


South Tees Development Corporation
Audit & Risk Committee
2nd Meeting
21 February 2018
TMO, Redcar TS10 5QW

Key Points and Actions

Attendees:

Colin Fyfe	Independent Chair
John Baker	Deputy Chair/STDC
Jonathan Bretherton	STDC/STSC
Julie Gilhespie	STDC/TVCA
John McNicholas	STDC
	STSC
	STDC – secretariat
Mark Kirkham	Mazars – External Auditors
Gareth Roberts	Mazars – External Auditors

Apologies: Paul Booth, Anand Srinivasan and Jane Turner

Item 1 – Welcome and introductions – Chair

1.1 The Chair welcomed everyone to the meeting and invited the External Auditors to introduce themselves. He noted apologies from Committee members Paul Booth, 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 not quorate. We are also still awaiting appointment of a representative from the TVCA Audit & Governance Committee. Julie advised that interviews are underway this week to appoint to that Committee so we hope to have a nominee by STDC A&RC April meeting.

Item 4 – Key points and actions form meeting 1 – Chair

4.1 All actions were achieved or are on the agenda for today with the exception of:

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Meeting 1

Action 6 – Any Referral Decision identified would be categorised in the Risk Register – ongoing so will be removed from the action list.

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 – ongoing so will be removed from the action list.

Action 8 – Proposals for STDC risk appetite would be prepared for discussion at the February A&RC meeting – a broad framework will be shared today but details will be addressed at the workshop on 8/3.

Action 12 – A baselining workshop will be held to develop a management mechanism around challenges on procurement – this will be adjusted to reference “issues/risks” rather than “challenges” and will be covered by John M rather than [REDACTED]. A local framework will be developed to deliver in terms of resources/processes. To be taken to the Board and available for the April meeting. It was recognised that despite not having created a specific policy STDC are using the public sector framework. The developing policy will come to the A&RC ahead of submission to the Board. The aim is to ensure this piece of work is approved in March ahead of the year end. A draft will be shared with A&RC members with a clear timetable for responses.

Action 1: A draft procurement policy will be shared with A&RC members for comments and a clear timetable for responses ahead of endorsement by the STDC Board in March. **John M**

Action 15 – The Transition Group Report, due in April, would be shared with members of the A&RC – there is another meeting of this group on 1 March and it is expected that the Report will be available in advance of the April meeting of A&RC.

Item 5 – Risk Presentation [REDACTED]

5.1 James tabled a document (Appendix A) showing key categories of risk against 3 elements of risk appetite. He is proposing to adopt the existing STSC risk appetite for general STDC activity. It is recognised that there will need to be a different approach for STDC programmes and project risks. STSC deals with recurrence in the main whereas STDC will have different dynamics for each project and programme.

5.2 John M explained that for there will be Project Delivery Teams and Risk Workshops will be held for each project. A framework will be in place with exceptions being identified. Special projects would be brought to the A&RC. All investor projects currently follow a Gateway process.

5.3 During discussion it was agreed that there will be the dynamic of the 2 organisations coming together in due course. Today’s discussion was to inform further work that [REDACTED] is doing on the workshop and the Risk Strategy and Risk Register. The importance of definitions of each of the

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categories and appetites identified in [REDACTED] paper was recognised. It was noted that a quality dimension is cross-cutting and that it was important to start with the Corporate objectives (in the Constitution) and identify risks around those.

Action 2: Definitions to explain each of the risk categories and appetites would be provided. [REDACTED]

5.4 Questions were raised about how the categories and projects interlink for reporting. [REDACTED] noted that every project will have a risk register which will feed into the overall register and a matrix will capture compliance risks. One additional element to factor in is identifying anything that needs to be escalated to the Board. A clear path and guidance needs to be set for management to understand and engage in the process.

5.5 The date of 8 March for the Risk Appetite Workshop was agreed at the Board, recognising that not all Board members would be able to attend. It was agreed that the Risk Framework would be shared with all Board members to enable them to contribute ahead of the workshop. The outputs would then also be shared with the Board.

Action 3: Risk Framework to be shared ahead of the Risk Appetite workshop, by 1 March, to enable all Board members to contribute. [REDACTED]

Item 6 – Horizon Risks - Chair

6.1 A range of potential risks were discussed:

- CPO – it was proposed that a workshop be arranged to discuss management of the risks around CPO – potentially at the June meeting.
- Communications with TVCA and its Cabinet
- Transition Group Plan
- SSI/Thai Banks
- Tata land purchase

- Key Investors
- Recruitment and resources – a rolling risk
- Inability to acquire funding
- Reputational Risk – current implied criticism politically

During discussion it was agreed that the focus should be on 2/3 key risks as standing items [REDACTED] until the Risk Register is prepared and leave constant risks as a matter of course .

Action 4: Workshop to be arranged on management of CPO risks for 20 June. **Jonathan**

Action 5: Discussion on the reputational risk to be covered at the Communications Committee meeting on 26 Feb. **John B**

- 6.2** The Chair noted that we have a series of tools to use to discuss/assess/analyse risk ie
- a) Risk Register – to be taken at each meeting
 - b) Emerging Risks – to be a standard item with detail shared by management
 - c) Deep dives eg CPO or Transition which may require a dedicated slot
 - d) Top net risks to be covered at each meeting.

Item 7 – Audit – Paper 2.3 - Julie Gilhespie

7.1 A joint proposal for Internal Audit was being discussed with Middlesbrough and Redcar & Cleveland Councils. There is some appetite for this with the councils but there is unlikely to be action within the STDC timescale. A separate process has therefore been commenced for TVCA/STDC. This tender process will include a minimum of 4 service providers which are likely to include KPMG and PWC. It was agreed that we should not include council services if we do not believe they can provide a good service. Two further candidates will be identified. It is likely that the process will be complete ahead of the April meeting as the aim is to complete this before the year end. Julie will manage the process and the best 2 candidates will be interviewed. Either Colin (Chair) or John B (Deputy Chair) will be involved in the interviews. It was noted that Internal Audit Services need to be in place ahead of issue of the Annual Governance Statement, a Head of Internal Audit opinion is also needed for the accounts in May.

Action 6: Interviews for Internal Audit service provider to be include either the Chair or Deputy Chair dependent upon the candidates. **Julie**

7.2 Proposed dates for the Audit Cycle have been shared with Mazars and it was noted that the final Audit Report will not be ready for the June meeting. It was agreed that the August meeting would be moved to a date in late July to allow the Final Audit Report to be endorsed by A&RC ahead of the Board meeting on 25 July. The key reason for the delay was noted as the provision of information from the Pension Fund. It was also noted that the Audit Fee has not yet been set but that in future years this would occur in February.

Action 7: August meeting of A&RC to be moved to late July ahead of the Board to enable the Final Audit Report to be endorsed by A&RC. [REDACTED]

7.3 Mazars had shared a paper on the Role of the External Auditor under the Local Audit & Accountability Act 2014. It was noted that as a public body we are covered by the Act and subject to wider issues around public interest. It was noted that we are open to the possibility that people could object to the accounts. Section 5 highlights reporting requirements.

Item 8 – Forward Programme – Paper 2.4 – [REDACTED]

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8.1 Existing items on the Forward Programme were endorsed and a number of items need to be added to the Forward Programme as follows:

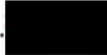
- Outputs from the Risk Workshop – April
- Transition Plan – April
- CPO Workshop – June
- Draft Financial Statements – to be on website end May

Item 9 – Items to STDC Board - Chair

9.1 Items to be covered in the report to the next STDC Board include:

- Risk Framework – to share ahead of the Risk Appetite Workshop to enable all to contribute – by 1 March.
- Key risks identified today
- Reference to the discussion of 4 tools to use to capture risk and the framework to manage it.
- Internal Audit cycle and how that will be approached
- External Audit cycle agreed
- A note on the importance of attendance at Committee meetings to ensure a quorum and enable robust and informed decisions to be made.

Action 8: Details of the Internal Audit cycle and how that will be approached to be covered in the report. Julie

Action 9: Report to Board to be drafted to include all above items. 

Item 10 – AOB

10.1 There was no other business.

The meeting closed at 9.40am


Chairperson

Risk Category	Risk Appetite		
	Open	Cautious	Minimalist
Reputational, Political and Legal	✓		
Operational and EHS			✓
Financial		✓	
Compliance		✓	
Information (General)	✓		
Information (Sensitive/Personal)		✓	
Standard Development Projects		✓	
All other projects	Case by case basis		