

South Tees Development Corporation
Audit & Risk Committee
6th meeting

23rd November 2018
TMO, Redcar, TS10 5QW




Agenda				
Time	Item	Purpose	Lead	Papers
1.00pm	1. Welcome and introductions		Colin Fyfe	
	2. Quorum		Colin Fyfe	
	3. Declaration of conflicts of Interest		Colin Fyfe	
	4. Minutes and actions from last meeting		Colin Fyfe	6.1 & 6.2
	5. Internal Audit Plan	Information	RSM	6.3
	6. Annual Audit Letter	Approval	Mark Kirkham	6.4
	7. Risk Management	Information	John McNicholas Paul Whitehill	Presentation
	8. Emerging and Horizon Risks	Decision	Colin Fyfe	
	9. Items to report to STDC Board	Decision	Colin Fyfe	
	10. AOB, including: a) Forward programme	Information	Colin Fyfe 	6.5
3.00pm	Meeting closes			

Future Meetings			
No.	Date	Time	Location
7	19 December 2018	8.00am-10.00am	Conference Rm 2, TMO, Redcar, TS10 5QW
8	20 February	8.00am-10.00am	Conference Rm 2, TMO, Redcar, TS10 5QW

South Tees Development Corporation
Audit & Risk Committee
6th Meeting
23rd November 2018
Teesside Management Offices, Redcar, TS10 5QW

Key Points and Actions

Attendees:

Colin Fyfe (CF)	Independent Chair
Chris White (CW)	Incoming Independent Chair
Bob Norton (BN)	TVCA Audit & Governance representative
Julie Gilhespie (JG)	STDC/TVCA
Sue Jeffrey (SJ)	STDC/Redcar & Cleveland Council
John Baker (JB)	Chair of Teesside Learning Trust
Paul Booth (PB)	TVCA/STDC/STSC
John McNicholas (JM)	STDC
David Allison (DA)	STDC
	STDC
	Mazars for items 1-6
	RSM for items 1-6
	Turner & Townsend for item 7
	STDC – secretariat

Apologies: Ben Houchen, Steve Gibson, Anand Srinivasan, Jane Turner and 

Item 1 – Welcome and introductions – Chair

1.1 The Chair welcomed everyone to the meeting and apologies were noted. It was noted that this was the final meeting for Colin Fyfe as Independent Chair and that Christopher White has been appointed to this position going forwards. Bob Norton has also joined the Committee as the representative from the TVCA Audit & Governance Committee.

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 5 - Chair



Agenda Item 4

Confidential

- 4.1 The minutes were approved and all actions were complete, ongoing or on the agenda today.

Item 5 – Internal Audit Plan – Paper 6.3 – [REDACTED]

5.1 [REDACTED] took the Committee through the proposed Audit Plan, attached to Paper 6.3, which had been drawn up following discussions with key staff at STDC. It was recognised that the normal process would be to establish a three year plan but due to the current status of the organisation it had been agreed that, initially, a one year plan should be developed. The key points for A&RC to consider in endorsing the plan are in paragraph 6 of the paper and Appendix C of the Plan. Proposed audits for the first year were discussed with management leading to content, priority order and dates. These were confirmed by JG as Section 151 Officer and are covered in Appendix A of the plan.

5.2 During discussion it was established that RSM had been able to “get under the skin of STDC” and understand its position. This was informed by the learnings they had taken from working with the Olympic Park in London. Questions were raised regarding timing of the Risk Management audit following today’s discussion. It was agreed this date would be reviewed allowing time for the two key milestones on this of ensuring the framework and resource are in place and the audit would consider how that is working. JB noted, in reference to the HR audit, that he and JT are looking at comparisons between TVCA/STDC/STSC so RSM could speak to him and JT on this. Colleagues noted that much of the plan was internally focused despite most of the key risks sitting outside the organisation. It was recognised that in due course consideration will need to be given to the strategy and purpose of the organisation. SJ also advised that STSC had had an audit on Transition and what that means for them so it would be important to align what is happening to STDC. [REDACTED] confirmed that RSM would take on board the comments made today and review the dates and priority order and liaise with STDC on these.

Action 1: Dates and priority order of the Internal Audit Plan to be reviewed in the light of discussion and submitted to STDC [REDACTED]

Item 6 – Annual Audit Letter – Paper 6.4 – [REDACTED]

6.1 [REDACTED] noted that the July A&RC had looked at the Annual Audit Report and that this letter was the sign off for this. He confirmed that there had been no need to increase the fee. CF noted that looking at the letter it was apparent that we are at an early stage so nothing material is discussed. The complexities are still to come. JG thanked Mark and the team for all their work on this.

Item 7 – Risk Management – Presentation [REDACTED] Turner and Townsend

7.1 CF set the context for this session noting that whilst the STSC risks are different to STDC’s the STSC Risk Framework provides a foundation to establish a risk culture and risk processes. A&RC

Agenda Item 4

Confidential

had agreed that more risk management development was required but in the short term the priorities were to:-

- Bring Risk resource into STDC to operate the Risk Management Framework;
- Refine and implement the previously proposed Risk Management Framework in STDC;
- Embed the Risk Management Framework in STDC through workshops with Management and Staff.

7.2 STDC management had considered that the arrangements in place for the STSC risk function would be appropriate, with some adjustments, for STDC. There had been a view in the summer that a different approach would be considered. JM advised that STDC senior managers had always intended to undertake a peer review, given the very different nature of STDC in relation to STSC, and had agreed that it would be prudent to do this using external experts. Turner and Townsend (T&T) were therefore appointed in August to look at the Risk Framework and to embellish/adapt this to ensure it was suitable for STDC. This was initially through them undertaking an arms-length review but more recently [REDACTED] has spoken to a range of STDC and STSC staff and has taken a view on engagement with A&RC. [REDACTED] is a senior director at T&T with experience of major infrastructure projects and programmes.

7.3 DA explained that PB had asked, as part of his interim Commercial Director remit, that he oversee the risk agenda considering the current position, best practice, a road map to where we want to be and the STDC approach recognising that the nature of risk is very different to that of STSC, albeit with some potential overlaps.

7.4 [REDACTED] advised that he had so far completed about 20 days work, submitted an initial report in mid-September but this was on hold until late October when the project had recommenced. He noted that he was appointed to undertake up to 3 days per week at STDC. Before getting into his presentation PW circulated a sheet seeking A&RC members views on the key risks which would help or hinder STDC in delivering its vision. This was for completion during discussion with the aim that PW would collate them after the meeting.

7.5 [REDACTED] presentation covered broad principles around risk management, viewing risk from both a threat and an opportunity perspective, the culture and appetite within the STDC Board (recognising that there had been a workshop with the Board) and the organisation and ownership of risk. The A&RC were asked to identify (slide 4) where they saw risk maturity currently for STDC. It was broadly felt that this is at level two (with some exceptions at level three) for a variety of reasons including the fact that risk is not managed in a holistic way, but rather through projects, and the reliance on specific individuals. [REDACTED] remit had been briefly covered but was outlined in slide 5 and included work which would be discussed in more detail on the findings and next steps. One point, which it was clear needed addressing as a matter of urgency, was the requirement for additional resource to manage the risk within STDC. This had been identified ahead of the fact that the Risk Manager is currently on long term sick leave. It is important that the Risk Management Framework (RMF), which includes many relevant elements within it, is refined and implemented throughout the

organisation. The Risk Register also needs to be refreshed to include projects recognising that within STDC there is a very different philosophy due to it being very dynamic and having a very different range of risks to those in STSC. [REDACTED] currently sees this being considered bottom up but it also needs a top down reflection including the Board, A&RC and senior management. The current Framework within STDC (slide 12) does not fit programme best practice under ISO31000:2018 and it was noted that the Risk Policy sits within the Framework.

7.6 Noting the above points there was much discussion through the rest of the presentation recognising that STDC as an organisation differs from many others, including STSC, in not just being about mitigation of risks but also about the opportunity to take risks. It was recognised that much of the dynamism is lost by having to use a public sector governance mechanism that often takes 2/3 month to get approval. Discussion focused on the Board needing to be confident that the risk processes are in place, using A&RC which should ensure these are working, so they have the right information when making decisions. There was agreement that STDC requires:

- a RMF that is fit for the STDC purpose and readily usable and interpreted as a guidance document for all staff;
- an end to end process within the RMF which will enable individuals to know when to escalate risk;
- management to be clear on capacity and resource for risk and what processes are in place/required going forwards including an informal mechanism which will be balanced with the formal mechanisms;
- training for staff and the Board which needs to be made aware that there is a requirement for a root and branch review (including a further workshop with them) on the longer term outcomes of this exercise to manage risk.

A range of actions were agreed for sharing with the Board including identification of additional resource in support of the risk agenda, PB said he would look within TVCA and the LAs initially. Previously prepared documentation and evolving processes will be revised in the short term and will be used as the STDC Risk Management Framework. This will be accompanied by workshops with staff to embed risk management throughout STDC. A further root and branch review, for discussion with the Board, as a longer term outcome. These broad outcomes drawn from those highlighted within slides 13 and 14 were agreed with further work to be undertaken by PW and senior management ahead of the next meeting.

Action 2: Identification of additional resource, from TVCA/LAs, in support of the risk agenda to be identified. **PB**

Action 3: The previously prepared documentation and evolving processes will be revised in the short term and will be used as the STDC Risk Management Framework. This will be accompanied by workshops with staff to embed risk management throughout STDC. **DA/[REDACTED]**



Action 4: A further root and branch review, for discussion with the Board, as a longer term outcome.
DA

Item 8 – Emerging and Horizon Risks - Chair

8.1 CF noted that there are some key challenges in the organisation at present which will be covered in a separate discussion after the A&RC. JM noted that going forward we need to identify these emerging and horizon risks ahead of A&RC. PB noted that in an ideal world we would have had a risk matrix for this meeting on Tata Steel land acquisition ahead of taking this issue to the STDC Board next week. CF recognised that everything is changing and fast moving and that STDC does not currently have the resource enabling the bringing of such issues to meetings. This is however under review at present.

Action 5: Emerging & horizon risks to be identified ahead of A&RC meetings going forwards. DA

Item 9 – Report to STDC Board

9.1 CF noted that the report to the Board will cover the Internal and External Audit issues covered today and also the key actions from the presentation

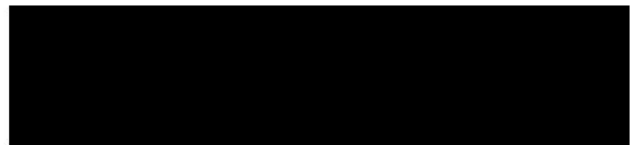
Item 10 – AOB and Forward Programme – Paper 6.5

10.1 The current programme is relatively light. A&RC agreed that it would be beneficial to hold a meeting in December which would include a presentation on the work on the Risk documentation.

10.2 Colleagues thanked Colin Fyfe for his work throughout the year in bringing the A&RC into being, overseeing internal and external audit processes and ensuring progress towards introduction of appropriate and robust mechanisms for managing risk. His support in managing the challenges that it faced to bring us to this point was very much appreciated. They also wished him well in his new role.

10.3 Chris White, having been welcomed as the new Chair, will lead these meetings going forwards.

The meeting closed at 3pm



19/12/18

Chairperson