the monitoring tools in place can improve the security and effectiveness of the IT team, a SIEM tool can reduce the risk of an alert being missed due to the number of tools in place. SIEM is a step forward to strengthen existing set of network security controls.</p>				

APPENDIX A: SCOPE

Objectives and risks relevant to the scope of the review

This is a copy of the original scope agreed before the work was undertaken.

The internal audit assignment has been scoped to provide assurance on how Tees Valley Combined Authority ('TVCA') manages the following area:

Objective of the review

To ensure that computer systems and data are resilient to threats resulting from connection to the Internet.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration

The remit of the review will include an evaluation of the ten control areas that have been identified by the National Cyber Security Centre of UK Government (formerly Communications Electronics Security Group (CESG)) as key control areas for cyber risk management. These are:

Cyber Risk Management

An assessment of the high-level controls focussing on:

- Completion of any risk assessments or business impact assessments.
- Senior management oversight of and responsibility for cyber risk management.

Secure Configuration

An assessment of the high-level controls focussing on:

- Security patches applied to software or network devices.
- Standard build of PCs.
- Restrictions on use of removable media.

Malware Protection

An assessment of the high-level controls focussing on:

- Use and upkeep of anti-virus software.
- Use of file scanning.

Network Security

An assessment of the high-level controls focussing on:

- Firewall rules and settings.
- Intrusion detection and prevention.

Home and Mobile Working

An assessment of the high-level controls focussing on:

- Inspection of remote working approvals for employees working remotely.

- The relevant policies and procedures regarding home and mobile working.
- The methods and security measures in place for staff who connect remotely into the Authority's network.

User Education and Awareness

An assessment of the high-level controls focussing on:

- User education and awareness in respect of cyber risk.

Incident Management

An assessment of the high-level controls focussing on:

- Detection of security breaches or unauthorised access attempts.
- Incident management and reporting process, including lessons learned.

Managing User Privileges

An assessment of the high-level controls focussing on:

- Process for user account creation, deletion and amendment.
- How access rights are defined and authorised for different individuals.
- Restrictions on access to administrative accounts.
- Password rules for end user and administrative accounts.
- Monitoring of user access.
- Rules around remote and third-party access to network.

Removable Media Controls

An assessment of the high-level controls focussing on:

- Inspection of policies and procedures for the use of removable media.
- The technical controls in place around the security of removable media.

Monitoring

An assessment of the high-level controls focussing on:

- The monitoring and reporting processes in respect of incidents and near misses (including successful and unsuccessful attempts to access data).
- Whether monitoring solutions have been put in place to continuously monitor inbound and outbound traffic.

Limitations to the scope of the audit assignment:

- The scope of our work will be limited only to those areas that have been examined and reported and is not to be considered as a comprehensive review of all aspects of cyber security risk.
- The approach taken for this review will be to validate the design of controls and will not include all monitoring controls.
- We will be testing key controls on a sample basis and for the financial year 2019 / 2020 only.
- We will not perform penetration tests and vulnerability assessments however we will review the results of tests undertaken by independent service providers.

- The information provided in the final report should not be considered to detail all errors or risks that may currently or in the future exist within the cyber security environment, and it will be necessary for management to consider the results and make their own judgement on the risks affecting the Authority and the level of specialist computer audit coverage they require in order to provide assurance that these risks are minimised.
- The scope of this work will be limited to the Authority and we will not cover the Authority's subsidiaries.
- In addition, our work does not provide an absolute assurance that material error, loss or fraud does not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Director of Finance and Resources
- HR Manager
- ICT Security and Assurance Team Leader (Xentrall)
- ICT Server Availability Engineer (Xentrall)
- ICT Network Security and Support Engineer (Xentrall)

Documentation reviewed during the audit:

- Patch Management Policy, June 2019
- Windows 10 Autopilot Deployment Guide
- Firewall Management Policy, August 2019
- Social Media Policy
- Information security training staff completion tracker, January 2020
- Incident Management Process, July 2019
- Major Incident Procedure, September 2019
- Event Management Policy, August 2019

FOR FURTHER INFORMATION CONTACT

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TEES VALLEY COMBINED AUTHORITY

Programme / Project Delivery

FINAL

Internal audit report 6.19/20

11 May 2020





CONTENTS

1 Executive summary	2
2 Detailed findings	5
Appendix A: Scope	11
Appendix B: Further information.....	13
For further information contact	14

Debrief held 13 March 2020
Draft report issued 17 March 2020
Responses received 11 May 2020

Final report issued 22 May 2020

Internal audit team Robert Barnett, Head of Internal Audit
Philip Church, Client Manager
Gregory Barnett, Senior Auditor
Hollie Adams, Internal Auditor

Client sponsor Gary MacDonald, Director of Finance and Resources

Distribution Gary MacDonald, Director of Finance and Resources

1 EXECUTIVE SUMMARY

1.1 Background

As part of the approved internal audit plan for 2019/20, we reviewed the control environment surrounding the delivery of programmes and projects funded or part-funded by the Tees Valley Combined Authority ('Authority').

The Authority is a partnership of five local authorities and focuses on the development of transport, infrastructure, skills, business investment, housing, and culture and tourism in the Tees Valley region.

To support the objectives of the Tees Valley Strategic Economic Plan and the Investment Plan, the Authority agree to fund/part-fund qualifying projects which occur in and benefit the Tees Valley area. Initial steps involved with application process for funding projects/programmes include:

1. Creation of a business case by the grant applicant organisation;
2. Appraisal of the business case by the Authority, including identification of conditions;
3. Approval of the business case by the Authority Cabinet or under delegated decision (projects under £1m); and
4. Drafting of the funding agreement, which is signed by both parties. This will include the terms and conditions of the grant, including payment schedules, key milestones etc.

The programme/project delivery process is governed by the Authority's assurance framework with applications overseen by the Investment Planning Manager.

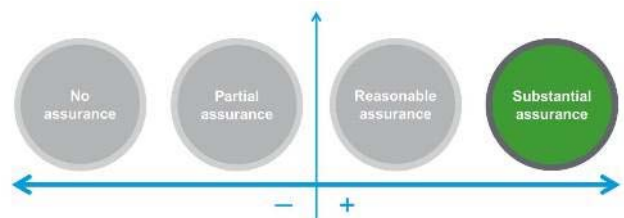
1.2 Conclusion

Based on testing conducted within this review, the Authority can take **substantial assurance** regarding the control environment surrounding project/programme delivery.

We have raised **two medium** and **one low** risk opportunity for improvement, details of which can be found below.

Internal audit opinion:

Taking account of the issues identified, the Authority can take **substantial assurance** that the controls upon which the organisation relies to manage the identified risk is suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- We confirmed that the current assurance framework document was submitted to the Authority's Cabinet in March 2019 and through inspection of minutes, confirmed approval for circulation was passed on 15 March 2019. Key sections of the assurance framework regarding project delivery are contained within:
 - Section four - Robust decision making;

- Section five - Delivery phase; and
 - Section six - Measuring success, realising the benefit.
- We selected a sample of 10 on-going projects/programmes, funded/part-funded by the Authority with the aim to verify whether the business case proposed for each was approved at an appropriate level, based on funding level. For seven of the sample, we were successfully able to trace the project/programme back to initial approval issued by the Authority Cabinet.

For the remaining three samples, we confirmed these had been approved via delegated decision. In all three cases, we confirmed that the project values were below £1m and each decision could be traced back to an appropriately completed delegated decision form.

- We selected a sample of 10 on-going projects/programmes, funded/part-funded by the Authority with the aim to verify whether these could be traced back to a record of the business cases being reviewed and appraised.

For nine of the sample of 10, we were successfully able to obtain a copy of the business case submitted by the grant applicant and the corresponding business case appraisal form. The appraisals were conducted and reviewed by separate members of the project investment team and finally signed off by the Policy Lead.

For the one remaining sample, the appraisal was undertaken by the chartered surveyors, Sanderson Weatherall. Through discussion with the Investment Planning Manager, we understand that as this project was valued at £17.5m, the Authority sought external assistance with conducting the due diligence.

- Conditions imposed within the funding agreement include key milestones, eligible expenditure, agreed outputs etc. The claims and monitoring team use the project management software, "System K" to track the progress of programmes. At the commencement of each project, the details within funding agreements are mapped onto System K, including the conditions under which tranches of funding are released.
- For the purposes of testing, we selected "key milestones" only for a sample of 10 on-going projects funded/part-funded by the Authority with the aim to verify whether the conditions identified within the funding agreement were accurately mapped onto System K.

For all 10 samples, we were successfully able to confirm that the "key milestones" section of the funding agreement had been mapped into System K, and the dates could be tied back to the original funding agreement.

- We selected a sample of 10 on-going projects/programmes, funded/part-funded by the Authority with the aim to verify whether the funding agreement maintained appropriate protective clauses.

For all 10 cases, we were successfully able to confirm that a "claw back" clause had been included as a standard item within Part 3, TVCA standard terms and conditions, Section 16 - Events of default.

For all 10 cases, we were successfully able to confirm that a clause regarding cap in spending had been included as a standard item within Part 3, TVCA standard terms and conditions, Section five - Obligations of the grant recipient.

We noted the following opportunities for improvement:

- We selected a sample of 10 instances of grant dispersals for on-going projects funded/part-funded by the Authority with the aim to verify whether the Section 73 officer had confirmed that the conditions of funding had been met, prior to payment.

For nine of the 10 projects, we noted no issues regarding tracing the payment back to documented confirmation of conditions being achieved. Confirmation was documented on a "payment release" sheet, which was signed off by a Claims and Monitoring Officer and the Claims and Monitoring Manager or Finance Manager.

However, in the one final remaining case, we were unable to trace the payment back to documented confirmation from the monitoring team. **(Medium)**

- Of nine transactions sampled (excluding the project with nil drawdown), we confirmed that in two instances, the Section 73 officer had provided approval for the tranche of funding to be paid.

For the remaining seven transactions, confirmation had been provided by the Commercial Delivery Director, who at the time was not the designated Section 73 officer. **(Medium)**

For further detail, please see section two of this report.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Low	Agreed actions		
	0	(11)	3**	(11)		Medium	High	
Failure to secure agreement on the future investment priorities.	0	(11)	3**	(11)	1	2	0	
Total					1	2	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.

** More than one management action has been raised against one control.

2 DETAILED 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 regulatory scrutiny/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, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Risk: Failure to secure agreement on the future investment priorities.

1	Funding can only be released when the conditions of funding have been met, which is certified by the Director of Finance and Resources (Section 73 officer) prior to release of payment.	Yes	No	<p>We selected a sample of 10 instances of grant dispersals for on-going projects funded / part-funded by the Authority with the aim to verify whether the Section 73 officer had confirmed that the conditions of funding had been met, prior to release of funds.</p> <p><u>Confirmation of funding conditions being met by the monitoring team</u></p> <p>For eight of the 10 projects, we were successfully able to trace the payment back to documented confirmation of conditions being met. Confirmation was documented on a "payment release" sheet, which was signed off by a Claims and Monitoring</p>	Medium	<p><u>Confirmation of funding conditions being met by the monitoring team</u></p> <p>For each project claim made, the Investment Planning Manager will ensure that there is documented evidence retained regarding the terms of funding being met from the monitoring team.</p>	31 May 2020	Investment Planning Manager
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>Officer and the Claims and Monitoring Manager or Finance Manager.</p> <p>For one of the projects, no grant disbursements had been drawn down yet.</p> <p>However, in the one final remaining case, we were unable to trace the payment back to documented confirmation from the monitoring team.</p> <p>For the project in question, we made reference to the funding agreement and verified that there was one payment to be made, upon receipt of the signed funding agreement.</p> <p>Through discussions with the Investment Planning Manager, we understand that in this instance, there was belief that the confirmation was taken directly upon receipt of the signed funding agreement.</p> <p>If there is no record of the monitoring team confirming funding conditions have been met permitting release of funds, there is a risk of reduced traceability as to whether the conditions have been appropriately checked for compliance and value of payment to be disbursed.</p>				
				<p><u>Confirmation of payment release from the Section 73 officer</u></p> <p>According to the Authority's assurance framework, section 5.2:</p>	Medium	<p><u>Confirmation of payment release from the Section 73 officer</u></p> <p>For all future project funding claims, the Director of</p>	31 May 2020	Director of Finance and Resources

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p><i>"The Combined Authority's Section 73 officer must certify that funding can be released under the appropriate conditions.</i></p> <p><i>Each funding claim is crosschecked against the approved project baseline information as part of the monthly reporting processes combined to quarterly claims."</i></p> <p><i>Under section 3.50: "The Finance Director fulfils the role of Section 73 Officer in accordance with the Local Government Act 1985 to administer the financial affairs of the Combined Authority and LEP."</i></p> <p>Of the nine transactions sampled (excluding the project with nil drawdown (above)), we confirmed that in two instances, the Section 73 officer had provided approval for the tranche of funding to be released.</p> <p>For the remaining seven transactions, confirmation had been provided by the Commercial Delivery Director, who at the time was not the Section 73 officer.</p> <p>Through discussion with the Authority Finance Manager, we understand there may have been a difference of interpretation regarding the wording of section 5.2 of the assurance framework.</p> <p>Based on our interpretation of the framework, we understand that each claim/disbursement of funds must be checked by the Section 73 officer to confirm that the conditions as per the original</p>		<p>Finance and Resources, as Section 73 officer, must confirm appropriate conditions are met and provide approval for the payments to be released.</p> <p>To ensure compliance with the Authority's assurance framework, these must be signed off only by the Section 73 officer.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>funding agreement have been met. Assistance may be given by the monitoring team, however the final decision must be made by the Section 73 officer.</p> <p>If claims for each project are not approved by the Section 73 officer, there is a risk of non-compliance with the assurance framework, which was agreed and signed off by the Authority Cabinet.</p>				
2	<p>Project delivery meetings (PDMs) take place at the commencement of each project.</p> <p>According to the Authority assurance framework, monitoring visits must be conducted by the claims and monitoring team on at least a six-monthly basis.</p>	Yes	No	<p>We selected a sample of 10 on-going projects funded/part-funded by the Authority with the aim to verify whether a PDM had taken place at the commencement of the project.</p> <p><u>Project Delivery Meetings</u></p> <p>For nine of the 10 samples, we were successfully able to confirm that a PDM had taken place between the grant recipient and the claims and monitoring team.</p> <p>A record of the meeting was retained within a Project Delivery Meeting Report which was quality assured by the Claims and Monitoring Manager.</p> <p>However, in the one final case, we noted no PDM had taken place.</p> <p>Through discussions with the Claims and Monitoring Officer, we understand that the grant recipient in this instance are well acquainted with the Authority's claims and</p>	Low	<p>The Investment Planning Manager will consider what amendments could be made to the assurance framework to provide for additional flexibility regarding the requirement for Project Delivery Meetings and Monitoring Visits to take place.</p>	31 May 2020	Investment Planning Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>monitoring requirements. As such, it was deemed that a delivery meeting was not required in this instance.</p> <p>According to section 6.5 of the Authority's assurance framework;</p> <p><i>"A designated Claims and Monitoring Officer will visit the project to undertake the Project Delivery Visit, shortly after the Funding Agreement has been signed off and before the first claim is issued.</i></p> <p><i>The purpose of the visit is to go through all the requirements detailed in the Funding Agreement and support the project lead to ensure they have the necessary systems and procedures in place to submit claims and manage the project appropriately.</i></p> <p><i>The Claims and Monitoring Officer will complete a Project Delivery Visit Checklist and Action Plan, a copy of which is sent to the applicant for sign off following the visit."</i></p> <p>While we understand the reasoning behind the reduced requirement to hold a Project Delivery Meeting, the assurance framework does not explicitly make provision for flexibility.</p> <p>If Project Delivery Meetings are not held for all new projects, there is a risk of non-compliance with the Authority's assurance framework.</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Six-monthly monitoring visits

Through discussions with the Claims and Monitoring Officer, we understand that monitoring visits are conducted as and when deemed necessary by the claims and monitoring team. This will depend on factors such as:

- Distribution of key milestone dates;
- Frequency with which the grant recipient makes claims; and
- Value of contract etc.

According to section 6.5 of the assurance framework;

“A 6-month monitoring visit will be undertaken with all project sponsors.

Further visits can be carried out at any point during the delivery and will be dependent on project performance, risk etc. Therefore, some projects may need to receive.”

Similar to the requirement for Project Delivery Meetings, the assurance framework does not make provision for flexibility, beyond the six-month window.

APPENDIX A: SCOPE

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

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risk:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
There are processes in place which enable effective oversight of performance of programmes/projects for which the Authority has granted and issued funding.	Failure to secure agreement on the future investment priorities.	Corporate Risk Register

When planning the audit, the following areas for consideration and limitations were agreed:

Our review will focus on the following areas:

- The Authority has appropriate policies and procedures in place regarding management/oversight of programmes. These are up-to-date and available to relevant staff.
- Formal funding agreements are in place for all projects and have been approved by appropriately level senior management.
- Review whether release of funding for programmes can only be made when appropriate conditions are certified by the Authority's Section 73 officer.
- The Authority maintains a 'claw-back' provision within funding agreements to ensure funding is only spent on the specified scheme and is available for instances of underperformance.
- Funding for project/programmes are capped. Any overspend must be met by the project sponsor and are not provided by the Authority.
- Review whether programmes and projects are monitored on a regular basis by Authority staff. These may include Project Delivery Meetings and Monitoring Visits.
- Review whether Investment Fund performance reports for projects/programmes are considered by the relevant level senior management.
- Financial Completion audits are undertaken once the project has achieved full spend. Where applicable, Practical Completion Audits are also undertaken.
- Review, for a sample of programmes, whether the project is congruent with the Authority's Strategic Economic Plan and can be tied back to at least one of the six growth generating themes.

Limitations to the scope of the audit assignment:

- We will not consider the decision-making process behind approval of project/programme business cases.
- We will not consider whether programmes/projects achieve value for money.
- We will not consider Marketing and Promotional activity regarding Projects/Programmes
- Any testing will be undertaken on a sample basis only.
- Our work does not provide any absolute assurance that material error; loss or fraud does not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Investment Planning Manager;
- Business Gateway Co-ordinator;
- Finance Manager
- Assistant Finance Manager

Documentation reviewed during the audit:

- Project funding agreements
- Project appraisals
- Project business bases
- Cabinet minutes
- Delegated decision documents

FOR FURTHER INFORMATION CONTACT

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This report is solely for the use of the persons to whom it is addressed. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party. Internal Audit Progress Report

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 **Tees Valley Combined Authority**, 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 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 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 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.



TEES VALLEY COMBINED AUTHORITY

Follow Up of Previous Internal Audit Management Actions

REVISED FINAL

Internal audit Follow Up report 7.19/20

19 May 2020



CONTENTS

1 Executive summary	2
2 Findings and management actions	5
Appendix A: Definitions for progress made	10
Appendix B: Scope	11
Appendix C: Actions completed or superseded	12
For further information contact	15

Debrief held	14 April 2020	Internal audit team	Robert Barnett, Head of Internal Audit
Draft report issued	29 April 2020		Philip Church, Client Manager
Revised draft report issued	15 May 2020		Robert Knowles, Senior Auditor
Responses received	11 May 2020		Hollie Adams, Auditor
Final report issued	18 May 2020	Client sponsor	Director of Finance and Resources
Revised Final report issued	19 May 2020	Distribution	Director of Finance and Resources Governance and Administration Manager

1 EXECUTIVE SUMMARY

1.1 Introduction

As part of the approved internal audit plan for 2019/20 we have undertaken a review to follow up progress made by the organisation to implement the previously agreed management actions. The audits considered as part of the follow up review were:

- Risk Management
- General Data Protection Regulation (GDPR) Governance
- Procurement

The 22 management actions considered in this review comprised of six medium, six low and 10 advisory actions. Concentrating on the actions classified as medium, the focus of this review was to provide assurance that all actions previously made have been adequately implemented. For actions categorised as low and advisory we have accepted management's assurance regarding their implementation.

1.2 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 Tees Valley Combined Authority has demonstrated **reasonable progress** in implementing agreed management actions.

We have made new management actions where appropriate; these are detailed in section 2 of this report.

1.3 Progress on actions

Implementation status by review	Number of actions agreed	Status of management actions					Confirmed as completed or no longer necessary (1)+(4)
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	
Risk Management	8	6	1	0	1	0	7
General Data Protection Regulation (GDPR) Governance	10	6	3	0	1	0	7
Procurement	4	2	2	0	0	0	2
Total	22 (100%)	14 (64%)	6 (27%)	0 (0%)	2 (9%)	0	16 (73%)

Implementation status by management action priority	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
Low	6	4	1	0	1	0	4
Medium	6	4	2	0	0	0	4
Advisory	10	6	3	0	1	0	7
Total	22 (100%)	14 (64%)	6 (27%)	0 (0%)	2 (9%)	0	16 (73%)

2 FINDINGS AND MANAGEMENT ACTIONS

This report has been prepared by exception. Therefore, we have included only those actions graded as 2 and 3. Each action followed up has been categorised in line with the following:

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.

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
1	<p><u>Risk Management</u></p> <p>The revision of the Risk Management Strategy and the development of risk management to reflect the directorate structure will incorporate current and target risks and explanations for changes in risk scores will be articulated in future updates to Audit and Governance Committee.</p>	31 January 2020	Low	<p>We reviewed a copy of the TVCA Risk Appetite Statement, to be approved by Cabinet on 24 July 2020, in which the Authority's current and target risks are detailed.</p> <p>The Authority is in the process of embedding inclusion of explanations for changes in risks scores at meetings of its Audit and Governance Committee.</p>	2	Explanations for changes in risk scores will be articulated in future updates to Audit and Governance Committee.	Low	31 July 2020	Director of Finance and Resources
2	<p><u>General Data Protection Regulation (GDPR) Governance</u></p> <p>The Authority will create posters and other forms of communication to</p>	31 October - 2019	-	<p>We confirmed that an email had been sent out to all staff from the Chief Executive in February 2019 reminding them of their 'need for increased and continued vigilance for cyber threats in all</p>	2	We will make an ultimate decision on whether the Authority wishes to introduce a requirement for staff to sign to confirm they have read and	Low	31 July 2020	DPO

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
	<p>distribute around the premises to help develop more awareness of GDPR.</p> <p>Staff will be required to sign to confirm they have read and understood the Authority's Employee Guide to Data Protection.</p>			<p>forms, but particularly in relation to spam emails'.</p> <p>It was confirmed by the Authority that the previous Data Protection Officer (DPO) had considered implementing a requirement for staff to sign to confirm they had read and understood the Authority's Employee Guide to Data Protection but it was deemed unnecessary given the low level of personal data held by organisation; however, implementing this requirement will be reconsidered when a new DPO is in post.</p>		<p>understood the Authority's Employee Guide to Data Protection.</p>			
3	<p><u>General Data Protection Regulation (GDPR) Governance</u></p> <p>The Authority will update a job description of the DPO to include more information on the responsibilities of the DPO and also allow them to report directly to Cabinet on issues relating to GDPR. The DPO will attend a relevant GDPR course. The Authority will ensure that a Cabinet member has sufficient experience and skills relating to GDPR.</p>	31 October - 2019		<p>The Authority's Governance and Administration Manager noted that the job description for the incoming DPO is currently being developed but will include the information on the responsibilities of the DPO and their ability to report directly to Cabinet on issues relating to GDPR. The Governance and Administration Manager also noted that the DPO will be provided with the same training as that commissioned for the acting Governance and Administration Manager and Human Resources Manager (as noted in the previous related action) should they not already have received it.</p>	2	<p>Should it be required, the DPO will attend the same data protection training as that commissioned for the acting Governance and Administration Manager and Human Resources.</p>	Low	31 July 2020	DPO

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
				<p>The Governance and Administration Manager further noted that an associate Cabinet member has been identified as having sufficient skills in this area while further training for an elected Cabinet member is not considered necessary given low level of personal data held by the Combined Authority.</p> <p>The Local Enterprise Partnership (LEP) Board/Informal Cabinet will be asked to ratify the associated Cabinet member as the Cabinet-level authority at their next meeting scheduled for 14 April (nb the meeting will be minuted after this approval and these minutes published).</p>					
4	<p><u>General Data Protection Regulation (GDPR) Governance</u></p> <p>The Authority will work with the HR provider and have the contract updated to reflect GDPR requirements.</p>	31 October - 2019		The Governance and Administration Manager noted that 'the officer responsible for updating the HR contract' was unavailable at the time of our review. As a result, this action has been rolled forward.	2	The officer responsible for updating HR contracts will update the template staff contract to reflect GDPR requirements.	Low	31 June 2020	DPO
5	<p><u>Procurement</u></p> <p>The Legal and Governance Lead will investigate whether the other combined authorities based in the</p>	31 December 2019	Medium	It was confirmed with the Procurement and Project Coordinator that a copy of a Procurement Strategy is being drafted and will be presented at the Directors meeting on Friday 15 May.	2	The Legal and Governance Lead will investigate whether the other combined authorities based in	Medium	31 July 2020	Legal and Governance Lead

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
	<p>UK have a procurement strategy.</p> <p>Using these as a guide, a procurement strategy will be drafted, ensuring the social values goals are included, and the strategy is aligned with the Investment Plan.</p> <p>The draft strategy will be approved at an appropriate level then circulated.</p>					<p>the UK have a procurement strategy.</p> <p>Using these as a guide, a procurement strategy will be drafted, ensuring the social values goals are included, and the strategy is aligned with the Investment Plan.</p> <p>The draft strategy will be approved at an appropriate level then circulated.</p>			
6	<p><u>Procurement</u></p> <p>The Procurement and Project Coordinator will ensure that the “awarded date” disclosed through the contracts register matches the date at which the contract was signed by both parties.</p> <p>To rectify any relevant inaccuracies, the Procurement and Project Coordinator will reconcile the list of active contracts back to their signed agreement and update the “awarded date” data field accordingly.</p>	31 January 2020	Low	It was confirmed with the Procurement and Project Coordinator that this action is currently being undertaken and will be completed by 31 July	2	<p><u>Procurement</u></p> <p>The Procurement and Project Coordinator will ensure that the “awarded date” disclosed through the contracts register matches the date at which the contract was signed by both parties.</p> <p>To rectify any relevant inaccuracies, the Procurement and Project Coordinator will reconcile the list of active contracts back to their signed agreement and</p>	Low	31 July 2020	Legal and Governance Lead

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
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update the "awarded date" data field accordingly.

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 actions	Consideration of medium actions	Consideration of low actions
Good	> 75 percent	None outstanding	None outstanding	All low actions outstanding are in the process of being implemented
Reasonable	51 – 75 percent	None outstanding	75 percent of medium actions made are in the process of being implemented	75 percent of low actions made are in the process of being implemented
Little	30 – 50 percent	All high actions outstanding are in the process of being implemented	50 percent of medium actions made are in the process of being implemented	50 percent of low actions made are in the process of being implemented
Poor	< 30 percent	Unsatisfactory progress has been made to implement high actions	Unsatisfactory progress has been made to implement medium actions	Unsatisfactory progress has been made to implement low actions

APPENDIX B: SCOPE

Scope of the review

The internal audit assignment has been scoped to provide assurance on how the Tees Valley Combined Authority manages the following area:

Objective 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

The following areas will be considered as part of the review:

- Risk Management
- General Data Protection Regulation (GDPR) Governance
- Conflicts of Interest
- Cyber Risk Management
- Procurement

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 of the areas listed above. 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.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX C: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented / superseded and are now closed:

Assignment title	Management actions
Risk Management	The Authority is committed to reviewing the Risk Management Strategy and this will be undertaken once the directorate restructure has been fully implemented including reporting to Audit and Governance Committee in line with the terms of reference of this Committee.
Risk Management	<p>The Authority will consider any opportunities that may be identified as part of the risk management process as part of directorate level risk review activity.</p> <p>Action superseded - the Governance and Administration Manager noted that opportunities in the context of the TVCA are identified as part of the regular dialogue with partners and at partner forums rather than via the risk register process. Should opportunities be identified, they would be fed back to the relevant management team and group, as required.</p>
Risk Management	The risk management processes will be reviewed as part of the strategy refresh and amended to reflect the new directorate structure. This will include factors such as frequency of review depending on the rating of the risks recorded.
Risk Management	The Authority will ensure guidance is provided to external applicants as to the detail required in the risk register.
Risk Management	The Authority will develop a roll out plan for the review and adoption of risk registers and risk management processes to the new directorate structure. This will include clear processes for risk escalation.
Risk Management	The Authority will ensure that, through a review of its operational processes, areas of assurance are considered and identified at each interval.
Risk Management	The Authority has established governance arrangements for its controlling interest in other entities. The lead TVCA officers on the entities boards / committees have the responsibility for

	reporting back to the Group via SLT and / or TVCA / AGC where applicable.
General Data Protection Regulation (GDPR) Governance	The Authority will update the Information Asset Register to include the number of records within information asset.
General Data Protection Regulation (GDPR) Governance	The Authority will introduce a data sharing agreement register which will detail all the agreements in place and be used to track the compliance of agreements.
General Data Protection Regulation (GDPR) Governance	The Authority will put in place training for data owners, so they are aware of their specific responsibilities.
General Data Protection Regulation (GDPR) Governance	<p>The Authority will work with the IR provider to change the Password Policy so password requires changing every 90 days.</p> <p>Action superseded - We confirmed to an email, dated 26 March 2020 from an ICT Security and Assurance Team Leader at Xentrall Shared Services (the Authority's ICT Provider), advice that the current policy of a complex password being changed annually was more in line with industry best practice (and 'against the advice of the NCSC' (National Cyber Security Council), specifically 'Don't enforce regular password expiry' as detailed on the NCSC website) than the recommendation. Therefore we consider the action superseded.</p>
General Data Protection Regulation (GDPR) Governance	<p>The retention schedule will be updated and include any information reference in the Stockton Borough Council's retention and disposal schedule as appropriate.</p> <p>The Authority will put in place a DPIA template, completed is as required and have in place a register to store them centrally.</p>
General Data Protection Regulation (GDPR) Governance	<p>The Authority will produce a privacy notice for each individual area of consent.</p> <p>The Authority will update the Data Protection Policy to include information about how they will comply with subject access requests.</p>
General Data Protection Regulation (GDPR) Governance	<p>The Authority will update the procedure to ensure it includes information about what to do in the event of a third-party data breach.</p> <p>The Authority will also produce a data breach register which will list:</p> <ul style="list-style-type: none"> • Reference; • Date report; • Details;

	<ul style="list-style-type: none"> • Where; • Category of information; • Risk; • Reported to ICO; and • Breach found by.
Procurement	<p>Overseen by the Legal and Governance Lead, the Procurement and Project Coordinator will hold regular meetings with relevant Directors and Heads of Service for procurement planning purposes.</p> <p>Using intelligence gained through these meetings, a procurement forward plan will be drafted on a monthly basis, covering the expected procurement requirements for the coming three months.</p> <p>The procurement forward plan will be presented at and discussed by the SLT on a monthly basis, and discussion will be recorded within meeting minutes.</p>
Procurement	<p>As part of the procurement process, the Procurement and Project Coordinator will ensure that copies of the relevant signed documents are held. Documents include:</p> <ul style="list-style-type: none"> • Justification of contract form; • Direct award of a contract form; or • Award of a contract form. <p>Possession of these documents will be checked prior to the supplier being contacted with a notification of successful tender.</p>

FOR FURTHER INFORMATION CONTACT

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Tel: 07528 970082

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

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 **Tees Valley Combined Authority**, 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 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 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 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.



Audit Strategy Memorandum

Tees Valley Combined Authority (and Group)

Year ending 31 March 2020





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document is to be regarded as confidential to Tees Valley Combined Authority. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance . No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Governance Committee
Tees Valley Combined Authority
Cavendish House
Teesdale Business Park
Stockton-on-Tees
TS17 6QY

12 February 2020

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for Tees Valley Combined Authority (the Authority) and Tees Valley Combined Authority Group (the Group) for the year ending 31 March 2020.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Authority and the Group which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0191 383 6300.

Yours faithfully



Cameron Waddell
Mazars LLP

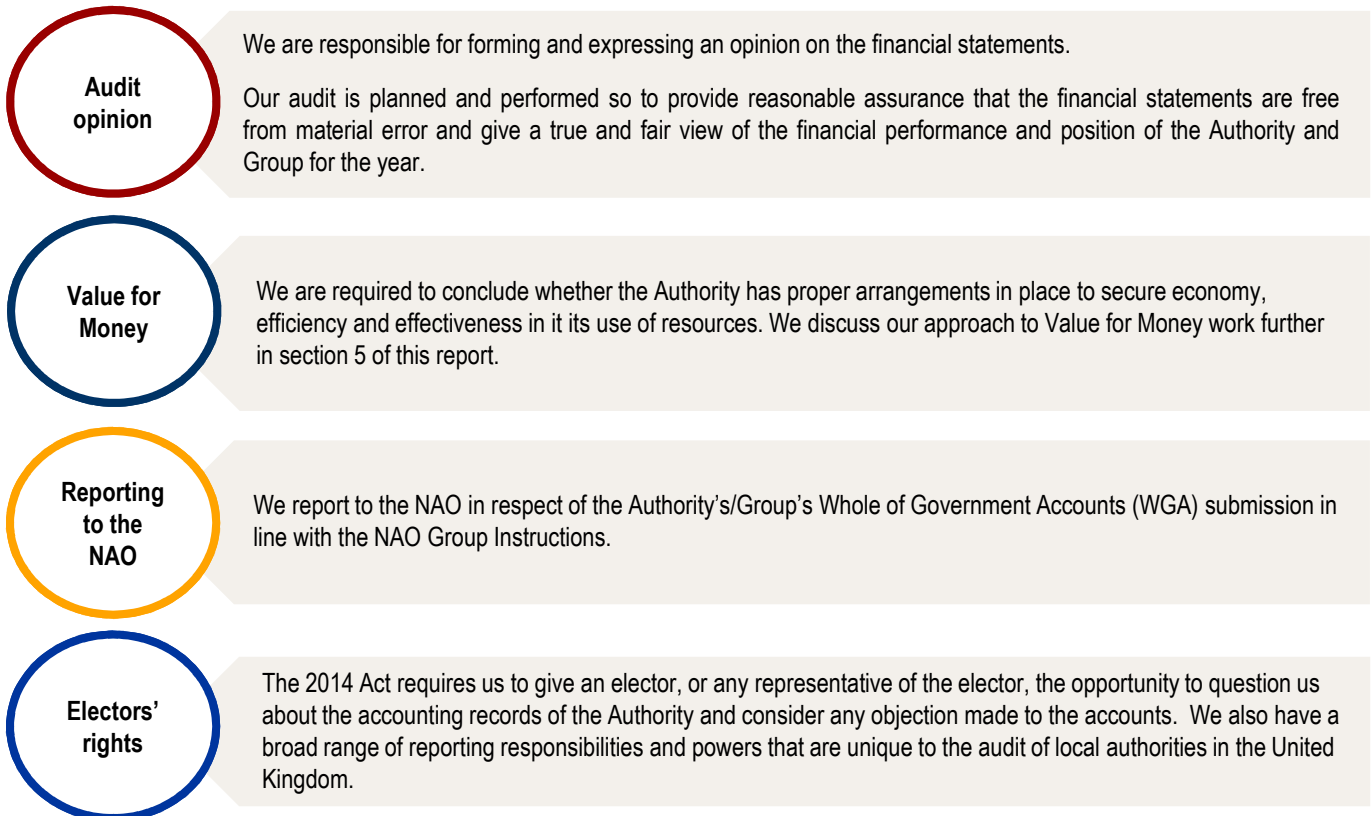
1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Tees Valley Combined Authority (the Authority) and Tees Valley Combined Authority Group (the Group) for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:



Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Authority and Group are required to prepare their financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit and Governance Committee as those charged with governance.



2. YOUR AUDIT ENGAGEMENT TEAM

**Engagement
Lead /
Partner**

- Cameron Waddell
- cameron.waddell@mazars.co.uk
- 0191 383 6300

**Senior
Manager**

- Gareth Roberts, Senior Manager
- gareth.roberts@mazars.co.uk
- 0191 383 6323

**Assistant
Manager**

- David Hurworth, Assistant Manager
- david.hurworth@mazars.co.uk
- 0191 383 6328

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

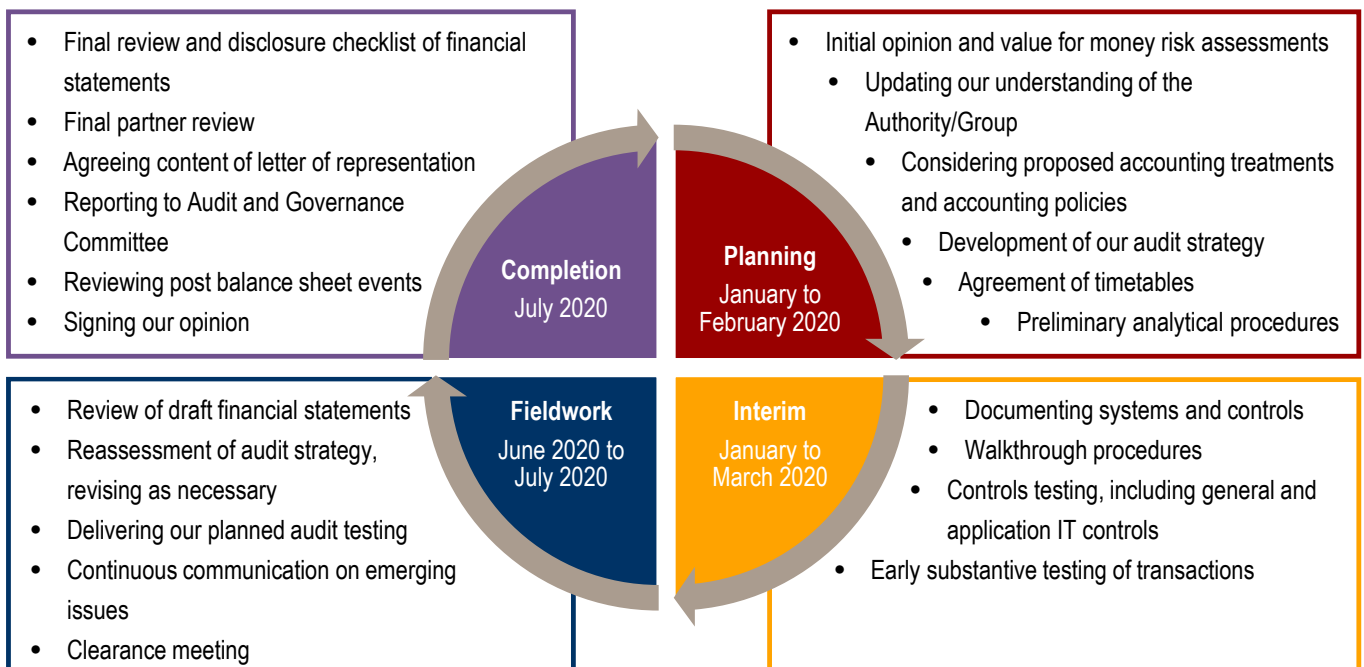
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Authority's and Group's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	NAO's consulting actuary (PWC)
Property, plant and equipment valuation	The requirement as to whether to appoint an expert at Group level will be considered by management, and as such this is to be confirmed.	If required, NAO's consulting valuer (Gerald Eve)

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Authority and Group 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. The table below summarises the service organisations used by the Authority and Group and our planned audit approach.

Items of account	Service organisation	Audit approach
Payroll and General Ledger	Stockton-on-Tees Borough Council	Review of and access to records and information held at the Authority, and at the service organisation where required.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Group audit approach

We are responsible for the audit of the Tees Valley Combined Authority Group consolidation.

The Tees Valley Combined Authority consolidated group is made up of the following components:

- Tees Valley Combined Authority;
- South Tees Development Corporation Group (made up of South Tees Development Corporation and South Tees Developments Limited); and
- Goosepool Group (made up of Goosepool 2019 Limited and Durham Tees Valley Airport Limited).

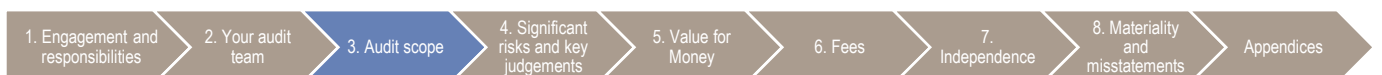
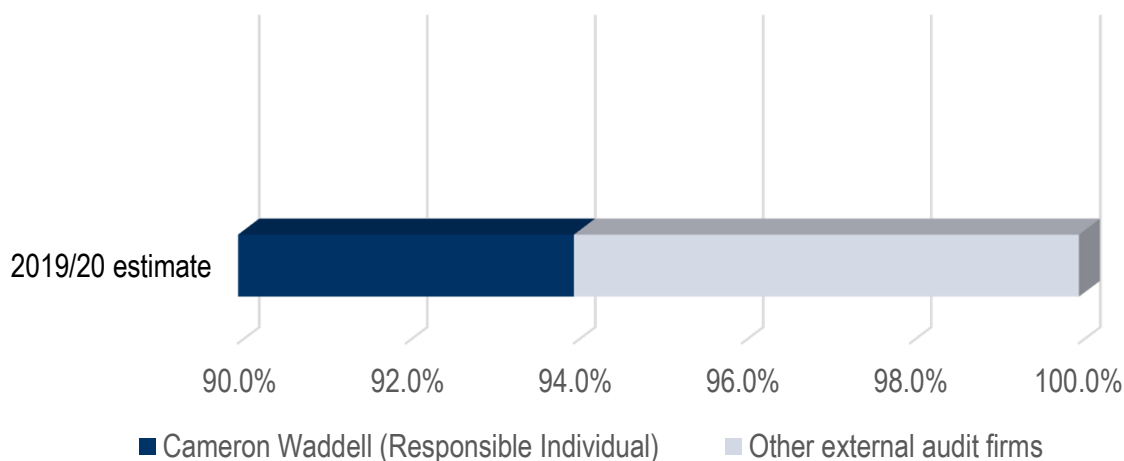
An analysis of the group is shown below, setting out:

- an overview of the type of work to be performed on the financial information of the components; followed by
- the percentage of the components of the group audited directly by Cameron Waddell (Responsible Individual/Partner for the Group and the Authority, and South Tees Development Corporation Group), and the percentage audited by other audit firms (Goosepool Group).

Planned approach by percentage of group (using operating expenditure)

Year	Full scope audit	Limited or specific review	Other audit procedures
2019/20 estimate	100%	0%	0%

Percentage of group (using operating expenditure) audited by responsible individual



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

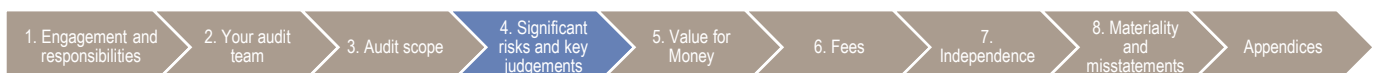
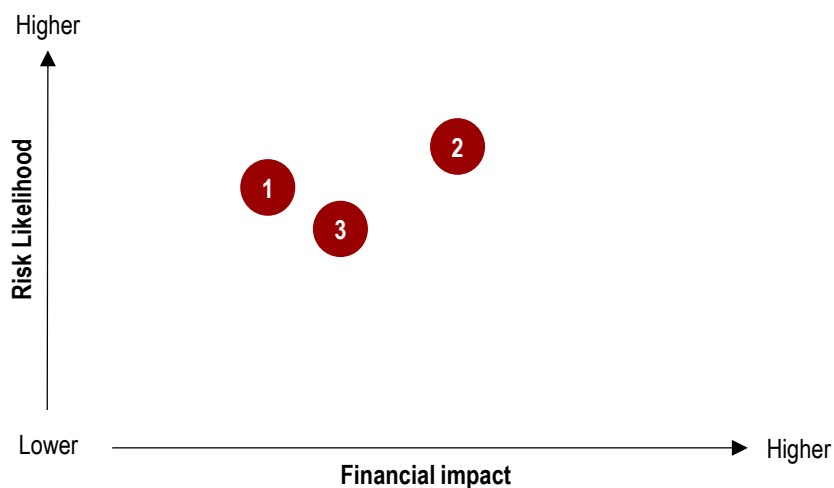
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process; should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls (Authority and Group)</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<p>Property, plant and equipment valuation (Group)</p> <p>The 2019/20 Group financial statements will contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Group PPE.</p> <p>Management will need to consider whether a valuation expert is required to provide information on valuations in line with the Code for TVCA Group. Where required, 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.</p>	<p>We will address this risk by placing reliance on the work of the component auditors for TVCA Group's subsidiaries; South Tees Developments Corporation Group and Goosepool Group. If a valuer has been appointed by the subsidiaries, we will consider the level of expert input and challenge by the component auditors.</p> <p>We will consider the reasonableness of the chosen classification category of the PPE under the Cipta Code for the TVCA Group statements, and undertake testing of any adjustment required to reclassify the PPE appropriately under the Code. If considered necessary we may then engage our own expert to enable us to assess the reasonableness of the valuations provided by the subsidiaries' or Authority's valuer(s).</p>
3	<p>Defined benefit liability valuation (Authority and Group)</p> <p>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.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.</p>

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement / enhanced risk	Planned response
1	<p>Valuation of Goodwill (Group)</p> <p>Group management will need to undertake procedures to ascertain whether the carrying value of goodwill is supported for the TVCA Group Statements, and make decisions about whether the goodwill should be impaired.</p>	<p>It is likely that this determination will be undertaken by Group management of Goosepool Group Limited as part of the preparation of the Goosepool Group consolidated statements, prior to consolidation into TVCA Group. Where this is the case, we will place reliance on the work of the component auditor for Goosepool Group.</p> <p>Otherwise, if it is undertaken by TVCA Group management we will undertake our own audit procedures to assess the reasonableness of the decision to impair the goodwill, or otherwise.</p>



5. VALUE FOR MONEY

Our approach to Value for Money

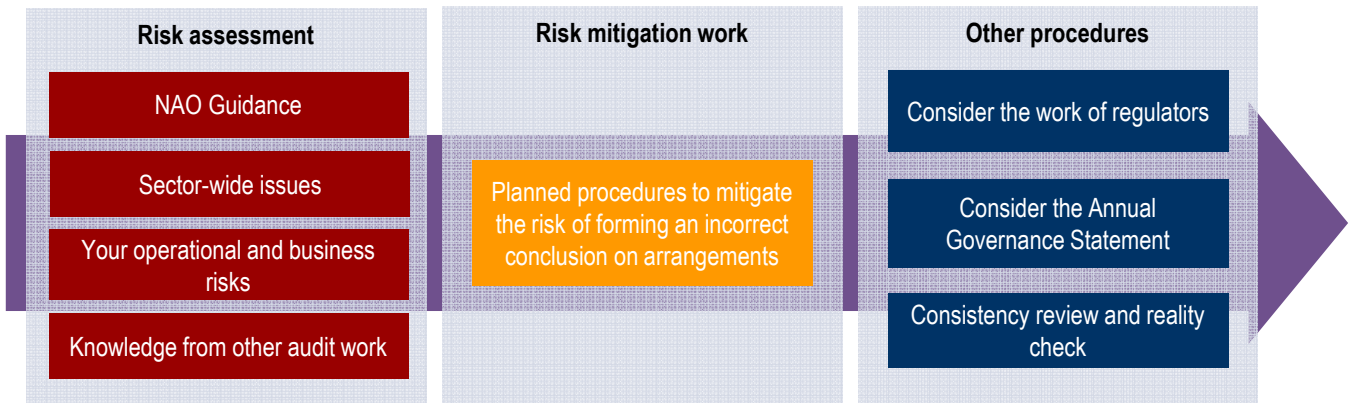
We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. As outlined above, we draw on our deep understanding of the Authority and its partners, the local and national economy and wider knowledge of the public sector.

For the 2019/20 financial year, at the time of issuing this Audit Strategy Memorandum we have not identified any significant risks to our VFM Conclusion. We will keep this under review as our audit progresses.



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Authority's appointed auditor

We communicated our proposed fee of £23,100 in our fee letter dated 17 April 2019, which was in line with the scale fee set by PSAA. As the letter set out, this did not include proposed fees to cover the audit of the group consolidation, as referenced in section 3 of this Memorandum, and as such we are proposing to vary the 2019/20 audit fee, subject to agreement from PSAA.

Service	2018/19 fee	2019/20 fee
Code audit work per scale fee	£23,100	£23,100
Plus; additional fees in respect of group consolidation at planning stage	£6,038	£7,728*
Plus; additional fees arising for dealing with matters arising in 2018/19 audit.	£4,172	~
Total fees for Code audit work	£33,310	£30,828*

*subject to confirmation of 2019/20 rates by PSAA for fee variations, and approval by PSAA.

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Authority to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Services provided to other entities within the Authority's group

We are appointed as the external auditor of South Tees Development Corporation and Group (which is made up of South Tees Development Corporation and South Tees Developments Limited), for which separate fees are payable, as set out in the Audit Strategy Memorandum issued to South Tees Development Corporation.



7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)	Initial threshold (£'000s)
	Authority	Group
Overall materiality	£1,480	£1,680
Performance materiality	£1,184	£1,260
Trivial threshold for errors to be reported to the Audit and Governance Committee	£44	£50

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure at the surplus or deficit on provision of services level for the Authority and the Group. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.

We consider that gross revenue expenditure at the surplus or deficit on provision of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross revenue expenditure at the surplus or deficit on provision of services level.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Based on available estimates we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £1.48m for the Authority and £1.68m for the Group (£1.763m for the Authority and £1.865m for the Group in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality for the Authority, and 75% for the group.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account:

Item of account	Specific materiality (£'000s)
Related Party Transactions	£100
Senior managers' pay	10% of the total

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £44k for the Authority and £50k for the Group based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.

Reporting to the Audit and Governance Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit and Governance Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓



APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	<p>The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies.</p> <p>The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee’s Balance Sheet.</p> <p>In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.</p>



30 April 2020

By email

Email generalenquiries@psaa.co.uk

Dear Section 151 Officer and Audit Committee Chair

Fee Scale for the Audit 2020/21 and update on 2019/20

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.
- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

	Scale fee for the audit 2020/21	Scale fee for the audit 2019/20
Tees Valley Combined Authority	£23,100	£23,100

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.

The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

Fee Variations

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

Quality of Audit Services

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

Impact of COVID-19 on current 2019/20 audits

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

Local Audit Quality Forum

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at generalenquiries@psaa.co.uk

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

Chief Executive

Audit & Governance Committee Forward Plan 2019/20

Standing Items

- Minutes from the Previous Meeting/Action Tracker
- Forward Plan
- Date and Venue of the Next Meeting

Date	Venue	Item
Tuesday July 21 st 2020	Cavendish House	Draft Annual Financial Statements. Corporate Risk Register Internal Audit Progress Report Internal Audit Progress Tracker External Audit Update
Tuesday October 13th 2020 Please note proposed new meeting date	Cavendish House	Annual Financial Statements External Audit Completion Report and Value for Money Statement Annual Financial Statements Mid-Year Review Treasury Management Strategy Corporate Risk Register Internal Audit Progress Report Internal Audit Progress Tracker

To be arranged	Treasury Management Advisors Update on GDPR
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