

Agenda Item 4

Confidential
South Tees Development
Corporation Audit & Risk Committee
Emergency Meeting — held by
telephone
12 April 2018
TMO, Redcar TS10 5QW

Paper 3.1a

Key Points and Actions

Attendees:

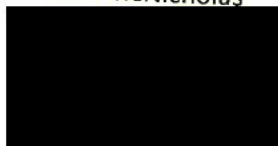
Colin Fyfe

Jane Turner

Paul Booth

Jonathan Bretherton

John McNicholas



Independent Chair

Teesside University/STDC/STSC

TVCA/STDC/STSC

STDC/STSC

STDC

STDC — secretariat

STDC

STDC

Apologies: John Baker and Anand Srinivasan

Item 1 — Internal Audit appointment

1.1 The Chair noted that this meeting had been convened following previous discussions on the subject of appointing Internal Auditors at both the last A&RC meeting and the STDC Board in March.

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 by being held in 2 parts — the first session with Colin and Jane in attendance and the second, a repeat session, with Paul in attendance. Other members stayed for both parts of the short meeting (approximately 10 mins each).

Item 4— Internal Audit discussion - Chair

4.1 The Chair invited John McNicholas to advise on what had happened following discussion and concerns raised at the Board. John first noted that a process had been undertaken to appoint Internal Auditors. The tender had gone to 4 firms to bid for the look back at 2017/18 and for a forward look

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for 3 years. The requirement for a 2017/18 audit report by the end of May 2018 meant that the tender timescale was tight. Consequently only one of the 4 actually bid, KPMG, and although the process satisfied public sector procurement requirements and the KPMG bid met 2 criteria specified by the A&RC (Independence and Capability) it could not be demonstrated that it met the third — VFM. During discussion at the Board, concerns were raised around ability to demonstrate that opportunities were being made available to local suppliers. The Board asked for the process to be reviewed.

4.2 As the end of the financial year had passed, and time is pressing for producing a report on 2017/18 by end May and recruiting for 3 future years, the STDC team did some research and have the following recommendations:

a) The Internal Auditors from RCBC be recruited for the look back at 2017/18. They fulfil the 3 core criteria and would deliver the audit for [REDACTED]. This could be achieved through a direct award or through the emerging SLA we have with Redcar.

b) The previous competition should be cancelled and a new restricted tender process entered into for the next 3 years audit services (2018-2021). The team has identified a number of local firms offering audit services including some with public sector experience. The tender should be sent to 4/5 local firms.

Both the Chair and Jane Turner endorsed these proposals.

4.3 During the second discussion with Paul Booth he asked if RCBC would have a conflict of interest over guaranteeing independence given that STDC is wholly within their borough. The team will check this issue tomorrow in their meeting with RCBC. Paul endorsed the proposals subject to this point being resolved.

Action 1: The question of whether or not RCBC internal Auditors are conflicted on the independence criteria by STDC being in Redcar would be explored.

The 2 parts of the meeting closed at 1.45pm and 1.55pm respecti

[REDACTED]
chairperson e

In response to action 1 please see attached email from RCBC — there is no conflict — specific charter for STDC to be produced if we go ahead.
Confirmation also received from our Monitoring Officer

Appendix A

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Email from [REDACTED], Audit & Assurance Manager, RCBC and Middlesbrough Council

Tees Valley Audit & Assurance Service (TVAAS) works to the revised Public Sector Internal Audit Standards (PSIAS) which are compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In order to comply with the PSIAS, we need to ensure that we operate to certain standards and behaviours e.g. to ensure that we demonstrate integrity, competence and due professional care and that we remain objective and free from undue influence. Each year, I ask each member of the Team undertaking audit assignments to complete a declaration to state that they understand and accept the ethics and standards set out in the PSIAS — mine is attached as an example for your reference.

I cannot see any obvious conflict or reason why we could not act on your behalf but hopefully Andrew Nixon will be able to confirm that as your Monitoring Officer.

I've also attached our Audit Charter for RCBC. If you are happy to proceed, I would suggest that I draft something similar for STDC for the benefit of yourselves and your Board — the Charter is another requirement of the PSIAS and sets out how internal audit should operate and includes the requirement to be independent and objective.