

South Tees Development Corporation
Audit & Risk Committee
5th Meeting
Tuesday 24th July 2018
Teesside Management Offices, Redcar, TS10 5QW

Key Points and Actions

Attendees:

Colin Fyfe (CF)	Independent Chair
Julie Gilhespie (JG)	STDC/TVCA
Sue Jeffrey (SJ)	STDC/Redcar & Cleveland Council
Paul Booth (PB)	TVCA/STDC/STSC
Jonathan Bretherton (JBr)	STDC/STSC
John McNicholas (JM)	STDC
[REDACTED]	STDC
Mark Kirkham (MK)	Mazars
Gareth Roberts (GR)	Mazars
[REDACTED]	STDC – secretariat

Apologies: Ben Houchen, Steve Gibson, John Baker, Anand Srinivasan, Jane Turner and [REDACTED]
[REDACTED]

Item 1 – Welcome and introductions – Chair

1.1 The Chair welcomed everyone to the meeting, apologies were noted and he advised that there would be two parts to the meeting – i) audit/accounts and ii) an update from management on risk.

Item 2 – Quorum

2.1 It was noted that the meeting was quorate.

Item 3 – Declaration of Conflicts of Interest - Chair

3.1 None declared.

Item 4 – Key Points & Actions from meeting 4 - Chair

4.1 The minutes were approved with one amendment to paragraph 8.1 – the word “takes” to be replaced with the word “tasks”. All actions were complete, ongoing or on the agenda today.

Item 5 – Final Accounts & Annual Governance Statement – Paper 5.3

5.1 [REDACTED] advised that the final accounts, at Appendix A to his paper, are submitted to A&RC for recommendation to the Board for approval. It is understood that the Audit Report is unqualified (no issues raised). He noted that the balance sheet at Appendix B includes 2 variances [REDACTED] from short term creditors to reserves (Capital Grant) and [REDACTED] accrual which had not previously been accounted for. The accounts, once endorsed by the Board and signed off by the Auditors, will be posted on the STDC web-site by 31 July.

5.2 [REDACTED] introduced the Annual Review and Annual Governance Statement at Appendix C to the paper. It was noted that governance in STDC is evolving and this Annual Review reflects normal management processes that are currently in place. The work of STDC is not overseen by a Scrutiny Committee like that of TVCA. The final Annual Governance Statement, once signed by the CEO and the Mayor, will also be posted on the STDC web-site.

Item 6 – Final Audit Report – Paper 5.4

6.1 MK took the A&RC through the Report, which had been produced on 16 July, noting specifically the summary on page 4 where he advised that Mazars are comfortable with the Annual Governance Statement (to be reviewed after it is signed off tomorrow), the information on pension related entries has now been received and the other two items on Balance sheet and Financial statements are always outstanding until the final signing after the Board meeting. Mazars confirmed that there is nothing to prevent the accounts being recommended to the Board for approval.

6.2 Moving on to Section 2 on Financial Statements there were two areas for special attention ie Management Override of Controls and Defined Benefit Liabilities. Mazars are comfortable that they have the assurance needed and mitigation of the risks in both areas.

6.3 Section 3 covers Internal Control Recommendations relating to the financial statements. It was noted that the financial systems are currently simple and basic, not unexpected at present, and that this would change in the coming months. There is no journal system in STDC as everything is pulled together under one code. JG noted that the payroll, ledger and bank are all outsourced to Stockton Council and this will continue for the current year. Next year STDC staff will have access and will put new systems in place, including approvals and separation of duty.

6.4 GR went on to explain that reference to misstatements under Section 4 had already been covered by [REDACTED] and the rest was just tidying up. Note 15 refers to an excluded sum of [REDACTED] but it was noted that, although originally missing in disclosure this is on the balance sheet.

6.5 Mazars are comfortable that proportionate arrangements are in place in Section 5 on Value for Money. It is recognised this will develop over the next year. Two risks were identified. Mazars

are comfortable with the Internal Audit appointment and the provision of a Head of Internal Audit opinion. The outcome on the MTFP is proportionate and reasonable. A draft Management Representation Letter was included at Appendix A in this section and STDC will produce a signed final version. GR also advised that the draft Audit Report in Appendix B reflects a standard opinion and will be unqualified. Mazars are therefore in a position to issue a certificate which, as this is a public audit, closes the audit. Appendix C sets out Mazars independence as auditors.

6.6 In summary Mazars have had assurance on necessary risks and, where risks were identified, are satisfied that work has been done. On value for money Mazars expect to see an evaluation in the coming months. This was a straightforward audit and opinion and was only possible as management and staff in STDC were helpful throughout. JG thanked Mazars for their patience. CF advised that the Financial and Governance Statements and Mazars report will be taken to STDC Board and recommended for approval.

Action 1: Financial statements and Mazars report to be taken to the STDC Board for approval. CF.

Item 7 – Emerging and Horizon Risks - Chair

7.1 CF invited management to comment on the current issues around risk management. JM advised that one issue has been the finalisation of the Risk Management Framework and ensuring that is on a robust footing and understood by all parties. There was discussion about the Risk Management Framework and Management's belief that the Risk Management function needed to be strengthened. The ARC highlighted that they felt that the previously presented Risk Management Framework was appropriate and could have been utilised.

7.2 As noted at the A&RC on 6 July one key risk is resourcing. ARC members also questioned the need to strengthen the Risk Management Function and the proposed cost to do so. Teams are being consumed by the volume of work and there is a need to strengthen resource on many fronts. This is the subject of a paper to the STDC Board tomorrow. Management feel that the Risk Management function needs to be strengthened and it is proposed that further resourcing be considered. One option is to bolster capability through external consultants.

Action 2: Risk management resourcing to be determined and plans implemented. JM

7.3 A session has been held with PB on project planning, which is key to the risk management process. We have brought in temporary Project Planning capability and had a very productive session which demonstrates the band width required to deliver all of the work needed.

7.4 During discussion A&RC members recognised that although there are many components in place around risk that these have not been used and embedded across the organisation. STDC are now moving to a position where the documentation will be robust for the complex programme management activity that will ensue.

Item 8 – Forward Programme – Paper 5.5

Agenda Item 4

Confidential

8.1 The current programme is relatively light. A&RC agreed that it would be beneficial to hold a meeting in September which would include a presentation on the Internal Audit Plan. The finalised Risk Framework will be available ahead of that and there will be further clarity on that work.

Action 3: An additional A&RC meeting to be organised for September. 

Item 9 – Emerging and Horizon Risks and Items to Report to the Board - Chair

9.1 CF noted that the report to the Board tomorrow would include the clean Audit Report, annual accounts and Annual Governance Statement for sign off, Risk Management issues, organisational stretch, having the right resources and skills and input to CPO.

Item 10 - AOB – Chair

10.1 There were no issues raised.

The meeting closed at 9.15am


Chairperson