

Date: 1st August, 2023, at 12:30pm

Venue: Teesside Airport Business Suite, Teesside International Airport,
Darlington DL2 1NJ

Membership:

John Baker – (Independent Member)
Allan Armstrong – (Independent Member)
Mike Sharp - (Independent Member)
Geoff Westmoreland – (Independent Member)
Cllr Curt Pugh – (TVCA Audit and Governance Committee Representative)

AGENDA

1. **Welcome and Apologies for Absence**
Verbal
2. **Nomination and Appointment of Chair and Vice Chair**
Verbal
3. **Declarations of Interest**
Attached & Verbal
4. **Minutes of Previous Meetings & Actions Tracker**
Attached
5. **Executive Update**
Attached
6. **Internal Audit 2022/23 Annual Opinion**
Attached
7. **Internal Audit Actions Update**
Attached
8. **Internal Audit Reports**
Attached
9. **External Audit Update**
Verbal

10. 2021/22 Audit Completion Report Follow Up Letter

Attached

11. Annual Review of Committee Terms of Reference

Attached

12. Forward Programme

Attached

13. Health & Safety (EHS) Update

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.

14. Risk Management Report

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.

15. Review & Analysis of Committee Effectiveness Survey & Skills Audit

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.

16. Date and Time of Next Meeting

Date and Time TBC

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:

tvccagovernance@teesvalley-ca.gov.uk

South Tees Development Corporation Declaration of Interests Procedure

1. The purpose of this note is to provide advice and guidance to all members of the Development Corporation Board and Audit & Risk Committee on the procedure for declaring interests. The procedure is set out in full in the Development Corporation's Constitution under the "Code of Conduct for Members" (Appendix 3).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Development Corporation. As a general principle, members should act impartially and should not use their position at the Development Corporation 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 Development Corporation 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 Development Corporation;
 - 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. Financial relationships between the Development Corporation and individual councils do not in themselves create a conflict of interest for Council Leaders who are also Development Corporation Board members. Nor is it a conflict of interest if the Development Corporation supports activities within a council boundary. Nevertheless, there are specific circumstances where the Board may consider 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 Development Corporation. If no declaration is received from elected members within 28 days the matter may be referred to the Head of Paid Service of your local authority and Leader of the political group you represent on your council for action. If a Declaration is not submitted within an appropriate timescale you may be prevented from attending committee meetings. Details of any personal interests registered will be published on the Development Corporation's website, with the full register available at the Development Corporation'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 Development Corporation will include a standing item at the start of each statutory 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.

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & GOVERNANCE COMMITTEE

Date: Friday 3rd February 2023

Time: 10.00am

Venue: Teesside Airport Business Suite, Teesside International Airport

Attendees:		Apologies:
Chris White (CW)	Chair	Allan Armstrong – Independent Member
John Baker (JB)	Independent Member	Mike Sharp – Independent Member
Cllr Anne Watts (AW)	RCBC Representative from TVCA Audit & Governance Committee	John McNicholas – Teesworks
Gary Macdonald (GM)	TVCA	Julie Gilhespie – TVCA
Victoria Smith (VS)	TVCA	Michael Gibson - RSM
Natalie Robinson (NR)	Teesworks	
Derek Weatherill (DW)	Teesworks	
Emma Simson (ES)	TVCA	
Philip Church (PC)	RSM	
Hollie Adams (HA)	RSM	
Cameron Waddell (CW)	Mazars (via Teams)	
Cath Andrew (CA)	Mazars (via Teams)	
Chris Potter (CP)	Azets (via Teams)	
Nicola Dean (ND) (Governance)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome & introductions	The Chair welcomed everyone to the Meeting and a round table of introductions were made.		
2.	Apologies for Absence	Apologies for absence were noted and submitted as above.		
3.	Declarations of Interest	John Baker raised an interest in South Tees Site Company (STSC) being a member on the Board. No other declarations were raised.		
4.	Minutes from the Previous Meetings & Action Tracker	<p>The minutes of the meetings held on 1st August 2022 and 19th August 2022 were agreed as a true record and there were no questions or comments received.</p> <p>The Action Tracker was reviewed. Completed actions were noted, with open actions updated throughout the meeting as part of the Agenda.</p> <p>RESOLVED THAT: Members agreed the Minutes as accurate.</p>		
5.	Executive Update	<p>Members were provided with the Group Update in advance of the meeting, detailing the key activity within the South Tees Development Corporation (STDC) since the last Committee. Gary Macdonald, (GM), Group Director of Finance & Resources, presented the Report, which reviewed the activity that had taken place throughout 2022 on the Teesworks site and provided an overview of developments coming in 2023.</p> <p>Members queried whether the Centre for Digital Trade and Innovation is being funded by Government. GM confirmed this is part of the Seed Capital Funding that is received in relation to the Freeport. In response to a question around SeAH, and whether it is on track in terms of timelines, GM informed the Committee that SeAH had started work on site including piling, advertising jobs and making</p>		

		<p>appointments, looking at supply chain jobs with around 1500 jobs in that area and 750 direct jobs. It was confirmed work is going to plan with regular meetings with the operational team.</p> <p>Members were also interested whether SeAH's timing aligns with development of the quay. GM confirmed that SeAH has timescales within which it requires the Authority to deliver to enable SeAH to move onto the quay and ship out. It was confirmed that Quay works were continuing, and capital dredging ongoing. The independent report on crustaceans has now been published by the independent panel. STDC continues to comply with its licensing requirements, as it has done throughout its works, and the operational quay is expected to be available for SeAH in 2024 for when monopiles will be coming out of their factory and within the timescale agreed.</p> <p>RESOLVED THAT: Members noted the Update Report.</p>		
6.	Internal Audit Actions Update	<p>Members were issued the Internal Audit Actions Update Report in advance of the meeting which presented the position of current internal audit action plan progress as of December 2022.</p> <p>RESOLVED THAT: Members considered the analysis and audit progress set out in the paper and acknowledged the annual audit schedule.</p>		
7.	Internal Audit Progress Report	<p>The Chair noted good assurances coming out of all Audits and Philip Church (PC), of RSM presented the Internal Audit Progress Report, outlining the following Internal Audits completed against the delivery plan:</p> <ul style="list-style-type: none"> • Logic Models • Procurement to Pay Process • Scrap & Disposal of Assets • SeAH/SBQ Project <p>The Chair highlighted there are occasions text in Papers/Audit Reports slips into Audit & "Risk" and reminded the Committee it is concerned with Audit & "Governance" and to consider how that relates to scope. NR assured the Committee the scope of the audits had been undertaken in line with the new Terms of Reference.</p>	2 Audit Reports to be brought to	TVCA/RSM

		<p>The Chair noted that in a cycle, the Committee receives 6 reports from RSM and recognised 4 were being presented today. PC agreed that this shouldn't be happening as the plan is to bring 2 to each Committee. GM noted this as an exception, but a fair observation that has been addressed for future.</p> <p>RESOLVED THAT: Members noted the Internal Audit Progress Report.</p>	each Committee	
8.	Internal Audit Reports	<p>Members were issued with the Internal Audit Reports and the conclusions are summarised below:</p> <p>Logic Models – Five medium priority and two low priority management actions were agreed with “reasonable assurance” given. Natalie Robinson, (NR), Group Risk Manager, noted that follow up action has now been undertaken and completed regarding action tracking.</p> <p>Members queried whether communications with BEIS have been rectified. NR confirmed this to be the case and explained there was a Tracker which formally documented any actions from packs/sessions with BEIS and this is being monitored with all the actions in progress.</p> <p>They also asked whether the Authority was comfortable with the electrical risk. GM advised that he was confident that, with the monthly risk management activity actions are being progressed, and from a governance perspective, he was content these were being tracked and managed by relevant senior management. The Chair noted that receiving “reasonable assurance” in this area was good.</p> <p>Procurement to Pay Process – Three management actions, comprising two medium and one low priority action were agreed as a result and “reasonable assurance” was given. NR noted that the identified actions had been covered since the submission of this report and the gaps identified were from a legacy system. It was explained that there is no such risk going forward as the new system doesn't allow that gap.</p> <p>The Chair noted that it was positive to see the significant progress made, asking if there was a follow up on this with RSM to evidence the improvements that have been achieved. NR explained that there is always a follow up of audit areas the following year.</p> <p>Scrap & Disposal of Other Assets – One medium and one low priority management action were agreed with “substantial assurance” being given. CW noted this was a positive position with the issues managed and closed out.</p> <p>SeAH Programme & South Bank Quay – No management actions were raised, and “substantial assurance” given. The Committee were informed the review concluded that STDC has adequate controls and systems in place to manage the SeAH Plant and South Bank Quay Projects.</p> <p>The Chair acknowledged the positive position across the Audits.</p>		

		RESOLVED THAT: Members noted the Internal Audit Reports.		
9.	External Audit Annual Report 2020/21	<p>Cameron Waddell, (CW), Mazars, advised that the 20/21 Auditors Annual Report was now signed for the last year and the Committee had previously seen this in draft form. It was explained that this sets out an unqualified opinion on the single entity accounts and no issues were raised around VFM.</p> <p>RESOLVED THAT: The Annual Report was noted.</p>		
10.	External Audit Annual Plan 2021/22 (Audit Strategy Memorandum)	<p>VS explained that it was unusual to have audit documents spanning a number of years and highlighted that last year's audit completion plan was brought to the Committee as final since it now included the VFM opinion that highlighted there were no weaknesses in the VFM for the organisation. This report was discussed in detail at the last Committee as draft, but the final is required to be shared for completeness.</p> <p>The audit plan for the current audit was explained to have been presented to the Committee due to the postponing of the December committee and the timings, this was shared by Mazars.</p> <p>The STDC single entity audit is nearing completion and therefore the completion report in respect of this year's audit for the single entity, is also included in the pack, to ensure management have information timely. Cameron Waddell, (CW), Partner at Mazars, updated the Committee on the main changes and explained they were associated with the entities that sit within the STDC Group so there is a reliance on the Group auditor, Azets. CW assured the Committee that Azets have been helpful in keeping them updated and providing copies of working papers with a good relationship formed.</p> <p>Cath Andrew, (CA), Senior Manager at Mazars, noted a correction in the Audit Strategy Memorandum, noting it should be corrected as covering the period 20/21 (page 19) not 21/22. It was agreed this would be re-issued by Mazars and re-published with the correct version.</p> <p>RESOLVED THAT: The Audit Strategy Memorandum was noted subject to the amend highlighted.</p>	Mazars to provide amended Memorandum and TVCA to re-publish	Mazars/TVCA - Received and complete

11.	External Audit Completion Report 2021/22	<p>CW informed the Committee that it was anticipated there would not be any issues and that an unqualified opinion was expected to be issued, though it was explained work was ongoing with GM and Azets to ensure this opinion isn't changed and some work is required to complete the Audit.</p> <p>The Committee was advised that Mazars had yet to receive assurance from the Auditors of Teesside Pension Fund but were expecting to get that shortly, and no later than next month. It was further explained that the level of error (if any identified) would be material to STDC and the Group, and if an updated actuarial letter would be needed. The Chair acknowledged that the pension issue was out of Management and Auditors' control and will have to wait on that information. GM assured the Committee he is going to contact Lead Administrator at Teesside Pension Fund to get likely timescales so a future meeting can be arranged.</p> <p>CW informed the Committee there was good progress made, but that the STSC Audit had not yet been reviewed as Azets were still finalising this and once that's done it will be completed, but it was understood there had not been any big issues been raised. Transactions, and valuation of land and buildings were explained to still be in discussion on the carrying value of assets at 31 March 22. CW informed Members that STDL (South Tees Developments Limited) accounting standards were different to those of the Group so it was advised the difference will be a technical accounting difference. It was advised that Mazars' valuers would speak to GM on this and the underlying evidence and judgements that have been applied, to see they are happy with the approach and if not, what needs to be done to achieve that. Re-assurance was given that all parties were seeking to resolve these issues so by the time that assurance is received, can get everything signed off.</p> <p>The Chair noted this was a good audit progress update and it was positive to see the relationships are working well to get to completion and despite the issues, the Committee has been sufficiently assured on how progress will be made. It was confirmed that once the outstanding streams of work are complete there is a need to call another meeting once signed off on the entity and group accounts. GM explained he envisages a meeting being called before May and will look to give as much notice as possible.</p> <p>CW noted there was nothing in terms of disclosures, nothing to report on consolidation process or recoverability of debtors.</p>	<p>GM to contact Lead Administrator regarding Teesside Pension Fund for likely timescales</p> <p>Mazars valuers to speak to GM on valuation of land</p> <p>GM to get timelines and arrange Extraordinary Meeting</p>	<p>GM</p> <p>Mazars/GM</p> <p>GM/ Governance</p>
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		RESOLVED THAT: The External Audit Completion Report was noted.		
12.	External Audit Progress Update	<p>A verbal update was provided on the External Audit Progress Update.</p> <p>RESOLVED THAT: The External Audit Progress Update was noted.</p>		
13.	Annual Financial Accounts 2021/22 STDL and STSC	<p>The Committee was provided with the Annual Financial Accounts 2021/22 for STDL and STDC in advance of the meeting.</p> <p>No questions were raised, and the Chair noted that the Accounts were generally in good order, though there is a need to get to a resolution in order to get them signed off.</p> <p>RESOLVED THAT: The Annual Financial Accounts STDL and STSC were noted.</p>		
14.	Subsidiary Audit Reports/ Highlights Memorandum STDL and STSC	<p>Chris Potter, (CP), of Azets took the Committee through the Report advising of the findings on the STDL Audit and explaining that the STSC Audit was a little further behind but hoped to be resolved in the next week or so.</p> <p>CP explained that the STDL Audit had gone well with one outstanding area and not a lot of audit differences/audit errors. The Committee was advised there were some bad debt provisions, but the balance left in accounts is reasonable and recoverable. The one point to resolve was explained to be in conjunction with Mazars on the valuation of the land being consistent across the Group and that would be completed as soon as able.</p> <p>It was explained that some internal control observations were noted; that the land registry deeds were not in the correct name and another in the claiming of some VAT but the Committee were informed that there were no fundamental control weaknesses identified, with a significant improvement on what has been seen historically. VS updated Members that the land registry amendment had now been made with the update filed and the VAT return on correction had also been submitted.</p> <p>GM noted positive progress following the issues experienced last year being resolved and a smooth audit, giving thanks to all involved.</p>		

		<p>Members asked if £75k of £1m retention is no longer payable, how did that arise? VS explained this is in relation to a normal business transaction which is being negotiated. GM explained that the retention was a guesstimate at the time as a figure wasn't known and it was a high-level estimate, and the cost is now being worked out and what is eligible. The Chair recognised a provision for the sector and entity issues and saw this as a prudent step, recognising the risk in that sector.</p> <p>RESOLVED THAT: Members noted the Subsidiary Audit Reports/ Highlights Memorandum STDL and STSC.</p>		
15.	Proposal for Review of Committee Effectiveness (Self-Assessment)	<p>Emma Simson, (ES), Acting Chief Legal Officer, summarised the proposed method to review the effectiveness of the Committee, as well as a Skills Audit to ensure it has access to the necessary skills to discharge its function.</p> <p>It was noted that there was an outstanding action to hold an away day (following Terms of Reference review) for the Committee to get together outside of the meeting schedule. GM suggested that the self-assessment and away day could be undertaken in parallel, and the session can supplement the induction process for newer members. The Chair was keen for the Committee to do the effectiveness assessment now and to do so openly and honestly.</p> <p>Navigation of printed Agenda & Papers packs was identified to create issues and having page numbers on future packs would be useful. It was agreed that there should be ease of access in both electronic and printed format and using the Agenda as a contents page may also be useful to aid this.</p> <p>The Chair suggested in the Skills Audit there should also be a free text question on Members' understanding of the function and responsibilities of an Audit & Governance Committee and what skills they feel they have that makes them equipped to feed into that.</p> <p>RESOLVED THAT: Members agreed the Effectiveness & Skills Proposal and timelines.</p>	<p>Arrange an away day for Members</p> <p>Page Numbering/ Contents page & page numbering for future Agenda & papers packs</p> <p>Add section on Members Skills for A&G</p>	<p>Governance</p> <p>Governance</p> <p>Governance</p>
16.	Forward Programme	The Forward Plan was reviewed, and the areas identified for the future, agreed.		

		<p>NR explained the Forward Plan was formulated using the detail the Chair advised as good practice, with proposed items in line with Financial Account's and Audit timelines and it was confirmed the content is reflective of the Terms of Reference.</p> <p>The Chair confirmed the Forward Plan should be a standing item and it would be useful to look at how to record within it a tracked progress of if things were covered or not and if ahead or behind plan.</p> <p>It was suggested it may be useful to have H&S as a standard item as it is a key part of the Audit process.</p> <p>RESOLVED THAT: Members agreed and noted the Forward Programme.</p>	<p>To become a standing Item and to track progress within it</p> <p>H&S to be added as a standing Item</p>	<p>Governance</p> <p>Governance</p>
17.	PSAA Appointment of External Auditors Update	<p>GM presented a Report on the options for the re-tender of the External Audit Contract that will cover the period 2023-24 and 2027-28 financial statements.</p> <p>The Committee were notified that Ernst and Young had been appointed as the new External Auditor.</p> <p>RESOLVED THAT: The Committee considered the report and the options presented in respect of future External Audit services;</p> <p>ii. Note that the preferred Option 1 for progression of future External Audit Services has been agreed by Senior Management and notified to PSAA;</p> <p>iii. Note the progress made by PSAA in relation to their procurement process and next steps for the remainder of the process.</p>		
		IT WAS PROPOSED AND AGREED TO PASS A RESOLUTION TO EXCLUDE THE PRESS & PUBLIC FROM THE FOLLOWING CONFIDENTIAL ITEM		
18.	Risk Management Report	<p>The Risk Management Update Report was presented to the Committee.</p> <p>RESOLVED THAT: i. The Committee consider the analysis and Risk progress set out in the paper. ii. Acknowledge the current Risk position.</p>		
19.	Date and Time of Next Meeting	<p>It was confirmed that the next meeting would be an Extraordinary Meeting and civic Year meeting dates would be arranged.</p>	<p>Arrange March meeting 2023/24 dates to schedule</p>	<p>Governance</p> <p>Governance</p>

		<p>Members were informed that the Chair was looking to step down from his position on the Committee due to commitments in his new role. GM gave his thanks to the Chair for his input and commitment to the Committee, wishing him every success with his new role.</p> <p>The Committee were advised that interim arrangements for the chairing function would be considered, as well as exploring the marketplace for a replacement member. The Committee were informed that recent recruitment had seen the appointment of a new Independent Member, Mike Casper who unfortunately was unable to attend today's meeting due to unforeseen circumstances but will be introduced at the next Committee.</p>	<p>Interim Chair Arrangements</p> <p>Recruitment to Committee</p>	<p>GM/Governance</p> <p>GM/Governance</p>
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SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & GOVERNANCE COMMITTEE

Date: Friday 17th March 2023

Time: 1.00pm

Venue: Teesside Airport Business Suite, Teesside International Airport

Attendees:		Apologies:
John Baker (JB) Chair	Independent Member	John McNicholas – Teesworks
Allan Armstrong (AA)	Independent Member	Cameron Waddell - Mazars
Mike Sharp (MS)	Independent Member	Natalie Robinson - Teesworks
Cllr Anne Watts (AW)	RCBC Representative from TVCA Audit & Governance Committee	
Gary Macdonald (GM)	TVCA	
Victoria Smith (VS)	TVCA (Via Teams)	
Derek Weatherill (DW)	Teesworks	
Emma Simson (ES)	TVCA (via Teams)	
Cath Andrew (CA)	Mazars	
Nicola Dean (ND) (Governance)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome & introductions	Gary Macdonald, (GM) Group Director of Finance & Resources welcomed everyone to the Meeting.		
2.	Apologies for Absence	Apologies for absence were noted and submitted as above.		
3.	Nominations and Appointment of Interim Chair	Gary Macdonald, (GM), Group Director of Finance & Resources advised there was a requirement for an Interim Chair since the previous Committee Chair had stepped down at the last meeting and that there was a nomination for John Baker, seconded by Cllr Anne Watts. This was unanimously agreed.		
4.	Declarations of Interest	For transparency, Mike Sharp (MS) noted an interest in the Freeport via his position at Caspers and John Baker (JB) noted an interest in the South Tees Site Company (STSC) as a member of that Board. No other declarations of interest were raised.		
5.	STDC Group Financial Statements 2021-22	<p>The South Tees Development Corporation (STDC) Group Financial Statements 2021-22 were shared with the Committee in advance of the meeting and the Committee was advised that it was being asked for authorisation for the Directors to sign the financial statements.</p> <p>Victoria Smith (VS), Group Financial Controller, gave a summary of what was covered at the previous meeting. Covering the following:</p> <ul style="list-style-type: none"> • STDL and STSC accounts had been signed and were filed on Companies House. VS covered that Azets issued unqualified opinions on the accounts, stating the accounts give a true and fair view. The numbers from these two companies are consolidated into the STDC group accounts presented today. Azets raised no issues at the previous committee regarding the two entities. • STDC single entity accounts and audit update report were discussed. VS explained that the areas outstanding from the audit update report had now been completed. <p>Vs informed Members that although we were taking the accounts as read, she would talk through the key points. The following were key areas in the Accounts detailing up to March 2022 were discussed:</p>		

		<ul style="list-style-type: none"> • Funding incurred on site remediation, decontamination and demolition during the period had been impaired - it was explained this was known when the site was taken on and this is why public funding was provided via government grants. VS highlighted the section of the narrative report that covers this. • Provision for the Site Company running down in relation to staff numbers and redundancies; • Contingent liability note was discussed covering the HMRC corporation tax discussions occurring nationally and stating this had been disclosed as a potential liability if required to pay CT. • Contingent liability to SSI when staff TUPE'd over, and payments will be made as they leave. • Accounts – VS highlighted the income from Teesworks from the sale of scrap and explained that this had been fully reinvested in the site. <p>Picking up on the actions highlighted at the last meeting, VS informed the Committee that Mazars had asked for a valuation on the land that sits in South Tees Development Limited (STDL). It was confirmed an independent valuation had been carried out by George F White and was in line with what had been estimated and Mazars had now agreed on this. CA confirmed to the Committee that there would be an unadjusted misstatement to the report as the valuation came in lower, but this was explained not to be material. It was explained that this was categorised as surplus assets because the piece of land was being sold and development had commenced with a tenant.</p> <p>The Committee was advised that Mazars had asked if there should be a value for the 10% shareholding in Teesworks and whether there is any value in those shares currently. VS explained it was felt to be difficult to put an estimate on a cost and value of the shares at this stage and therefore the value included in the accounts was 0. A DCF had been prepared by STDC and Mazars valuation team were reviewing this. MS highlighted he had reviewed the Teesworks accounts at the balance sheet date and that an estimate of the value due to share of net assets would be c£17k, immaterial.</p> <p>Members were informed that since the statements had been provided there were some minor typographical errors/amendments identified in the Accounts and these were summarised and issued to members to accompany the Accounts.</p> <p>MS sought clarification on a number of points which were satisfactorily responded to by VS and GM. VS undertook to circulate to the committee a summary clarifying the points raised.</p>		
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		<p>RESOLVED THAT: the Committee acknowledged that the share valuation review work currently being conducted by Mazars would only result in a positive impact on the Balance Sheet if there was a requirement to include a value. Members agreed that on this basis and permitting minor or clerical amendments, Members authorised the signing of the Accounts</p>		
6.	<p>External Audit Completion Report Update 2021/22</p>	<p>Cath Andrew (CA) provided a verbal update to the Committee that there were 6 areas of work outstanding on the External Audit Completion Report and explained progress against those as detailed below:</p> <ul style="list-style-type: none"> • All information requested by Mazars, had been provided by the SDTC audit team. • Fraud, Laws & Regulations – It was explained that Mazars had been awaiting a response from the Chair of Audit & Governance Committee and this had now been received with no concerns. • Party Related Transactions – The Committee was informed that Mazars had not received all Declarations of Interest so it was noted detailed testing couldn't be done. It was noted there were 2 missing Declarations that were linked to previous Directors who were no longer in post and a control recommendation was raised. • Group consolidation – CA explained Mazars had been awaiting STDL accounts to be signed and received those now. STSC was noted as now having been signed but Mazars had not received anything so will chase Azets, although it was noted the file had been reviewed and there was nothing material to raise. • Teesworks – Mazars' internal experts were explained to have been involved in this area and the valuation of assets had now been concluded with no issues. The Mazars share valuation team were reviewing the valuation of shares held by STDC in Teesworks, but this was not concluded yet and may take a while to review and for a decision to be made. VS highlighted that no value had been included in the accounts to be prudent at this stage. • Investments in Associates / subsidiaries, Mazars stated the potential requirement for further disclosure information regarding investments. Particularly expanding on the accounting entries made and explaining why they have no value. It was clarified that disclosure won't have an impact on the numbers. GM advised that this is a disclosure on what information was provided on those entities. • PPE – £1.94m difference between £15m and £13m. Reclassification and valuation movements and an error in capital commitments but not material, with no plans to amend that. 		

		<ul style="list-style-type: none"> Pensions – It was noted that the net liability in the accounts is not material to the group but almost is to the single entity. CA advised Mazars was waiting for pension fund auditors' assurance but had informally heard they're reporting a small error which would be a trivial difference to the STDC accounts. The national issue raised regarding the pension fund wouldn't have a material adjustment but was advised it may need to be a reportable error. CA advised they had been told they may have pension fund auditor assurance by the end of next week but there was an argument this could be signed off, depending on the risk Mazars wants to take. <p>Members further discussed the valuation of the shares and GM explained to the Committee it was felt it was too early to make assumptions on their value and so had therefore been prudent on valuation as it is difficult to assess. At some point it was agreed there may be more intelligence in terms of revenue streams to say the shares would have a positive value, but it was uncertain at this point. MS suggested that, from looking at the balance sheet, the value could be around £17k and not material, so agreed with the view it was too early to evaluate it. There was a query around what the private partners were showing regarding their shareholding and if they were taking a similar view. GM explained he had not looked at their accounts but if Members wanted to do so, they could look at Companies House.</p> <p>GM requested clarification for Members in an event where the pension assurance is not received next week but everything else has been concluded, whether this other national issue is something that stops Mazars completing. CA advised that it was not clear as it was a national issue but dependent on the personal judgement of the Partner and so would need to speak to Cameron Waddell, (CW), Partner at Mazars on this. VS informed the Committee that she had recently spoken to CW and he had advised that for it to be materially wrong, it would be required to be 150% wrong, which is highly unlikely to happen. CA advised that part of the issue is that 22/23 assumptions are putting a lot of people into an asset position – still materially correct, even if reduced to nil. GM suggested there would be a need to consider how late the accounts are but that he would speak to CW and if there is the opportunity to close it out, rather than waiting to be signed and audited, it would make sense to do so. CA confirmed all the Local Government opinions are late but assured the Committee there was nothing to impact on the prime statements and what was looking to be approved today.</p> <p>The VFM statement was discussed regarding the disclosure elements and CA suggested to put something in the related party transaction note and that it may be useful to look at Gateshead Council's related party transaction note as an example. VS advised the Committee that CW had queried</p>	<p>GM to speak to CW of Mazars on national issue</p> <p>Review Gateshead Council related party transaction note</p>	<p>GM/Mazars</p> <p>VS</p>
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		<p>if the Airport and Goosepool should be mentioned at TVCA Group level but this was deemed not required, as those investments do not sit in these accounts, so assured the Committee for STDC purposes the additional disclosures would be minimal. CA informed the Committee that regarding the VFM statement a self-assessment and evidence had been received and no significant weaknesses were identified that needed reporting. It was explained that the VFM commentary needs adding into the Auditor's Annual Report but that cannot be done until a date is confirmed for the Annual Opinion – although the Committee was assured that all work had been done.</p> <p>The Chair noted that it looks like there is now an end point which will not impact on the signing off of the Accounts the Committee would be looking to approve. CA agreed there did not appear to be anything apparent that would impact on the Accounts to be approved but if there were, it would have to be revisited. VS asked for clarification that, assuming those shares that would have a value, that would mean a positive addition to the Statements and if so, she asked if they could be shared rather than another meeting convened.</p> <p>GM asked for clarification to the Committee that the accounts, from a value perspective, would be an unqualified opinion and for VFM commentary that there are no significant weaknesses. CA confirmed this to be the case from what had been seen.</p> <p>MS raised the following observations and feedback regarding the Accounts:</p> <ul style="list-style-type: none"> • Page 8 of the Accounts, movement in reserves had 20/21 at the top and 21/22 at the bottom and elsewhere in the accounts it is the other way around. It was noted this presentation would be amended. • Page 11 of the Accounts – confusing wording on cash flow statements was noted as ordinarily it starts with positive and net increase in brackets at the bottom suggests it is being added to a negative figure. VS advised we will check on net increase and will check the code and if it allows, will change that. • Page 18 & 19 of the Accounts – 'Assets under construction' had closing cost of £18,667, assume still there but not brought forward on the balance. Page 19 no opening balance. It was suggested there is a need to know what has happened to the original asset. GM agreed either the figures were wrong or needs a note to indicate why it is recorded in this way. 	<p>Feedback to be checked and outcome updated to Committee</p>	<p>VS</p>
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	<ul style="list-style-type: none"> Page 46 of the Accounts – ‘Long Term Debtors and loans’ has a different value to the single entity balance sheet (£23,276 against £24,231). It was noted that the explanatory note gives less information than on the balance sheet. VS will need to check numbers on this. Page 50 of the Accounts – ‘Long term Debtors’ noted as £24,201. GM suggested could be a classification issue and would be checked and, if so, the note needs to reflect this. <p>It was asked whether the closed balance sheet needs to have the value of the option exercised on the land that was sold. VS explained it was commercially sensitive so would not be disclosed.</p> <p>Is there and was there any perceived risks to be aware of for the Corporation, that have not already been/will be reported to you? CA advised there were not any that had not already been reported to the Committee. GM went on to explain STDC Board was held this week where various updates were approved, one of which was in relation to future development on the site and the Committee was informed that, as a result, it would see more capital expenditure going through the Accounts in future. It was advised that this can be looked at in more detail at a future meeting on the operating model for landfill tax on brownfield/regeneration sites. Government is passing a Finance Bill on these reliefs on landfill tax where sites are being regenerated by public bodies. It was confirmed there would be more detail at the next Committee and how that will impact future accounts.</p> <p>Emma Simson, (ES), Interim Chief Legal Officer (Monitoring Officer), clarified to the Committee that it was being asked to approve the accounts, subject to some minor amendments, and seek its delegation to do so subject to the amendments raised and that there is a potential positive impact on the balance sheet due to valuation in Teesworks but no material changes.</p> <p>The Chair sought the Committee’s approval, if they felt in a position to authorise the Directors to sign off the Accounts, or whether there was any more detail/assurance required. The Committee confirmed they were happy to authorise sign off of the Accounts subject to no material changes.</p> <p>GM informed the Committee he would circulate the updated Accounts when changed and, so long as there was nothing material, the accounts would be approved. MS noted the issues he had raised were immaterial issues and that subject to those points, members confirmed they were happy for Directors to sign off subject to no material changes. GM confirmed if there were any changes of a material nature the Committee would need to reconvene.</p>	<p>Plan Landfill tax on Brownfields Site as future Agenda item</p> <p>Sign off of Accounts subject to no material changes</p> <p>Updated Accounts to be shared with the Committee</p>	<p>Governance</p> <p>GM/Directors</p> <p>VS/Governance</p>
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		RESOLVED THAT: 1) The External Audit Completion Report Update was noted; 2) The Committee authorises sign off of the Financial Accounts subject to the noted amends and subject to no material changes.		
7.	Date and Time of Next Meeting	<p>It was confirmed that civic year meeting dates would be arranged.</p> <p>GM explained that JB was acting in the capacity of interim Chair for this meeting and that he would be looking to have conversations with members to seek a permanent chair and would look at getting a May meeting of the Committee arranged with proposed dates for the civic year, withstanding the upcoming local elections.</p> <p>It was agreed that a detailed Briefing would be arranged for all members invited with GM to include detailed discussion on the function of STDC A&G and the cycle of the STDC Group. GM agreed it would be useful to have one before May and then another after any new members are appointed.</p>	<p>Propose 23/24 meeting dates conferring with Members on availability</p> <p>Briefing with Members TBA & booked in with GM</p>	<p>Governance</p> <p>GM/Governance</p>

ITEM X

SOUTH TEES DEVELOPMENT CORPORATION AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER – 2022 - 23

Meeting	Item	Action	Owner	Target Date	Update
March 2022	Welcome & Introductions	AA to formally be approved as a Committee Member by STDC Board	STDC	July 2022	Complete
	Declarations of Conflict of Interests	Governance to request AA to complete declaration of interest then share with VS for audit purposes.	Governance	July 2022	Complete
	Minutes of Previous Meeting – Nov 21	A further paper setting out the testing of controls for scrap transactions to be circulated to committee members.	NR	April 2022	Complete
		Final Audit plan to be shared and approved outside of the meeting once approved by Senior Auditor	NR/VS	June 2022	Complete
	Review of STDC ARC Terms of Reference	Undertake gap analysis of government audit handbook and redrafted Terms of Reference.	NR	ASAP	Complete
		Revise proposed ToR to be circulated to Committee Members for consideration and endorsement to put forward to STDC Board.	GM	June 2022	Complete
	Internal Audit Progress Report	Graph in the Report to show progress against where we had expected to be at the same point.	MG	Ongoing and to be added to future Reports	Complete
		The one high priority action not progressed related to financial regulations that these had been reported to Board and were now compliant.NR to disseminate evidence that outstanding action had been completed.	NR	June 2022	Complete
		CW to be engaged in scoping meetings to ensure the Audit, on the effectiveness of the Committee, answers the questions of the Committee.	GM/NR	Complete	Complete - Audit was brought forward complete and draft

					report received substantial assurance with 1 finding on succession planning
	Internal Audit Actions Update	Noted that one action remaining on several previous audits – A grid to show how many were outstanding per audit and when they should have been met is required	NR	Ongoing and to be added to future Reports	Complete
	External Audit Progress Report	Paper required on final accounts to include the points of reassurance raised so Committee has assurance from management that these controls have been put in place to allow them to sign off the final audited accounts.	VS	Ongoing	In Progress
		Committee to meet again before next scheduled meeting to discuss and sign off the final Accounts	VS/GM	August 2022	Complete
	STDC Financial Statements 2020/21 (Latest Position) and revised Annual Governance Statement	Arrange Extraordinary Meeting to look at final sign off of Accounts	VS	August 2022	Complete
1st August 2022	Internal Audit Annual Opinion	Committee Self-Assessment and that of the Internal & External Auditors	PJ	November 2022	Complete - Added to January Meeting Agenda
	Internal Audit Annual Plan	Chair to input into scoping on an Audit on the transition from a COMAH site to a DC	CW/DW/NR	Q3 2023	Complete - Added to Audit Plan and scoping expected

					later in 23/24 civic year
		Consider Governance v Substantive style audits on working (e.g. fraud)	GM/MG	Added to Forward Plan & introduced those Audits	Complete
		Add Member input into the Annual Plan	ND	Q1 2023	Complete – Suggestion from previous discussion and has been added to Annual Plan
	Risk Management Update & Risk Framework Compliance Update	Draft Report for STDC Board	GM	Dec 22	Complete
		Share Strategy on the Lines of Defence and Risk Management with Committee	NR	August 23	
	Forward Plan	Update & diarise Forward Plan from discussions on ToR and key activity and recommendations	ND	Oct 22	Complete
	19th August 2022	Welcome & Introductions	ND	Aug 22	Complete
		Review & Approval of the STDC Financial Statements 2020/21 and Annual Governance Statement	GM/VS/Mazars	Ongoing	In Progress
			GM/VS/Mazars	Ongoing	In Progress
			ND	Complete	
	Date & Time of Next Meeting	Compile & circulate draft of Forward Plan	NR/GM/Mazars/Azets/RSM	Draft shared with Committee	Complete

3rd February 2023	Internal Audit Progress Report	Need to ensure 2 Audit Reports to be brought to each Committee	TVCA/RSM	Ongoing Action	Complete – will schedule Audits evenly through the year
	External Audit Annual Plan 2021/22 (Audit Strategy Memorandum)	Mazars to provide amended Memorandum and TVCA to re-publish	Mazars/TVCA	ASAP	Complete – corrected and uploaded to TVA Website
	External Audit Completion Report 2021/22	GM to contact Lead Administrator regarding Teesside Pension Fund for likely timescales	GM	Complete	
		Mazars valuers to speak to GM on valuation of land	Mazars/GM	Complete	
		GM to get timelines and TVCA to arrange Extraordinary Meeting	GM/Governance	ASAP	Complete
	Proposal for Review of Committee Effectiveness (Self-Assessment)	Arrange an away day for Members	Governance	Complete	Informal Briefing undertaken and site tour to be arranged
		Circulate and progress Committee Effectiveness Self Assessment and collate results for review at future meeting	Governance	May 23	Complete
		Page Numbering / Contents page for future Agenda & papers packs	Governance	Ongoing	In Progress
		Add section on Members Skills and understanding of the role of the A&G Committee to Skills Audit	Governance	Mid February 23	Complete
		Roll out Committee Effectiveness Survey and Skills Audit in line with Timetable	Governance	ASAP	Complete and circulated to Members
	Forward Programme	To become a standing Agenda item and to track progress against it of when things covered and if ahead/behind plan	Governance	Ongoing	Added as Standing Item on Agenda's
		Health & Safety to be added as a standing Agenda item	Governance	Ongoing	Added as Standing

					Item on Agenda's & Forward Plan
	Risk Management Report	COMAH declassification Audit to come to next Committee	RSM/NR	August 23	
		Review reputational risks across the portfolio to make sure these reflect current topics	NR	August 23	
	Date & Time of Next Meeting				
		Interim Chair Arrangements to be confirmed	All	ASAP	
		Recruitment to Committee to be progressed and consideration to a formal succession plan	Governance	ASAP	In Progress – one Member appointed
17th March 2023	External Audit Completion Report Update 2021/22	GM to speak to CW of Mazars on national issue and if it may affect completion	GM/Mazars	Complete	
		Review Gateshead Council related party transaction note	VS	August 23	
		Feedback as noted in the Minutes to be checked and outcome updated to Committee	VS	August 23	
		Plan Landfill tax on Brownfields Site as future Agenda item	Governance		Added to Forward Plan
		Sign off of Accounts subject to no material changes	GM/Directors		
		Updated Accounts to be shared with the Committee	VS	July 23	
	Date & Time of Next Meeting	Propose 23/24 meeting dates conferring with Auditors/Members on availability	Governance	ASAP	
		Briefing with Members TBA & booked in with GM	GM/Governance		
20th April 2023	Members Briefing	Devise a standard list of questions members should have at the forefront of their mind to ensure aligning to standards expected in their remit	NR		
		Check with Chair of proposed meeting dates when arranged			
		AA to be sent Skills Assessment	Governance	Complete	
		A future meeting to be held at Teesworks with a site tour to be added to the end of the meeting so extend the meeting by half an hour	Governance		
	Members Briefing	Set of DRAFT accounts to be shared before publication on the website	VS	July 2023	

29th June 2023		Formatting issues in the Accounts that were identified at the last Committee would have responses and be shared before signing;	VS	July 2023	
		The Timeline table provided to the Review Panel was agreed to be shared with the Committee	GM	ASAP	
		Committee Forward Plan would have an addition of a Freeport item to look at it from the point of view of STDC being compliant with its obligations – added to Forward Plan	Governance	Complete	Added to Forward Plan
		Terms of Reference (ToR) for Independent Review were agreed to be shared	Governance	Complete	Sent to Members
		Link to Government website on Inquiry to be shared	Governance	Complete	Sent to Members

AGENDA ITEM 5

REPORT TO THE SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & GOVERNANCE COMMITTEE

1st AUGUST 2023

REPORT OF GROUP CHIEF EXECUTIVE OFFICER

GROUP CEO UPDATE

SUMMARY

The purpose of this report is to provide the STDC Audit & Governance Committee with an activity update since the last meeting.

RECOMMENDATIONS

It is recommended that the Committee note the content of this report.

DETAIL

DECONTAMINATION PROJECT AND COMAH STATUS

1. The Committee will remember that a key obligation imposed on STDC in the original Business Case when the South Tees Site Company (STSC) transitioned to local control, was to deliver the Decontamination Project. The contract was procured prior to 2020 when HMG were in control of STSC, and which was responsible for decontaminating the 27km of coke oven gas main. This was the most significant aspect of work that had to be done to free the site from its Top Tier COMAH status and is the largest single contract delivered by STDC.
2. I am delighted to be able to be able to inform the Committee that this contract is now complete and that the COMAH substances arising from that contract have been safely disposed of.
3. There are still some COMAH substances from the demolition of the coke oven by-products plants that are in the process of being safely disposed of and this will take a few more weeks. The completion of this work will allow for a formal application to HSE to be submitted declassify the site and remove the COMAH status. We expect this application to be approved by the end of the year.

FREEPORT

4. Two new Freeports in Wales and in addition eight Investment Zones have been announced. The Investment Zones are expected to complement the Freeports.
5. Following the local elections, there is a new leader of RCBC, Cllr Alec Brown, who will be invited to join the Freeport Board and chair the Strategy & Accountability workstream.
6. Media attention has been focused on the region, with the Freeport being named in ongoing discussions regarding the ownership of Teesworks and the Joint Venture Partner. Following cross-party calls for an investigation - including from the Tees Valley Mayor - Government announced an official independent review would be launched into these arrangements, headed by Angie Ridgewell, Chief Executive of Lancashire County Council. The panel will review TVCA's oversight of STDC and Teesworks JV, including consideration of specific allegations made, and look at wider governance and financial Anything is possible 3 management. The review is now under way and TVCA and STDC are working with the panel to provide all relevant information.

UTILITIES

7. The joint venture procurement in respect of Teesworks power needs has not reached commercial agreement, but discussions with third parties are ongoing. Given the transition of all future development to the private sector going forward Teesworks Limited is exploring and developing commercial options for the ongoing future development of the private wire network on site.
8. In terms of specific utilities projects, the work to connect and accommodate SeAH's power requirements continues with a new South Bank 66 & 11kV substation required. The first two units were successfully delivered to site and installed on their foundation on 19th June 2023. The third and fourth units successfully completed their Factory Acceptance Tests on 16th June 2023 and are currently being readied for delivery to the UK. All orders for electrical elements are in place. Factory visit to GE Circuit Breaker manufacturing facility in France took place on 7th June with visit to GE Disconnecter manufacturer planned for 5th July.
9. Discussions are ongoing with ENW to review all options for the programme delivery of SeAH's power-on date given some of the delays in the supply chain. Power-on date (11 December 2023) is not at risk due to mitigation, but the optimal solution is being reviewed prior to dialogue with SeAH.
10. SeAH has also formally requested an increase of capacity from 44MVA to 51MVA. This is achievable at no extra cost to STDC, with appropriate amendments to the delivery programme expected to accommodate this change request.

11. The workstream with National Grid (NG) to formally assess the viability of the High Voltage Network to accommodate generation (TV ERF, battery energy storage and wind generation) and to assess future site demand scenarios for Teesworks is ongoing, with Teesworks in continued dialogue with NG.
12. The SCADA system install is complete and system operational. Operator and user training is complete, with optimisation of the system ongoing to tailor to exact operational needs.
13. Strategy for the former Redcar site distribution has been refined to accommodate NZT remediation timescales, optimisation of existing assets and the ability to supply potential customers. Replacement of cabling to allow for clearance of NZT site is currently in procurement, with a tender return date of 7th July 2023 with the target of project completion by 31st May 2024. Development planning ongoing to understand any further requirements for additional future developments.

PROGRAMME DEVELOPMENT

14. Dorman Point

- With a total of 70 acres of ground remediation works already completed, covering Phase 1A (TV ERF site) and Phase 2 of the Dorman Point site, work continues on the remediation of Phase 1B, a further 8 acres, opposite the Teesworks Skills Academy.
- Phase 3 remediation will deliver a further 25 acres of land for development, with the proposed Circular Fuels facility occupying part of this. Completion of the Agreement for Lease for this project, expected later in the year, will trigger the commencement of Phase 3 remediation activities.

15. South Bank

- Construction of South Bank Quay Phase 1 remains on schedule to complete by 05-Dec-23. Attention is now turning to the design and installation of onshore utilities infrastructure, ahead of the Quay becoming operational Q2 2024. Working is also about to commence on the design of the associated Workshop and Offices building at the Quay, with overall completion expected in June 2024.
- Construction of the South Bank Link Road is progressing, with the first 600m-800m of road surfacing commencing late-June.
- Regarding the new South Bank Watercourse, Phase 1 (adjacent to the SeAH site) is complete, with Phase 2 construction presently out to tender and due for commencement early August. Phase 3 (the final phase) will go to tender late July, for commencement in October.

16. Demolition Works Programme

- Of the ongoing demolition projects at the date of the last report, the BOS Plant and Redcar Coke Ovens By-Products projects are complete, and the Redcar Blast Furnace project only requires the completion of scrap metals processing operations. On Redcar Power Station, there is one, final, multiple blowdown scheduled for 29 Jun-23, which will see the gas holder, chimney, flare stack and de-aerator bay come down via explosive demolition, marking the end of demolition activities on this project.
- Work on the demolition of the TMO offices and neighbouring facilities is planned to commence in Q4 2023.

17. Net Zero Teesside

- Further to the signing of the Option Agreement with BP, ground remediation works commenced late April. We are in dialogue with BP regarding the potential for accelerating the delivery programme for these works, at BP's cost, to realise completion in April 2024, which would take 3 months off the schedule.

18. Teesworks Park and Ride Facility

- The park and ride project secured planning permission in March 2023.
- Advance earthworks continue in preparation of the site for construction of the facility.
- The project has been split into three phases: Phase 1 comprises the new signalised junction on the A1085 Trunk Road and 300m long access road into the site; Phase 2 a 400m long spine road through the site; and Phase 3 the construction of the car park and supporting operational facilities, such as the security and induction building.
- Design work is complete on Phase 1 and continues on Phases 2 and 3. We will go to tender very soon for a contractor to construct Phase 1, with the option to extend the contract scope to include Phase 2. Phase 3 will go to tender in September.
- Overall completion is planned for Q1 2025.

19. Key Risks to Delivery

- As noted, STDC is working on several significant projects all of which carry delivery risks. These are actively in mitigation through the comprehensive project management and related project controls processes being implemented by our appointed consultants, with robust project plans in place, regular project progress reviews being held, and intervention actions being taken, where necessary, to address potential impacts to cost and schedule, and ensure delivery to programme.

EQUALITY & DIVERSITY

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

Name of Contact Officer: Julie Gilhespie
Post Title: Group Chief Executive Officer
Email Address: Julie.gilhespie@teesvalley-ca.gov.uk



SOUTH TEES DEVELOPMENT CORPORATION

Annual internal audit report 2022/23

DRAFT

Presented at the Audit and Risk Committee Meeting of 17 May 2023

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

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

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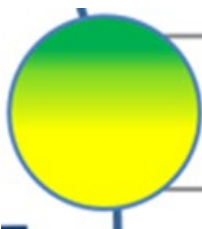


THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit 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 reporting.

The opinion

For the 12 months ended 31 March 2023, the Head of Internal Audit opinion for South Tees Development Corporation is as follows:



The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

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

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 a substitute for management responsibility around the design and effective operation of these systems.

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 Risk Committee, our opinion is subject to inherent limitations, as detailed below:

- Internal audit has not 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. 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(s).
- 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.
- our internal audit work for 2022/23 has continued to be undertaken through the operational disruptions caused by the Covid-19 pandemic. In undertaking our audit work, we recognise that there has been some impact on both the operations of the organisation and its risk profile; and our annual opinion should be read in this context.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Based on the work we have undertaken on the systems of governance, risk management and internal control across the organisation, our opinion on governance, risk management and control have been informed by the following:

Governance

We did not perform a specific governance review at the organisation in 2022/23, however we have covered elements of the governance frameworks in place for the following reviews and have used this work to support our governance opinion: Logic Models, Procurement to Pay Process, SeAH Plant and South Bank Quay, and Audit Committee Effectiveness.

Each of the above reviews received a positive assurance opinion (two **substantial**, two **reasonable**). We therefore concluded that the governance arrangements in place, for the organisation, were adequate and effective.

Risk

We did not perform a specific risk management review at the organisation in 2022/23, however, our risk management opinion was informed by the assessment of the risk mitigation controls and compliance with those controls in our risk-based reviews as follows:

- Scrap and Disposal of Assets (Risk: *GSR-R036: Fraud – management of scrap metals*) – **substantial assurance**.
- SeAH Plant and South Bank Quay (Risk: *GSR-R023: Failure to meet objectives*) – **substantial assurance**.
- COMAH Declassification (*GSR-R001: Inability to remove COMAH status*) – **substantial assurance**.

We have also attended all Audit and Risk Committee meetings throughout the year and confirmed the organisation's risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight.

Control

We undertook six audits (including the three risk driven reviews mentioned above) of the control environment that resulted in formal assurance opinions. All six of these reviews concluded that positive assurance opinions could be taken by the Board (four **substantial**, two **reasonable**). We identified that the organisation required further implementation and embedding of a control framework, or to improve the application of the established control framework, for those areas reviewed.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control. We have performed a Follow Up review during the year which concluded that **good progress** had been made towards the implementation of those actions agreed.

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

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, 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.

Acceptance of internal audit management actions

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

Implementation of internal audit management actions

We have performed a follow up review to determine the organisation's implementation of internal audit findings and we have reported that **good progress** had been made in implementing the agreed actions.

Follow Up of Previous Internal Audit Management Actions

Our audit focused on those actions raised as part of the below reviews, and considered if appropriate evidence was in place to demonstrate the actions had been fully implemented as reported to the Audit and Risk Committee or the organisation's management team:

- Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review (2.2018/19).
- Follow Up of Previous Internal Audit Management Actions (5.2019/20).
- Scrap and Disposal of Assets (1.2021/22).
- Follow Up of Previous Internal Audit Management Actions (2.2021/22).
- Projects: Demolition Programme and South Bank Quay Project (5.2021/22).
- Logic Models (1.2022/23).
- Procurement To Pay Process (3.2022/23).

A total of 10 actions had been marked as closed and we reviewed these during the audit. These were comprised of **one high** priority, **one medium** priority and **eight low** priority actions.

We were supplied with satisfactory evidence for eight out of the 10 actions declared as complete by the respective action owner. We were also supplied evidence in respect of the remaining two actions (both low priority) but, upon review, we found that these had been partly though not yet fully implemented. We have therefore agreed **two low priority** management actions in respect of these two actions.

Working with other assurance providers

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

OUR PERFORMANCE

Conflicts of interest

RSM has not undertaken any work or activity during 2022/23 that would lead us to declare any conflict of interest.

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 the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

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. 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.

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

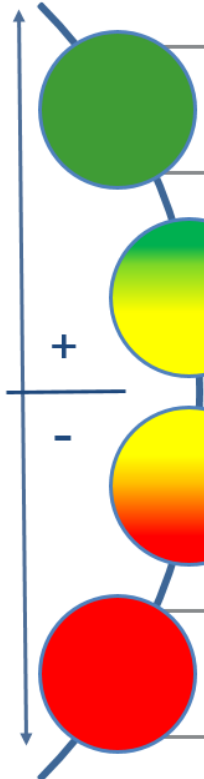
Performance indicators

Delivery

	Target	Actual		Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	7 days (average)	Conformance with IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 days of management response	3 days	1 day (average)	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working day	-

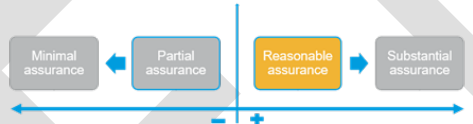




APPENDIX A: ANNUAL OPINIONS


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.

Annual opinions	Factors influencing our opinion
 <div data-bbox="392 403 1176 531"> <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> </div> <div data-bbox="392 592 1176 719"> <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> </div> <div data-bbox="392 780 1176 908"> <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p> </div> <div data-bbox="392 968 1176 1096"> <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p> </div>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED

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.

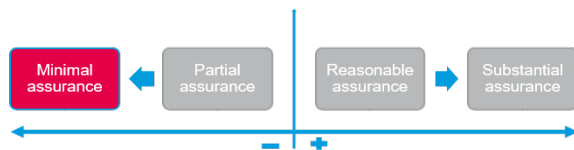
Assignment	Assurance level	Actions agreed		
		L	M	H
Logic Models 1.22/23		2	5	0
Scrap and Disposal of Other Assets 2.22/23		1	1	0
Procurement To Pay Process 3.22/23*		1	2	0
SeAH Plant and South Bank Quay 4.22/23		0	0	0
Audit Committee Effectiveness 5.22/23		2	1	0

Assignment	Assurance level	Actions agreed		
		L	M	H
COMAH Declassification 6.22/23		0	0	0
Follow Up of Previous Internal Audit Management Actions 7.22/23	Good Progress	2	0	0

* Further actions were raised in the parallel TVCA report which also affect STDC (one low, one medium).

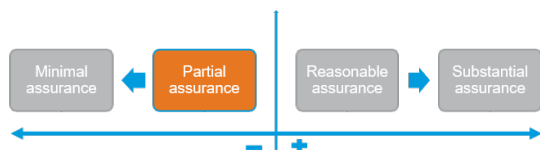
APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Board can take:



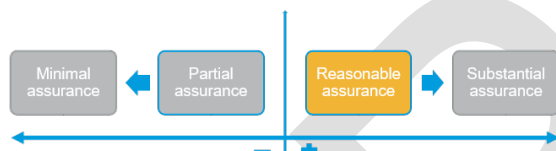
Taking account of the issues identified, the Board can take **minimal assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk.



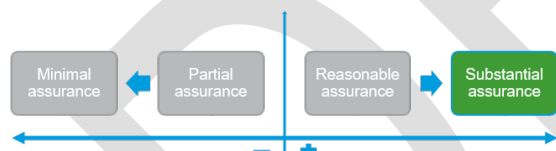
Taking account of the issues identified, the Board can take **partial assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk.



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

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.



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

YOUR INTERNAL AUDIT TEAM

Rob Barnett, Head of Internal Audit

M: 07809 560103

Robert.Barnett@rsmuk.com

Michael Gibson, Client Manager

M: 07800 617281

michael.gibson@rsmuk.com

DRAFT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **South Tees Development Corporation**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



SOUTH TEES DEVELOPMENT CORPORATION

Follow Up of Previous Internal Audit Management Actions

Final Internal audit report 7.22/23

3 March 2023

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

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

1. EXECUTIVE SUMMARY

Background

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

- Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review (2.2018/19).
- Follow Up of Previous Internal Audit Management Actions (5.2019/20).
- Scrap and Disposal of Assets (1.2021/22).
- Follow Up of Previous Internal Audit Management Actions (2.2021/22).
- Projects: Demolition Programme and South Bank Quay Project (5.2021/22).
- Logic Models (1.2022/23).
- Procurement To Pay Process (3.2022/23).

A total of 10 actions have been marked as closed and we have subsequently reviewed these during the audit. These are comprised of **one high** priority, **one medium** priority and **eight low** priority actions.

Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion STDC has demonstrated **good progress** in implementing agreed recommendations.

We were supplied with satisfactory evidence for eight out of the 10 actions declared as complete by the respective action owner. We were also supplied evidence in respect of the remaining two actions (both low priority) but, upon review, we found that these had been partly though not yet fully implemented. We have therefore agreed **two low priority** management actions in respect of these two actions.

Progress on actions

The following table includes details of the status of each management action:

Implementation status by review	Number of actions agreed	Status of recommendations			
		Implemented	Implementation ongoing	Not implemented	Superseded
Low	8	6	2	0	0
Medium	1	1	0	0	0
High	1	1	0	0	0
Total:	10 (100%)	8 (80%)	2 (20%)	0 (0%)	0 (0%)

Implementation status by review	Number of actions agreed	Status of recommendations			
		Implemented	Implementation ongoing	Not implemented	Superseded
Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review (2.2018/19) (Report date: 13.06.19)	1	1	0	0	0
• ACTION 2: Training log and training attendance sheets					
Follow Up of Previous Internal Audit Management Actions (5.2019/20) (Report date: 21.05.20)	2	0	2	0	0
• ACTION 8: Risk Management Framework					
• ACTION 9: Risk Register and Assurance Framework					

Scrap and Disposal of Assets (1.2021/22) (Report date: 19.11.21)					
• ACTION 1: Scrap Policy	2	2	0	0	0
• ACTION 2: Customer spreadsheet and corresponding invoices					
Follow Up of Previous Internal Audit Management Actions (2.2021/22) (Report date: 03.02.22)					
• ACTION 1: Action table in Appendix A	1	1	0	0	0
Projects: Demolition Programme and South Bank Quay Project (5.2021/22) (Report date: 23.05.22)					
• ACTION 1: KPI introduced and approved	1	1	0	0	0
Logic Models (1.2022/23) (Report date: 24.11.22)					
• ACTION 1: Documented review from external stakeholders	2	2	0	0	0
• ACTION 2: Updated Memorandum of Understanding					
Procurement To Pay Process (3.2022/23) (Report date: 26.01.23)					
• ACTION 3: Contract extensions or variations approved by the Chief Legal Office	1	1	0	0	0
Total:	10	8	2	0	0
	(100%)	(80%)	(20%)	(0%)	(0%)

2. FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

Assignment: Follow Up of Previous Internal Audit Management Actions 5.2019/20

Original management action / priority	The Corporation will develop a mechanism to ensure risk registers are maintained up to date and that there is central oversight of these. This will be discussed with the Board at the risk appetite workshop, where a decision will be made on the frequency of the updates required for each risk register or risk rating. Priority: Low
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Audit finding / status	<p>Through review of the Risk Management Framework, we noted that the version control outlined that the Framework was reviewed most recently by Audit and Governance Committee in August 2022. We have obtained the meeting minutes and verified the review. The Risk Management Framework governs the oversight of Risk Management to ensure that it is an integral, visible, and consistent part of routine management activity across the corporation. We have obtained and inspected the Risk Management Framework, which contains the organisation's risk management objective and outlines its risk management process.</p> <p>Through review of the Risk Management report dated August 2022, we confirmed that it provided the STDC Audit and Risk Committee with the Corporation's strategic position on risk and updates on risk registers, which included the following:</p> <ul style="list-style-type: none"> • Financial implications. • Risk assessment. • Risk analysis set out in the Risk Registers.
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However, we found that the review schedule of Risk Registers had not been documented in the Risk Management Framework, therefore we cannot confirm the review of Risk Register was in line with stated frequency required. This creates a risk that if the review schedule for Risk Registers is not documented in the Risk Management Framework Risk Registers may not be reviewed in line with required frequencies and management may be unable to receive updates about Risk Registers in a timely manner.

Assignment: Follow Up of Previous Internal Audit Management Actions 5.2019/20**2. The action has been partly though not yet fully implemented.**

Management Action 1	The Risk Management Framework will be updated to include the review schedule of Risk Registers.	Responsible Owner: Group Risk Manager	Date: 31 July 2023	Priority: Low
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Assignment: Follow Up of Previous Internal Audit Management Actions 5.2019/20

Original management action / priority	The Corporation will review the format of the risk register to ensure we begin to capture the controls in place on which they are relying to bring the risk rating of its current level. The Corporation will then begin an exercise to identify the assurances they have in place over these controls, which they can use to drive future assurance activities. Priority: Low
--	--

Audit finding / status	<p>Through review of Security Risk Register and Strategic Risk Register, we noted that each risk had a control in place, including the control objective, control frequency, control purpose, and control owner.</p> <p>Furthermore, through review of the Risk Management report dated August 2022, we confirmed that the Corporation had considered the risks and reviewed the controls. The report provided the STDC Audit and Risk Committee with updates on risk registers, which included the following key sections:</p> <ul style="list-style-type: none">• Key corporate risks that have been identified.• Type of risk (legal, reputational, financial).• Risk owner and risk number.• Controls or actions in place to manage the risk.
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However, we have not yet been provided the Assurance Framework to confirm that the Corporation had conducted an exercise to identify the assurances over the controls. This creates a risk that the Corporation may not have clear oversight over the controls to mitigate risks in an effective manner.

2. The action has been partly though not yet fully implemented.

Management Action 2	Management will conduct an exercise to identify the assurances the Corporation has in place over identified risk-mitigating controls, which can be used to drive future assurance activities.	Responsible Owner: Natalie Robinson	Date: 31 July 2023	Priority: Low
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APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

APPENDIX B: ACTIONS COMPLETED OR SUPERSEDED

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

Assignment title	Recommendations
Follow Up of Previous Internal Audit Recommendations: Controls and Governance Review 2.2018/19	Status: Implemented Once the Freedom of Information Policy was finalised and published, staff will require training on how to deal with different types of information requests. Priority: Low
Scrap and Disposal of Assets 1.2021/22	Status: Implemented The Delegations for Scrap document will be enhanced to include authority limits for the sale of scrap so that maximum value is achieved, subject to defined caveats such as value of sale, quantity of scrap being disposed etc. A framework for the reporting, to the TVCA Group Director of Finance and Resources, and authorisation of scrap and other assets sold below the highest price offered will be devised, taking into account whether it is practical and desirable for this to be prior to the sale being agreed with the customer or afterwards as part of periodic reporting. Priority: Low
Scrap and Disposal of Assets 1.2021/22	Status: Implemented Management will ensure that all buyers are issued with a weekly invoice reflective of the usage per week including VAT. Any buyers that are due to pay on account will pay an average week upfront plus 20 per cent. Priority: Low
Follow Up of Previous Internal Audit Management Actions 2.2021/22	Status: Implemented The Corporation will review the action table in Appendix A and document the actions and action dates to be undertaken and by when. The Corporation will then develop their own action plan, using both the findings as per this review and actions identified by ourselves. Priority: High

Projects: Demolition Programme and South Bank Quay Project 5.2021/22	<p>Status: Implemented</p> <p>The programme level required outcomes/outputs will be developed into KPIs and built into the project KPIs and targets.</p> <p>Priority: Low</p>
Logic Models 1.2022/23	<p>Status: Implemented</p> <p>The Group will ensure that for future projects, evidence of stakeholder approval of project changes or completion of actions arising from each stage of challenge and review from external stakeholders is formally documented to reduce the risk of future challenge. Management have advised that, since the completion of our fieldwork, this action has now been completed.</p> <p>Priority: Low</p>
Logic Models 1.2022/23	<p>Status: Implemented</p> <p>TVCA will ensure that an updated Memorandum of Understanding (MoU) is agreed between the parties and it is updated annually. TVCA will review the agreed reporting approach as documented within the most up to date Memorandum of Understanding. TVCA will also ensure that all quarterly reports adhere to this specification, and will ensure that annual reports, if stipulated within the MoU, are completed in line with the specifications. If the reporting specifications are to be changed, this should be formally agreed by all parties. Management have advised that, since the completion of our fieldwork, this action has now been completed.</p> <p>Priority: Medium</p>
Procurement To Pay Process 3.2022/23	<p>Status: Implemented</p> <p>STDC will ensure that all future contract extensions and variations have been approved by the Chief Legal Officer in line with the Group Procurement Policy.</p> <p>Priority: Low</p>

APPENDIX C: SCOPE

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

Objectives relevant to the scope of the review

Objective of the area under review

To ensure that management actions have been implemented in accordance with the agreed timetable and that any new controls are operating effectively.

Scope of the review

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

The following limitations apply to the scope of our work:

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

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

Debrief held 6 February 2023
Draft report issued 14 February 2023
Responses received 2 March 2023

Final report issued 3 March 2023

Internal audit Contacts Robert Barnett, Head of Internal Audit
Philip Church, Senior Manager
Mike Gibson, Client Manager
Ruiqi Wu, Auditor

Client sponsor Gary MacDonald, Group Director of Finance and Resources
Natalie Robinson, Group Risk Manager

Distribution Gary MacDonald, Group Director of Finance and Resources
Natalie Robinson, Group Risk Manager

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AGENDA ITEM 8

REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

01 AUGUST 2023

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

INTERNAL AUDIT REPORT

SUMMARY

This report presents the position of current Internal Audit action plan progress as of June 2023.

RECOMMENDATIONS

It is recommended that the Audit and Risk Committee

- i. Consider the analysis and audit progress set out in this paper.
- ii. Acknowledge the annual audit schedule.

DETAIL

- iii. This report presents STDC audit actions and their progress as of June 2023.

Process

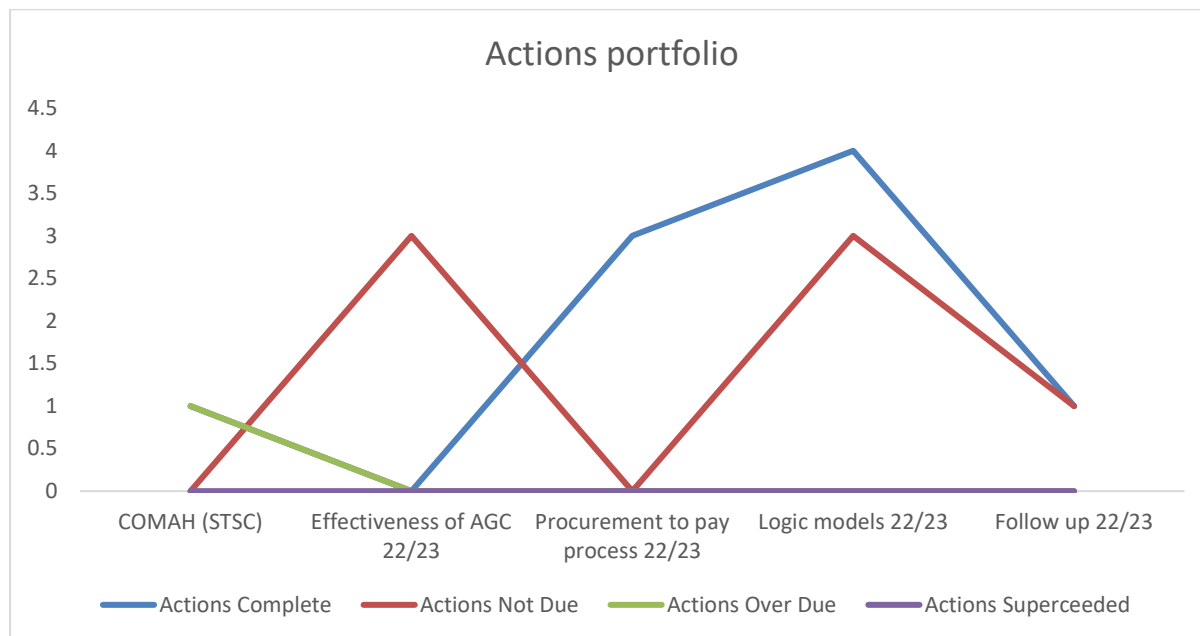
Using a risk-based approach, the internal audit schedule is agreed with the Senior Leadership Team and the Audit and Risk Committee, this ensures the STDC are assessing the effectiveness and efficiency of controls mitigating key risks.

The process of internal audit is monitored by the Risk Management team, to ensure effective tracking of actions is in place. All actions are tracked via a spreadsheet which is shared with action owners for updates.

The Risk Management team facilitate reporting of internal audit actions and provide support to Risk Owners to drive delivery performance.

Overview of action portfolio

The current portfolio includes actions for audits which are tracked until completion, these actions are as follows (as of next report, all those audits with completed action plans will be archived).



Action plan delivery since last report

Audit Title	Action Plan Status
COMAH (STSC)	In progress
Procurement to pay process 22/23	Complete
Effectiveness of AGC 22/23	In progress
Logic models 22/23	In progress
Follow up 22/23	In progress
COMAH Declassification	Complete

Audit activity since last report

Follow up 22/23	Complete – 2 low Actions
COMAH declassification	Complete – no actions

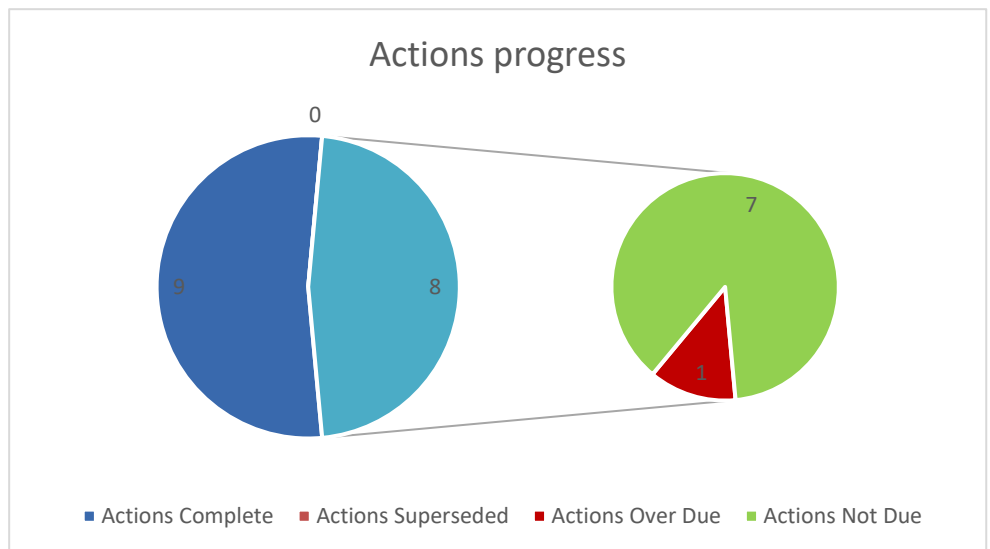
Action progress

Of the 6 action plans tracked in period:

7 actions have been completed.

1 action is overdue.

- Medium priority (COMAH), this is an ongoing action from 2018. Work is ongoing to update the speaker system across south bank to mitigate this.



7 actions are not yet due (as per table below).

- 3 medium priority.
- 5 low priority.

2 Actions from Logic models 22/23 have changed ownership to the Head of Performance, Risk & Assurance, as a result of this change expected delivery dates have been adjusted. These can be seen in the table below.

Audits completed since last report.

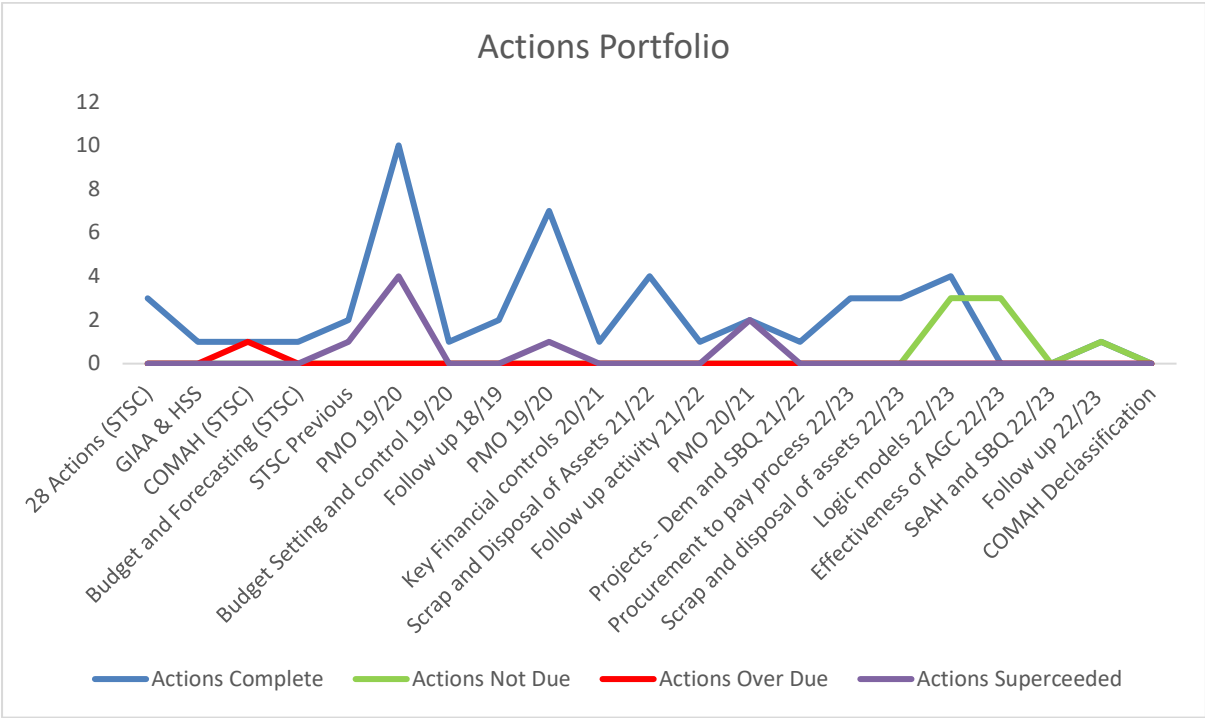
- COMAH declassification – Final report received with no follow actions.
- Follow up 22/23 – Final report received with 2 low actions.

Completed action plans.

- Procurement to pay process – 2 remaining actions from the last report have now been completed.
- COMAH Declassification – No follow up actions.

Overall portfolio progress

As of June 2023, 87.5% of actions have been implemented/superseded (action plans 2019 – date), with 1.5% of actions now overdue and 11% currently not due.



Overdue actions

Audit	Original Delivery Date	Revised Delivery Date	Status	Action	Update
COMAH	2018	31/12/2023	In Progress	4. Audit arrangements for testing of the internal plan. Objective is to check incidents involving dangerous substances are covered.	<p>A meeting has been set up to organise a test of the site containment alarm and audit site response.</p> <p>Ongoing controls Weekly containment alarm testing SMS documented procedures</p>

Actions not yet due

Audit	Original Delivery Date	Revised Delivery Date	Status	Action
Logic Models	31/10/2023	N/A	In Progress	TVCA will ensure that the delayed electricity supply upgrade works are dealt with in a timely manner and will ensure appropriate mitigating actions are taken to reduce the risk of subsequent delays.
Effectiveness of AGC	30/09/2023	N/A	Not Due	A succession plan will be produced detailing potential successors and how they are to be developed and mentored. Due date has been revised and changed to September.
Effectiveness of AGC	30/09/2023	N/A	Not Due	A training plan will be developed for the members which details the training to be undertaken during the year, this will also include any gaps identified through the skills and experience assessment. Due date has been revised and changed to September.

TEESWORKS

Effectiveness of AGC	30/09/2023	N/A	Not Due	A reporting line from the AGC to the Board will be established to help promote transparency and oversight over the duties discharged to the AGC by the Board. Due date has been revised and changed to September.	
Follow up 22/23	31/07/2023	N/A	Not Due	Management will conduct an exercise to identify the assurances the Corporation has in place over identified risk-mitigating controls, which can be used to drive future assurance activities.	
Logic Models 22/23	March 2023	September 2023	In Progress	The STDC Assurance Framework will be updated in a timely manner in line with its review date.	
Logic Models 22/23	March 2023	September 2023	In Progress	The Group will ensure that all quarterly (and annual when required) reports are appropriately validated and authorised, with documented evidence to support the validation and authorisation processes.	

FINANCIAL IMPLICATIONS

- iv. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

- v. There are no direct legal implications arising from this report.

RISK ASSESSMENT

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

CONSULTATION & COMMUNICATION

- vii. None required.

EQUALITY & DIVERSITY

- viii. No impacts.

Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources
Email: gary.macdonald@teesvalley-ca.gov.uk
Telephone Number: 01642 527707



SOUTH TEES DEVELOPMENT CORPORATION

COMAH Declassification

Internal audit report 6.22/23

Final

6 February 2023

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

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

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1. EXECUTIVE SUMMARY

Why we completed this audit

The South Tees Development Corporation (STDC) has, as its key purpose, responsibility to clear and redevelop the former SSI Steelworks site. The plans to redevelop the site, bring jobs and investment to the region and deliver on its environmental aims rely on the delivery of a number of significant projects. One of those projects is the removal of the site's COMAH (Control of Major Accident Hazards) classification. Upon acquisition, the land and assets were classed as an Upper Tier establishment due to the quantities of hazardous substances on site as defined by the COMAH Regulations. In order to achieve removal of this COMAH status, STDC must satisfy the requirements of the COMAH Competent Authority (CA), comprising the Health and Safety Executive (HSE) and the Environment Agency (EA). Removal of Upper Tier status is a two-stage process, firstly to Lower Tier status once certain thresholds of materials have been reached, and then to "Out of COMAH" status once the site has been cleared to a material level below the Lower Tier threshold.

We have undertaken a review of the processes in place at STDC directed towards the removal of the COMAH Upper Tier status to determine whether the STDC has adequate and effective systems in place to manage its demolition and decontamination projects to ensure that the project outcome is delivered within the agreed timescale. It is anticipated that STDC will achieve this by mid-late 2023.

The Director of Environment, Health, Safety and Security (Director of EHSS) is responsible for overseeing the ongoing demolition and decontamination projects, assisted by the EHSS Team, and is required to provide an update on progress towards removal of COMAH status on a monthly basis to the STDC Delivery Group. The primary purpose of this group is for all integrated delivery partners to undertake a periodic performance review. Further quarterly performance updates are also made to the STDC Board, STSC (South Tees Site Company) Board and the Audit and Governance Committee. The removal of COMAH status is a by-product of the various projects in progress to demolish and clear the old steelworks site. Management of the amount/inventory of hazardous substances on site, combined with the demolition and decommissioning activities on site, is included in the decontamination and demolition works programmes/projects being delivered. STDC has appointed a Programme Manager from external contractor Atkins to manage project contractors, and performance monitoring is embedded through all delivery partners and is brought together through the STDC Delivery Group as part of the overall governance procedures for the project.

We reviewed documentation in respect of five of the 17 decontamination and demolition projects/programmes for our audit. Below is a list of the chosen projects:

- Redcar Coke Ovens Battery Facility - Phase 1.
- Redcar Coke Ovens By-Products Plant - Phase 2.
- Redcar Power Station.
- BOS Plant Coke Ovens Gas Main Cleaning.
- SBCO By-Products Plant.

We reviewed the contracts, scope of work, timeline, responsibility, governance, and evidence in respect of the overall project management process. Further, we examined the reports and updates provided to management regarding project activities and results.

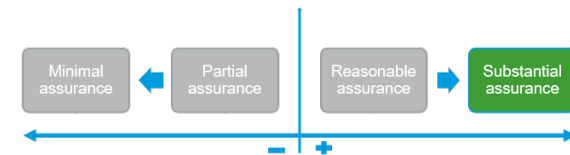
Conclusion

We confirmed that the demolition and decontamination projects reviewed were being carried out to remediate and regenerate the South Tees site successfully. Priority remediation and regeneration activities (including decontamination activities to move the site from its Upper Tier status, through Lower Tier status and, ultimately to Out of COMAH status) were well underway. There was a clear audit trail of oversight and reporting in respect of the delivery of demolition and decontamination projects by the Director of EHSS and the EHSS Team and monthly EHSS updates on the status of the projects were being submitted to the STDC Delivery Group. Regular meetings of the project progress meetings, the STDC Board, the STSC Board, and the Audit and Governance Committee were taking place to ensure that governance arrangements were being carried out in an effective manner.

As a result of these findings, we have raised no management actions.

Internal audit opinion:

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



Key findings

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



The South Tees site is to be redeveloped into a world-class, modern industrial park focused on Clean Growth. To achieve this, and achieve its long-term sustainability, it is necessary to remove the site from its current COMAH status for development purposes.

A Programme Manager from Atkins has been appointed by STDC to manage and monitor the demolition and decontamination projects. Performance monitoring is embedded through all delivery partners brought together through the STDC Delivery Group and is part of the overall governance procedures for the project.

The timescales for removing the site's COMAH status depend on delivery of the demolition and decontamination project programmes at each of the sites identified within the STDC business case. No specific activities have been defined for the removal of COMAH specifically, however, this is a by-product of each project activity at site.



The amount/inventory of hazardous substances on site, together with the demolition and decommissioning activities on site is included in the decontamination works report for Teesworks Demolition. We were able to confirm the detailed list of activities maintained to carry out the demolition and decontamination projects.



We obtained documentation in respect of five projects sampled. Three of the projects were carried out by different contractors, and two of the projects were carried out by one contractor. In order to confirm the legal arrangements between STDC and each contractor to carry out the projects and to verify that the terms and conditions are agreed upon by both parties, we requested and reviewed the form of agreement/contracts for each. During the review, in all five instances we evidenced that the form of the agreement had been placed and signed by the contractors and STDC.



We selected five projects from the demolition and decontamination programmes 17 separate projects. We evidenced through review of minutes that the progress meetings had been held for all five projects every fortnight. The Environment, Health, and Safety updates, the activities' progress and the programme's delays were discussed and documented during these progress meetings. We could confirm the attendance of all participants from STDC, the EHS lead, relevant other representatives, the Atkins Project Manager and representatives, and the contractor's project management team in the fortnight meetings.



We reviewed the EHSS Director's Delivery Group presentation. This presentation provides updates on site environment, health, safety and security. It also provides updates on COMAH status, inventory removal, and decontamination. Further, we were able to confirm Delivery Group meeting minutes to cross reference that this presentation and update is being given to the appropriate individuals as per the assurance framework.



From the STDC Business Case, we understood that the Audit and Governance Committee reviews the strategic risk register on a quarterly basis. We obtained the strategic risk register and inspected it to understand how key COMAH-related risks are recorded. We noted that COMAH-related risks are noted in the strategic risk register and we evidenced discussion of this in the meeting minutes.



We noted that variations are managed by the STDC Programme and Engineering Director, who monitors variations through weekly demolition programme operations meetings (attended by EHSS, Atkins and members of the Keep Safe Team) and fortnightly demolition programme meetings. We have inspected the minutes of weekly contracts meetings for the sample of five projects selected as part of testing, and identified where delays were noted, some of these related to additional COMAH material being identified and sample testing being undertaken and the material sent for analysis prior to the COMAH removal activities.

2. DETAILED FINDINGS AND ACTIONS

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.

*No management actions were agreed as a result of this audit

APPENDIX A: CATEGORISATION OF FINDINGS

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

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

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
GSR-R001: Inability to remove COMAH status.	0	(10)	0	(10)	0	0	0
Total					0	0	0

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

APPENDIX C: SCOPE

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

The internal audit assignment has been scoped to provide assurance on how the South Tees Development Corporation manages the following risk.

Objective of the area under review	Risk relevant to the scope of the review	Risk source
There are adequate and effective systems and processes in place within STDC to ensure the removal of the site's COMAH status within agreed timescales.	GSR-R001: Inability to remove COMAH status.	Risk Register

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

Our review will focus on:

- Whether STDC has a clearly set out project plan for the removal of the site's COMAH status, setting out its defined objectives, timescales, gateways and assigned responsibilities, which has been approved at an appropriate level.
- The project is supported by a programme of activities to deliver the outcomes set out in the agreed business case.
- All parties responsible for the delivery of programme elements are identified and the requirements set out in agreed contracts with a clear specification of works, timescales, monitoring processes and penalty clauses.

Commercial contracts

- Regular, formal meetings are held with key contractors to understand the progress of project elements for which they are responsible and resolve issues.
- Progress of project is subject to a periodic review conducted by / attended by those with the knowledge and authority to make effective decisions, informed by the above regular contractor / delivery review meetings.
- Key risks and dependencies relating to the project are identified, recorded and considered at the appropriate level / forum and risk registers updated on a timely basis. Mitigating actions are logged and tracked.
- All variations / decisions are evaluated, approved, logged and communicated at an appropriate level and on a timely basis.
- Regular communication has been maintained with the COMAH Competent Authority and any queries / guidance / recommendations set out by it have been factored into project operations.
- There is a clear set of parameters for matters requiring escalation to the STDC Board or to TVCA and any such matters are identified and escalated on a timely basis.
- There is sufficient reporting in to the STDC Operational Groups / Delivery Group / Audit and Risk Committee and / or Board to ensure that informed and timely decisions can be made.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the risk and objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- We will not review training of staff or contractors.
- We will not review the procurement activities undertaken to select the contractors used.
- We will not review compliance with COMAH regulations or any other health and safety requirements related to the day to day, business as usual, management of the site outside of the work required to remove the COMAH status.
- Our review will not confirm whether all key risks have been considered, just whether the process appears sufficient to ensure that they are captured.
- We will not meet with any external stakeholders during the course of this review.
- Our work does not guarantee the outcome (financial or otherwise) of any of the projects reviewed.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	24 October 2022	Internal audit	Rob Barnett, Head of Internal Audit
Last evidence received	25 January 2022	Contacts	Philip Church, Senior Manager
Draft report issued	30 January 2023		Michael Gibson, Client Manager
Responses received	31 January 2023		Hollie Adams, Assistant Manager
			Abinesh Viyapury, Senior Auditor
Final report issued	6 February 2023	Client sponsor	Gary MacDonald, Group Director of Finance and Resources\
			Derek Weatherill, EHSS Director
			Natalie Robinson, Group Risk Manager
		Distribution	Gary MacDonald, Group Director of Finance and Resources\
			Derek Weatherill, EHSS Director
			Natalie Robinson, Group Risk Manager

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **South Tees Development Corporation**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

Audit and Governance Committee Members
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Darlington
DL2 1NJ

Direct +44 (0)191 383 6300
Dial
Email cameron.waddell@mazars.co.uk

19 July 2023

Dear Members

Update on conclusion of pending matters– Audit Completion Report

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated December 2022.

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status
Fraud, laws and regulations, response from those charged with governance	Response now received and considered. There are no matters that we need to report arising from the responses, other than to request that the responses are provided on a timelier basis in future years.	Complete
Related party transactions	We received the majority of the members and officers' declarations of interest to allow us to complete the detailed testing of related party transactions. However, there were two directors who had left that had not been asked to complete declarations and two out-of-date declarations. This is a similar issue to the control weakness raised previously, the Corporation needs to ensure declarations are sought from all directors and senior staff to confirm that the related party transaction disclosures are complete.	Complete

Matter	Update/conclusion reached	Status
Property, plant and equipment and contractual commitments	<p>Our work on property, plant and equipment audit is complete with no material issues to raise with you.</p> <p>The Corporation has included the offshore wind factory site in the financial statements at the expected sale price of £15m, the site has subsequently been valued at £13.06m. The Corporation has not amended the financial statements for the £1.94m difference.</p> <p>All valuation movements were originally accounted for as impairment, the movements on the value of the land is due to different valuation methods and not as a result of an impairment event. The accounts have been amended.</p> <p>Reference to valuation uncertainty has been removed from Corporation and Group disclosures.</p> <p>Further review of capital commitments disclosure identified an error of £534k which has not been amended. Capital commitments are disclosed at £101,967k and should be £101,433k.</p>	Complete
Group consolidation audit work	<p>We received a response to our Group Instructions, issued in September 2022 and updated in December 2022, on 10 March for STDL and 20 March 2023 for STSC.</p> <p>The component auditor for STDL and STSC kept us up to date with progress throughout the year as they completed their audit work.</p> <p>We reviewed the component auditor's file for STDL on 19 January 2023 and for STSC on 27 February 2023. We have no specific matters to report from our review of the component auditor's files.</p> <p>Management provided an updated set of STDC/STDC Group financial statements, incorporating the changes made by the component auditor to the STDL and STSC accounts, on 3 March 2023. Our work then focused on review of the amended financial statements. We have nothing further to report on the consolidation of STDL and STSC</p> <p>We requested our internal valuations team to review the Corporation's valuation of Teesworks and this work was reported to the audit team on 17 May 2023. The audit team now need to complete testing of the revenue and costs figures which form the basis of the Corporation's discounted cash flow calculations.</p>	Ongoing
Pensions	<p>A national issue arose during our 2021/22 audit in relation to the IAS19 accounting entries and updated information being available from the triennial review undertaken and published after the actuary provided the information for the accounts.</p> <p>Management have requested an updated IAS19 report from the actuaries to confirm that the impact of this issue is not material to the Corporation or Group but have not yet received it.</p>	Ongoing

Matter	Update/conclusion reached	Status
Review and closure processes, including checking the amended version of the financial statements produced by finance as a result of our audit	<p>We have now reviewed the final draft of the statements received on 5 May 2023, incorporating audit adjustments, and are satisfied that the adjustments, as previously reported in our Audit Completion Report and in this letter have now been made appropriately.</p> <p>Additional disclosure amendments were agreed (note numbers relate to single entity):</p> <ul style="list-style-type: none"> Note 1 expenditure and funding analysis has been updated to comply with the disclosure requirements of the code and to show depreciation, amortisation and impairment on a separate line and not included in other services and expenses, amended. Note 22 pensions, the sensitivity table showed an increase of 0.1% in the discount rate resulting in an increase in the benefit obligation of £65k. Per IAS19 report decrease of 0.1% results in an increase in the obligation, amended. Accounting policies have been updated for general principles, post-employment benefits, accruals of income and expenditure, charges to revenue for non-current assets, leases and interests in companies and other entities. Note 4 estimation uncertainty updated to include property, plant and equipment as a major source of estimation uncertainty. Wording and disclosure updates to the cash flow statement, movement in reserves statement, note 5 adjustment between accounting basis and funding basis, note 8 capital adjustment account, note 11 employee remuneration, note 12 long-term debtors, note 23 termination payments, note 16 long-term liabilities, note 7 non-current assets, note 17 related parties, note 18 audit fees and note 21 financial instruments. <p>The above amendments also had an impact of the associated group accounts entries. In addition, amendments have also been made to group note 26 post balance sheet events and note 19 leases.</p> <p>The only other procedures now outstanding relate to our usual final routine closedown matters.</p>	Ongoing

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours faithfully



Cameron Waddell
Key Audit Partner



Appendix A Draft management representation letter

To: Mr Cameron Waddell
Partner
Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

[Date]

South Tees Development Corporation (and Group) - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of South Tees Development Corporation (and Group) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Corporation/Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Corporation and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.



There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Corporation/Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Corporation/Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance and Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Corporation/Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Corporation's/Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Corporation's/Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Corporation's/Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements



I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Corporation's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

I confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Corporation, including the impact of mitigation measures and uncertainties, and that the disclosures in the accounts, including the event after the balance sheet note to the financial statements, fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Corporation will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR. Unadjusted should be numerical AND disclosure.

Yours sincerely

Director of Finance, Development and Business Services

Date.....

Appendix B Independent auditor's report to the members of South Tees Development Corporation

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of South Tees Development Corporation ('the Corporation') and its subsidiaries ('the Group') for the year ended 31 March 2022, which comprise the Corporation and Group Comprehensive Income and Expenditure Statement, the Corporation and Group Movement in Reserves Statement, the Corporation and Group Balance Sheet, the Corporation and Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ('the Code Update'), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the Group as at 31st March 2022 and of the Corporation's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Corporation and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Corporation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Resources with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Finance and Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Resources for the financial statements

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance and Resources is also responsible for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, as amended by the Code Update, and prepare the financial statements on a going concern basis, on the assumption that the functions of the Corporation will continue in operational existence for the foreseeable future. The Director of Finance and Resources is responsible for assessing each year whether or not it is appropriate for the Corporation and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Corporation, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Risk Committee the policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Corporation and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Risk Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Risk Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Corporation's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in this respect.

Responsibilities of the Corporation

The Corporation is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have not completed our work on the Corporation's arrangements. On the basis of our work to date, having regard to the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in September 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of South Tees Development Corporation, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Corporation's Whole of Government Accounts consolidation pack and the work necessary to satisfy ourselves that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Cameron Waddell

Key Audit Partner

For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

[Insert date]



DATED: 11th April 2022

SOUTH TEES DEVELOPMENT CORPORATION

GROUP AUDIT& GOVERNANCE
COMMITTEE
TERMS OF REFERENCE

Version Control			
Issue No	Version	Date	Approved for Issue
01	Draft	14-02-18	21-02-18
02	Updated draft	15-02-19	24-07-19
03	Updated draft	26-08-20	30-09-20
04	Updated draft	06-01-21	27-01-21
05	Updated draft	11-02-22	11-02-22
06	Updated draft	12/04/2022	01-08-2022
07			

SOUTH TEES DEVELOPMENT CORPORATION

(STDC) ("Organisation")

GROUP AUDIT & GOVERNANCE COMMITTEE TERMS OF REFERENCE

1. INTRODUCTION

1.1 The primary purpose of the STDC Group Audit & Governance Committee ("the Committee") is to assist the STDC Group Board in fulfilling its oversight responsibilities in matters concerning risk by providing independent assurance of the adequacy of the governance arrangements and the internal control environment. The Committee considers matters of governance and probity and is a key component of STDC's corporate governance arrangements. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

1.2 In performing its duties, the Committee will maintain effective working relationships with the Board, the Organisation's management and various professionals (including external and internal auditors, legal, financial and risk professionals). Where escalation is required, this will be fed into the Board via the relevant Head of Service update.

1.3 To perform his or her role effectively, each member of the Committee must be familiar with these terms of reference as well as the Organisation's business operations and risks. To assess the effectiveness of each committee members' understanding and knowledge in these disciplines, an annual self-assessment and Committee effectiveness assessment will be issued to each member for completion.

2. MEMBERSHIP

2.1 The Committee shall, as a minimum, comprise at least five members, which shall include:

2.1.1 the Independent Chair;

2.1.2 any 3 other nominated members; and

2.1.3 The Committee Secretariat, who is a representative of the TVCA Audit & Governance Committee.

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

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

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

- 7.2 The Governance and Administration function of the Group shall ascertain, at the beginning of each Committee meeting, the existence of any conflicts of interest and minute them accordingly
- 7.3 Draft minutes of Committee meetings shall be approved by the Chairperson (or Deputy if the Chairperson was absent). Once approved, minutes should be circulated to all other members of the Committee and Board, unless a conflict of interest exists, or it would otherwise be inappropriate to do so.
- 8. DUTIES
 - 8.1 The Committee shall carry out the duties below for STDC. Such duties may be varied by the Board from time to time:
 - 8.1.1 To review the STDC's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
 - 8.1.2 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the STDC's framework of governance, risk management and control.
 - 8.1.3 To consider the External Auditors opinion of the STDC's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
 - 8.1.4 To consider the STDC's framework of assurance and ensure that it adequately addresses the risks and priorities of the STDC.
 - 8.1.5 To agree the risk management Policy and Framework and seek assurances on the effective development and operation of risk management in the STDC Group on behalf of the Board
 - 8.1.6 To seek assurances regarding risk-related issues reported to the committee.
 - 8.1.7 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
 - 8.1.8 To review the assessment of fraud risks and potential harm to the Development Corporation from fraud and corruption.
 - 8.1.9 To monitor the counter-fraud strategy, actions and resources.
 - 8.1.10 To review the STDC Group Enterprise Risk Register to gain assurance that residual risk is within the appetite for the STDC and for those areas that are not within appetite to gain assurance plans are in place to manage those risks.

- 8.1.11 The Committee will review the relevance of the Committee Terms of Reference and prepare an annual effectiveness statement which will support the performance of the committee in year.

Internal audit

- 8.1.12 The Head of Internal Audit will have confidential access to the Chair of The Committee.
- 8.1.13 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

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

8.1.22 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

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

External audit

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

8.1.25 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

8.1.26 To consider specific reports as agreed with the external auditor.

8.1.27 To comment on the scope and depth of external audit work and to ensure it gives value for money.

8.1.28 To commission work from internal and external audit.

8.1.29 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies. Review the clarity and completeness of disclosures in the financial statements.

Financial reporting

8.1.230 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the STDC.

8.1.31 To consider the Audit Risk Assessment, and the basis of significant accounting estimates and assumptions applied by management.

8.1.32 Monitor the adequacy and effectiveness of the financial controls in place for combating fraud and corruption

8.1.30 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

8.1.31 To recommend approval of the annual accounts to the STDC Board.

Accountability arrangements

8.1.32 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and

Commented [VS1]: To add as a new point

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

Commented [VS2]: Add to point 8.1.29 Review the clarity and completeness of disclosures in the financial statements.

New point: To consider the Audit Risk Assessment, and the basis of significant accounting estimates and assumptions applied by management

New point: Monitor the adequacy and effectiveness of the financial controls in place for combating fraud and corruption (Natalie to consider if this is already covered elsewhere).

effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

- 8.1.33 To report to STDC Board on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Standards

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

9. GENERAL DUTIES

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

10. REPORTING RESPONSIBILITIES

- 10.1 The chairperson of the Committee shall make available all Agenda papers, minutes and reports as required by the Board in respect of its proceedings.

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

11. OTHER MATTERS

- 11.1 The Committee shall have regard to the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook at all times when dealing with matters assigned to it.
- 11.2 The Committee shall:
 - 11.2.1 have access to sufficient resources in order to carry out its duties;
 - 11.2.2 where any member of the Committee requests the same, ensure that appropriate and timely training is provided to members relative to their role as a member of the Committee. This may take the form of an induction programme for new members and ongoing training for all members;
 - 11.2.3 give due consideration to laws and regulations, as appropriate;
 - 11.2.4 oversee any investigation of activities which are within its terms of reference;
and
 - 11.2.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. AUTHORITY

- 12.1 The Committee is authorised:
 - 12.1.1 to seek any information it requires from any employee of STDC in order to perform its duties;
 - 12.1.2 to obtain, at STDC's expense, outside legal or other professional advice on any matter within its terms of reference; and to call any employee to be questioned at a meeting of the Committee as and when required.

South Tees Development Corporation - Audit & Governance CommitteeForward Programme 2023/2024Standing Items

- Declarations of Interest
- Minutes from the Previous Meeting and Action Tracker
- Executive Update
- Internal Audit Actions Update
- Internal Audit Progress Report
- External Audit Actions Update
- External Audit Progress Report
- Risk Management Report
- Health & Safety (EHS) Update
- Forward Programme
- Date of the Next Meeting

STDC Audit & Governance Committee	
<i>Proposed Items to be scheduled</i>	
Date	Item
1 st August 2023	Committee Self Evaluation/Skills Audit Results & Analysis Annual Review of Committee Terms of Reference Internal Audit 2022/23 Annual Opinion
XX November 2023	<p>Draft Financial statements 2022/23 External Audit – VFM Conclusion 2021/22* External Auditors Final Annual Report 2021/22* Review & Approval of Draft Annual Governance Statement 2022/23 External Audit – VFM Conclusion 2022/23** External Auditors Final Annual Report 2022/23** External Audit Strategy Memorandum 2023/24 Internal Audit Annual Report/Opinion 2022/23 Internal Audit Strategy Landfill Tax on Brownfields Sites</p> <p>*Not provided at the 1st August 2023 meeting, therefore rolled forward to the next meeting</p> <p>**Dependent on Mazars resourcing schedule and pension fund information release</p>
XX February 2024	Oversight of Governance Toolkit Review of Assurance Framework Review of Anti - Fraud Policy Review of Whistleblowing Policy Review of Governance Policy and Framework

	Freeport Deep Dive and Compliance
XX May 2024	Review of Committee Effectiveness (Self-Assessment) Annual Review of Terms of Reference Review of Risk Management Policy & Framework Oversight of Risk & Control Process
XX June 2024	Annual Refresher Session on remit and function of the Committee

Contact:

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