

**South Tees Development Corporation
Audit & Risk Committee
Meeting 10
24th April 2019
Teesside Management Offices, Redcar, TS10 5QW**

Key Points and Actions

Attendees:

Chris White (CW)	Independent Chair
Bob Norton (BN)	TVCA Audit & Governance representative
John Baker (JB)	Chair of Teesside Learning Trust
Sue Jeffrey (SJ)	RCBC/STDC/STSC
John McNicholas (JM)	STDC
David Allison (DA)	STDC
[REDACTED]	STDC
[REDACTED]	STDC
[REDACTED]	STDC
[REDACTED]	STDC – secretariat
[REDACTED]	Mazars
[REDACTED]	RSM
[REDACTED]	RSM

Apologies: Ben Houchen, Steve Gibson, Paul Booth, Anand Srinivasan, Jane Turner and Julie Gilhespie.

Item 1 – Welcome and introductions – Chair

1.1 The Chair welcomed everyone to the meeting and apologies were noted.

Item 2 – Quorum

2.1 It was noted that the meeting was quorate.

Item 3 – Declaration of Conflicts of Interest - Chair

3.1 There were no interests declared.

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

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

Extraordinary meeting on 6 Mar

Action 3: The Performance Review questionnaire will be amended to include the early months of 2019 and would be available for completion at the next meeting – form available but rescheduled for next meeting due to constraints on the agenda.

Action 6 – A project will be brought to an A&RC meeting to demonstrate functionality of the Risk Policy and processes – now rescheduled for the next meeting due to constraints on the agenda.

Action 8 – Forward Programme would be updated to include Anti-Fraud & Corruption Strategy, a revised Performance Review Process and the Contracts Review proposed by the Board – the Board has already discussed the Contracts Review process so this will not be on the Forward Programme but will be monitored through the Risk Register.

Meeting 8

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **JM**

Meeting 6

Action 4: A further root and branch review, for discussion with the Board, as a longer-term outcome. – awaiting appointment of the new CEO.

Meeting 5

Action 2: Risk Management resourcing to be determined and plans implemented – awaiting outcome of exercise on STDC resource by JT and JB.

Item 5 – Feedback on RSM Internal Audit Plan for 2018/19 – Paper 9.3 – [REDACTED] /RSM

5.1 [REDACTED] presented the paper noting that 5 assignments have been completed and are awaiting a management response. This may change the status of some of the priority actions. [REDACTED] noted that the overall plan agreed in September has been completed and the Audit Opinion will come to the A&RC in June having been agreed in time for the May Annual Report. BN noted that the Strategic Fraud Risk Assessment had not been completed [REDACTED] reminded colleagues that this was an item that had been

put onto the Forward Programme for the next meeting following some further work required to incorporate very constructive input from RSM which would strengthen the proposed strategy.

Item 6 – Internal Audit Programme – Paper 9.4 – RSM

6.1 [redacted] advised that he plans to bring a list of proposals to the next meeting. DA suggested that he might start with the 9 key areas (currently shown in Paper 9.7) and that RSM could discuss this with SMT. These would also include issues such as Risk Management, GDPR and anything arising from the External Audit report. SJ proposed that a review of governance and business processes be a regular feature of the Internal Audit Programme. It was agreed that a rolling programme of reviews and agreed actions would be agreed with SMT and built into the Forward Programme.

Action 3: A rolling programme of Internal Audit reviews and agreed actions would be agreed with SMT and built into the Forward Programme. [redacted]

Item 7 – External Audit Plan – Paper 9.5 – [redacted] – Mazars

7.1 [redacted] advised that Mazars are on track to produce the final report by end May following the next meeting with the finance team on 26 April. This will need to include the SPV and [redacted] is aware that management are working through issues regarding land values and have received advice from PWC.

7.2 [redacted]
[redacted]
[redacted]
[redacted]. It is hoped that this issue can be resolved at the meeting on 26 April. Colleagues asked that a report be brought to the meeting on 15 [redacted], is also on the agenda for the STSC A&RC this week.

Action 4: [redacted]
[redacted]

7.3 [redacted] noted that a copy of the Fee letter had been circulated and that there will be a variation to this once the Group accounts are tied down.

Item 8 – Risk Management – update – David Allison

8.1 DA used a slide presentation to note that good progress was being made. The Risk Register is now being populated following staff training but some thought needs to be given to how we demonstrate and report on Assurance to A&RC and the Board. [redacted] to consider this ahead of the next meeting in May.

Action 5: Consideration to be given to how STDC demonstrate and report on risk assurance to the A&RC and Board. [REDACTED]

8.2 Colleagues agreed that the Risk appetite of the Board needs to be factored in and it was proposed that this be broken down across the areas of the business. All agreed that a Risk Appetite owned at Board level is essential. It was proposed that the Risk Appetite of the Board be revisited with [REDACTED] after 3 months of operation of the current Framework, to be reported to the August A&RC in anticipation of discussion at the September Board.

Action 6: The Risk Appetite of the Board to be revisited with Turner & Townsend, after 3 months of operation of the current Framework, to be reported to the August A&RC. **DA**

Item 9 – Annual Budget details for STDC – Presentation – [REDACTED]

9.1 [REDACTED] made a presentation following sign off of the high-level budget at the last Board meeting and a subsequent request at the Board meeting for more detail on the Budget for STDC. The slides included information on:

- Income
- [REDACTED] for the Prairie site
- SPV
- SIZ Roundabout
- STDC funding
- Contingency

9.2 During discussion colleagues noted concerns about understanding the detail of some of the figures, the liabilities, risks and benefits that these bring with them some of which include:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

9.3 It was agreed that a narrative is required to support the figures demonstrating what they are predicated on, clarifying risks and mitigations, showing a split between capital and revenue and also demonstrating the impact on resource to assist A&RC in understanding the overall risk.

Action 7: A written report to be provided regarding the Budget figures demonstrating what they are predicated on, clarifying risks and mitigations, showing a split between capital and revenue and demonstrating the impact on resource to assist A&RC in understanding the overall risk. ■

Item 10 – Insurances on STDC land – Paper 9.6 – ■

10.1 ■ advised that this is a status update for STDC and the SPV. There have been no new policies put in place since the last meeting and some of the challenges have already been discussed. One point to note is a slight change in the wording of the recommendation in paragraph 2.1 which should be read as ■

10.2 During discussion it was noted that on the first recommendation there is a potential solution which would be for STSC to purchase insurance enabling them to do new work for STDC and for STDC to reimburse them. One remaining question would be whether or not BEIS would allow STSC to take out all the relevant policies with professional indemnities etc. Meanwhile STDC do have an interim contractor covering the work until STSC are able to do so.

10.3 On the question of denied insurance it was agreed that we require a resolution to the safety issues and manage the necessary repairs to enable us to secure insurance. Colleagues noted that a team is being assembled to deal with this and a paper will be brought to the May A&RC advising how these issues are being addressed.

Action 8: A report on how the safety and repair issues to secure buildings and plant insurance are being addressed will be brought to the next A&RC. ■

10.4 ■
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Action 9: ■
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Item 11 – Project - Emerging Risks associated with Thai/Banks/SSI land acquisition – John McNicholas/David Allison

11.1 [REDACTED]
[REDACTED]
[REDACTED]. A further meeting is to be scheduled, [REDACTED]
[REDACTED]. We are awaiting their objection which can only be made in relation to the process. The objection period closes on 10 May. A&RC will need to monitor the CPO risks and CW asked management to bring a more complete assessment of the risks in the CPO process to one of the upcoming A&RC meetings.

Action 10: Management to bring a more complete assessment of the risks in the CPO process to one of the upcoming A&RC meetings. [REDACTED]

Item 12 – Emerging & Horizon Risks – fit with Forward Programme – Paper 9.7 – David Allison

12.1 DA presented his paper which explores how the key risks agreed at a previous meeting link to the Forward Programme, which has already been revised since the paper was written. This does however create opportunities for the focus to be on the key risks throughout the year.

Item 13 – Items to report to the Board

13.1 Items identified during discussion would be included in a note to the Board – Risk Management update; [REDACTED]
[REDACTED] CPO risks; DA exercise on risks and a note highlighting concerns on speed not being the driver for decisions and actions.

Item 14 – AOB including Forward Programme – Paper 9.8 – [REDACTED] and Strategic Development & Investment Partner – Paper 9.9 – David Allison

a) Forward Programme

14.1 It was agreed that items for the Forward Programme had been covered throughout the meeting and would be updated appropriately.

Action 11: The Forward Programme would be updated to include items identified during discussion.
[REDACTED]

b) [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Action 12: A Written Resolution would be required from the Board before this Strategic Development & Investment Partner proposal could go out to full tender. **DA**

14.3

[REDACTED]

Action 13: An update on the [REDACTED] project would be shared with the Board rather than the latest version of the HoTs. **DA**

c) Other

14.4 CW noted that this was BN's last meeting and thanked him for his contributions during the period and the support this has provided to STDC.

The meeting closed at 10.45am

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Chairperson