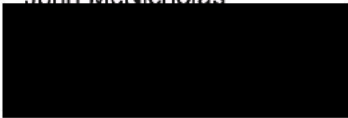


**South Tees Development Corporation
Audit & Risk Committee
1st Meeting
11 January 2018
TMO, Redcar TS10 SQW**

Key Points and Actions

Attendees:

Colin Fyfe	Independent Chair
John Baker	Deputy Chair/STDC
Paul Booth	STDC/STSC/TVCA
Jonathan Bretherton	STDC/STSC
Julie Gilhespie	STDC/TVCA
John McNicholas	STDC
	STDC
	STDC - secretariat

Apologies:

Item 1 - Welcome and introductions - Chair

1.1 The Chair welcomed everyone to the meeting and introduced himself. He noted apologies from Committee members Anand Srinivasan and Jane Turner and the STDC Chair, Ben Houchen and Deputy Chairs, Steve Gibson and Sue Jeffrey.

Item 2 - Declaration of Conflicts of Interest - Chair

2.1 There were no conflicts of interest declared.

Item 3 - Quorum

3.1 It was noted that the meeting was quorate.

Item 4 - Draft Terms of Reference - 

4.1 The Committee worked through the Terms of Reference which had been circulated ahead of the meeting. Key points to note were:

Section 1- Key purpose agreed recognising the breadth of oversight on risk

Section 2 - Membership was endorsed and it was noted that we await a representative from the TVCA Audit & Governance Committee once that is refreshed. STDC Board members on the A&RC are

noted as John Baker, Paul Booth, Anand Srinivasan and Jane Turner. It was agreed that John Baker will be the Deputy Chair.

One amendment will be made to change the penultimate reference to STDC in para 2.6 to become A&RC.

Action 1: The penultimate reference to STDC in para 2.6 of the Terms of Reference will be amended to state A&RC. Sue H

Section 3 - It was agreed that [REDACTED] will provide the Secretariat to the A&RC.

Section 4 - Board members will be recorded in the Terms of Reference to establish those eligible to make up the Quorum.

Action 2: The STDC Board members will be listed in Terms of Reference to establish those eligible to make up the Quorum. [REDACTED]

Section 5 - Frequency of meetings was agreed as bi-monthly initially.

Section 6 - Notice of meetings agreed

Section 7 - Details of minutes were agreed .

Section 8 - it was noted that for STDC that the majority of the risks will flow from Programme and Project delivery and that risk is the major element of the work of this Committee with audit playing a more minor part. The duties were endorsed with the addition of one to reflect the need to put a formal proposal into the Terms of Reference around engaging with STSC and TVCA on their risks and the cross overs that might exist. These cross overs would be discussed at A&RC meetings once or twice a year.

Action 3: An additional duty to be inserted in section 8 of the Terms of Reference to reflect cross overs and links with STSC and TVCA. [REDACTED]

Internal Audit - it was noted that internal auditors have not yet been appointed and that using Stockton Council as TVCA do would not be appropriate for the nature of the work of this organisation. To that end members agreed this should go out to tender. However, as the tender would be too small for STDC alone it was noted that work was underway to develop a proposal that would work for STDC/TVCA/RCBC and Middlesbrough. This proposal would be brought to the next meeting with a view to Internal Auditors being appointed by 1 April.

Action 4: A proposal for a joint tender for Internal Audit services with TVCA, RCBC and Middlesbrough Council would be brought to the February meeting. **Julie**

External Audit-Appointment of Mazars had been agreed at the November Board meeting and Julie would be meeting them during January to discuss the Audit Programme. It was noted that the final

Agenda Item 4

Confidential

Audit Report would need to be taken to the July STDC Board meeting. The A&RC agreed that Maza rs will attend future meetings as necessary to understand both audit and the risks associated with the work of STDC.

In terms of A&RC reporting to the STDC Board it was agreed that written reports would be produced for the Board and that the Board should be asked to endorse a proposal that the Chair of the A&RC would attend those meetings which covered issues like the Risk Register and the Annual Audit Report etc. Agreement to this would be sought from the STDC Board in the first A&RC report to that Board for 24 January.

Action 5: A proposal for the STDC Board to agree to the A&RC Chair attending those Board meetings which cover issues such as Risk Register and Annual Audit Report etc would be included in the first written report to the STDC Board for 24 January. [REDACTED]

On para 8.1.10 (in the draft ToR) - it was noted that any referral decisions required would be categorized within the Risk Register. Members also agreed that at the end of each A&RC meeting information to be included in the next Report to the Board would be agreed and this would ensure any Referral Decisions were identified. It was also recognised that many such risks would emerge from projects so it was noted that these would be captured through the emerging Project Management Team which would be reporting on risks they owned through the Risk Register held by [REDACTED]

Action 6: Any Referral Decisions identified would be categorized with the Risk Register. [REDACTED]

Action 7: Details of information to be included in the A&RC Report to the STDC Board would be agreed at the end of each meeting enabling any Referral Decision to be identified. Colin

Item 5 - Draft Risk Process - James Harker-Mason

5.1 It was recognised that both a Risk Strategy and a Risk Register will need to be developed for STDC. This will start with some broad principles and it was proposed that STDC could adopt the STSC Risk Management policy but adapt it to capture its own risk appetite. STDC risk appetite will be very different from that for STSC given the nature of its function. The Risk Registers for STSC and STDC will be aligned to enable ease of reference. STDC risks will be discussed at every A&RC meeting and those for STSC and TVCA will be considered in parallel to address cross-overs as reflected in the revision proposed for the Terms of Reference above. A proposal for STDC risk appetite to be prepared for the February meeting, in anticipation of a full day Risk Workshop to be held with Board members, was endorsed. The workshop would be planned for March. This would require the fullest possible attendance from the Board members.

Action 8: Proposals for STDC risk appetite would be prepared for discussion at the February A&RC meeting. [REDACTED]

Action 9: A full day workshop to ascertain the risk appetite of the STDC Board will be developed and held in March [REDACTED]

Action 10: A date in March would be identified for the full day risk appetite workshop [REDACTED]

5.2 Noting that there will be Corporate and Programme Risks to manage for STDC it was agreed that software options should be considered to aid delivery of this work.

5.3 On programme risks John M noted that there will be a Delivery Group of Programme Managers who will meet regularly to manage the risks for which they are responsible. Strand Leaders will separately manage Programme and Procurement risks feeding into a process that [REDACTED] will own. Senior managers will then own the relevant risks. It was noted that James has responsibility to report into both STSC and STDC on risk including a dotted reporting line into the STDC A&RC Chair being proposed as a short term solution with a possibility of a solid line in the future.

5.4 In terms of detail Standing risks and Dynamic risks will be identified along with mitigation on how these will be addressed. Work will also be needed on risk tolerance including reputational, financial and environmental. A presentation on all these issues will be included at the February meeting. There was also recognition that due to the significant procurement challenges facing STDC that a baselining workshop should be held to develop a means of managing those challenges.

Action 11: A presentation on all aspects of risk will be made at the February meeting. [REDACTED]

Action 12: A baselining workshop will be held to develop a management mechanism around challenges on procurement. [REDACTED]

5.5 Jonathan noted that there is a role, especially around reputational risk, for the Communications Committee.

5.6 The question of resource to manage risk was raised and it was noted that STDC are in the process of recruiting a Project and Controls Manager and a Project Management Team. The post of Procurement Manager has already been filled and a Procurement Officer is being recruited in support.

Item 6 -Audit Cycle - Julie Gilhespie

6.1 Julie has not yet been able to confirm the details with the external auditors but will ensure that happens before the February meeting, for which a timetable will be circulated. It may be that Mazars will need to attend the next few meetings.

Action 13: Timetable for Audit Cycle to be shared ahead of the February meeting. **Julie**

Item7-AOB

7.1 It was suggested that A&RC should review the work of the Transition Group working on future alignment of STSC and STDC. A draft of the Transition Group report should be available for the April meeting of the A&RC. The principles for this work are currently being drafted and will come to this Committee by email.

Action 14: Copies of the Transition Group principles would be shared with the A&RC members.
Julie

Action 15: The Transition Group Report, due in April, would be shared with members of A&RC. **Julie**

7.2. Other key issues for the forward agenda of A&RC included CPO, due for decision at the March STDC Board for enactment in July, and an offer to the Thai Banks. Other investment decisions would also need to be added to the forward programme.

Action 16: A Forward programme of activity would be drawn up for the A&RC 

Item 8 - Future meeting dates

8.1 It was agreed that future meeting dates would be confirmed in the next few days and appointments would be issued. The next meeting is already scheduled for 21 February.

The meeting closed at 9.20am


Chairperson