



**Tees Valley Combined Authority
Audit & Governance Committee Agenda**

Date: 14th September 2023 at 1:30pm

Venue: Teesside Airport Business Suite, Teesside International Airport, Darlington DL2 1NJ

Membership:

Councillor Nicky Walker (Middlesbrough Council)
Councillor Curt Pugh (Redcar and Cleveland Borough Council)
Councillor Rachael Creevey (Hartlepool Council)
Councillor Mandy Porter (Darlington Borough Council)
Councillor David Reynard (Stockton Borough Council)
Angus Kidd (Independent Member)
Jonny Munby (Independent Member)
Iain Robson (Independent Member)
Andrew Evans (Independent Member)
Lee Webb (Independent Member)

AGENDA

- 1. Welcome and Apologies for Absence**
Verbal
- 2. Nomination and Appointment of Chair and Vice Chair**
Verbal
- 3. Confirmation of Appointment of Representative to STDC Audit & Governance Committee**
Verbal
- 4. Appointment of Representative to Middlesbrough and Hartlepool Development Corporation Audit & Governance Committees**
Verbal
- 5. Declarations of Interest**
Attached
- 6. Minutes of Previous Meeting and Action Tracker**
Attached
- 7. Internal Audit 2022/23 Annual Opinion**
Attached
- 8. Internal Audit Actions Update**

Anything is possible



Attached

9. Internal Audit Reports and Audit Strategy & Annual Plan

Attached

10. External Audit Completion Report 2021/2022

To Follow

11. External Audit Update

Verbal

12. TVCA DRAFT Annual Governance Statement 2022-23

Attached

13. Forward Plan

Attached

14. Risk Management Report

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report is not for publication.

15. Interim Update to Committee on Progress of Committee Effectiveness Action Plan

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and Appendices are not for publication.

16. Teesworks Update

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this update is not for publication.

For Information Items:

17. Group Update

Attached

18. Date & Time of Next Meeting

TBC



Tees Valley Combined Authority Declaration of Interests Procedures

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the [Combined Authority's Constitution](#) under the "Code of Conduct for Members" (Appendix 8).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The constituent councils of the Combined Authority are closely integrated with its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict

Anything is possible



of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. If no declaration is received from elected members within 28 days the matter may be referred to the Head of Paid Service of your local authority and Leader of the political group you represent on your council for action. If a Declaration is not submitted within an appropriate timescale you may be prevented from attending committee meetings.
7. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

8. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
9. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
10. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

Anything is possible



11. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

**Tees Valley Combined Authority (TVCA) Audit and Governance
Committee**

Thursday 9th February 2023 at 1pm

These Minutes are in draft form until approved at the next Audit & Governance Committee meeting and are therefore subject to amendments.

PRESENT

Members

Councillor Matt Storey (Middlesbrough Borough Council)
Councillor Anne Watts (Redcar and Cleveland Borough Council)
Councillor Barry Woodhouse (Stockton Borough Council)
Angus Kidd (Independent Member)
Jonny Munby (Independent Member)
Andrew Evans (Independent Member)
Lee Webb (Independent Member)
Iain Robson (Independent Member)

Apologies for Absence

Councillor Scott Durham (Darlington Borough Council)
Councillor Kevin Tiplady (Hartlepool Borough Council)
Cameron Waddell (Mazars – External Auditors)

IN ATTENDANCE

Officers

Gary Macdonald (Group Director of Finance & Resources, TVCA)
Victoria Smith (Group Financial Controller, TVCA)
Natalie Robinson (Group Risk Manager, TVCA)
Emma Simson (Interim Chief Legal Officer/Monitoring Officer)
Nicola Dean (Governance & Scrutiny Officer, TVCA)

Also in Attendance

Cath Andrew (Mazars - External Auditors) via Teams
Chris Potter (Azets – Subsidiary Auditors) via Teams
Michael Gibson (RSM – Internal Auditors)

**AGC
21/22**

WELCOME, INTRODUCTIONS & APOLOGIES FOR ABSENCE

New members were welcomed to the Committee and a round table of introductions were made.

Apologies for absence were submitted as detailed above.

**AGC
22/22**

DECLARATIONS OF INTEREST

	<p>Iain Robson, (IR), Independent Member, declared that his company was tendering for work at the Airport and have undertaken work in the past, declaring an interest in relation to that area.</p> <p>No other declarations were made.</p>
<p>AGC 23/22</p>	<p>MINUTES OF PREVIOUS MEETINGS AND ACTION TRACKER</p> <p>The minutes of previous meetings held on 2nd and 24th August 2022 were agreed a true record.</p> <p>The Action Tracker was reviewed, and Members were advised on the completed actions and the open actions were noted to be in progress.</p> <p>RESOLVED that: Members agreed the previous Meeting Minutes and noted the progress of the Action Tracker.</p>
<p>AGC 24/22</p>	<p>GROUP UPDATE</p> <p>Gary Macdonald (GM), Director of Finance & Resources, provided a summary of the Group Update to the Committee, detailing the key activities of the Combined Authority since the last Committee meeting including the following areas:</p> <ul style="list-style-type: none"> • Freeport • Teesside International Airport • Tees Valley Business • Education, Employment & Skills • Clean Growth & Innovation <p>Members queried:</p> <ul style="list-style-type: none"> • Of the 376 businesses supported and the forecasted future 11k jobs, how much tracking is done to see how many jobs are created? GM explained that when grants are issued there are Funding Agreements which have a requirement for grant returns each quarter and it requires updates from the businesses and evidence where the Monitoring Team track as there are lots of conditions that need to be monitored to ensure there is compliance with the grant. The teams report to Cabinet on a macro level quarterly on this. • Is Multiply measured? GM explained that as part of TVCA getting the money, returns have to be provided in terms of progress to DFE and to do that there is an onward measure through a similar process in terms of returns and information from the providers. • Is this self-governed or are metrics set out? GM informed the Committee there are certain metrics on skill levels dependent on the qualification as set out in Funding Agreements, but it is largely a self-governed sector with regulatory oversight and AEB provider has to provide returns to DFE monthly and they then consolidate these into annual returns. Our role is to ensure we comply with funding conditions where we receive the money. • Are the 30 schools across the Tees Valley or just concentrated in the area of the works? GM advised the Committee that the schools are across the Tees Valley and not just focused in the Local Authority area. The Committee were informed that this query would be taken away to get the figures and these would be reported back. • What is the ongoing cost of the Freeport going to be to TVCA to support and maintain it? What are the ongoing liabilities? GM explained that there are 2 areas

	<p>to the Freeport - tax sites and custom zones. The ongoing cost is for ongoing management of STDC activities and the primary custom zone and this is required to be compliant with the highest accreditation standards. The rest of the costs were dependent on the secondary customs zone developments by private sector partners – this would be dependent on the business case for future business and tenants coming to those locations with any costs recoverable from their customers. Going forward, ongoing financial items included operational costs and for STDC business rates income. If a business needed bespoke needs to comply with Border Force standards it forms part of their business case, so this is a commercial consideration regarding the location.</p> <ul style="list-style-type: none"> • Are all Home Upgrade Grants ending in March 23 or will something follow? GM confirmed this is inked to central Government processes, so a Budget is first required to determine that. The Committee were assured that as opportunities arise, they are considered and bidding is pro-actively pursued. <p>RESOLVED that: Members noted the Report.</p>
<p>AGC 25/22</p>	<p>SUBSIDIARY AUDIT REPORT 2021/22 (SOUTH TEES DEVELOPMENT LIMITED)</p> <p>Victoria Smith, (VS), Group Financial Controller advised the Committee the subsidiary audit was presented at the Committee’s request and the signed Goosepool and TIA Audit reports were shared with them. The Committee were updated that the STDL Accounts were ready for Mazars to sign with Azets when in a position to do so.</p> <p>Chris Potter, (CP), Partner at Azets, took Members through the STDL Audits Highlight Memorandum noting from an STDL perspective control points and amendments to figures showed great improvements. The debtor provision was noted to be reasonable and no issues on the underlying figures. Members were assured that there was just the reconciliation of land value with Mazars to finalise and subject to that, their work would be completed.</p> <p>GM commented that last year there was a desire to bring about improvements and it is a complicated group with testament to VS and the team and the relationship with Auditors working well to deliver improvements reflecting in the improvements to processes and limited recommendations received from Auditors this year.</p> <p>RESOLVED that: Members noted the position of the STDL Subsidiary Audit.</p>
<p>AGC 26/22</p>	<p>INTERNAL AUDIT ACTIONS UPDATE</p> <p>Natalie Robinson, (NR), Group Risk Manager, updated the Committee on the position of the current Internal Audit action plan progress as of January 2023.</p> <p>The Committee were advised that there is a lot in progress and reassurance was received that actions are being tracked and progressed. It was explained there was no overdue high priority actions identified. The Committee was informed on updates on outstanding actions including BCP and how that is helping shape continuity across the group.</p> <p>RESOLVED that: Members considered the analysis and audit progress set out in the paper and acknowledged the annual audit schedule.</p>
<p>AGC 27/22</p>	<p>INTERNAL AUDIT PROGRESS REPORT</p>

	<p>Mike Gibson, (MG), Manager at RSM, provided an update on the progress of work on the Internal Audit and outlined the following Internal Audits completed against the delivery plan:</p> <ul style="list-style-type: none"> • Business Continuity Planning • Transport Programme • Procurement to Pay Process • Freeport Programme <p>RESOLVED that: Members noted the Progress Report.</p>
<p>AGC 28/22</p>	<p>INTERNAL AUDIT REPORTS</p> <p>MG, summarised each Internal Audit area, noting the respective conclusions as follows:</p> <p>Business Continuity Planning – This review was explained to be advisory and didn't result in the provision of any formal level of assurance. Six medium and five low priority management actions were agreed.</p> <p>Transport Programme – One low priority management action was raised and “substantial assurance” was received in this area.</p> <p>Procurement to Pay Process - One medium and two low priority management actions were raised with “reasonable assurance” given in this area.</p> <p>Freeport Programme – “Substantial assurance” was given in this area with no management actions raised.</p> <p>It was confirmed that the Risk Management and the HR Management Audits would be presented at the next Committee.</p> <p>The current Audit Plan for this year was discussed and MG explained it was on track with one review to complete for this year. GM advised Reports are being received in the required timelines and items for following year will be staggered so activity is spread across each quarter to assist with effective management of resources.</p> <p>It was queried whether it would have been better to do the Audit that got moved and GM advised that when putting audit & assurance elements forward management wanted to have the opportunity to implement something before reviewing, rather than looking at the implementation phase as it wouldn't be a true reflection of assurance as processes were not completed to review.</p> <p>RESOLVED that: Members noted the Internal Audit Reports and conclusions.</p>
<p>AGC 29/22</p>	<p>ANNUAL FINANCIAL ACCOUNTS 2021/22 FOR TIA, GOOSEPOOL AND STDL</p> <p>VS informed the Committee that TIA and Goosepool Financial Accounts were published on Companies House, whilst South Tees Development Limited (STDL) was still in draft form.</p> <p>CP gave the Committee assurance that the audit was easier, internal control recommendations were few, with fewer amendments. Accounts were confirmed to be signed for TIA and Goosepool and a significant improvement on last year.</p> <p>Members expressed an interest in when the Airport is expected to break even. GM informed the Committee that the Airport had a 10-year Business Plan and in that, there was a recognition there was a profile of losses to reduce over time for the Airport to be able to sustain itself in the longer term. Part of the strategy to achieve this was explained to</p>

	<p>be by diversifying income - freight/property/low-cost carriers and increased passenger numbers and the direction of travel was confirmed to be positive as the milestones in 10-year plan were being hit, giving assurance. It was confirmed that breaking even is still expected to be in line with the original plans of the Business Plan in 2024/25 and as of 1st April the Airport will be going into year 4 of the Plan and that ultimately tracking not just yearly performance but also the run rate.</p> <p>Members queried the implications if the Business Plan wasn't met and were keen to understand how it would be funded. GM advised that at July Cabinet funding was approved for TIA and as part of that process there was stress testing on the assumptions (from a risk and assurance perspective). It was explained that if there eventually came a point where the Airport continued to operate at a loss, viability would need to be looked at but that is why there is a Business Plan. From a risk and assurance perspective the Committee were assured there was no material issues envisaged at this time and milestones are being achieved, giving assurance that the Airport is where it is supposed to be at this stage of the plan, and then there is a review of the tracking of that.</p> <p>In answer to whether the position is unique in terms of ownership of the Airport it was explained that it wasn't and there were other LAs are in the same position, with other airports given as examples.</p> <p>RESOLVED that: the Annual Financial Accounts were noted.</p>
<p>AGC 30/22</p>	<p>EXTERNAL AUDIT ANNUAL REPORT</p> <p>Cath Andrew, (CA), Senior Manager at Mazars, informed the Committee that this is a historic report and a summary of 2020/21 Accounts. It was confirmed that Mazars gave the opinion on 27 September 2022 and it now includes the VFM commentary with no significant weaknesses identified.</p> <p>RESOLVED that: Members noted the External Audit Report.</p>
<p>AGC 31/22</p>	<p>EXTERNAL AUDIT ANNUAL PLAN 21/22 (AUDIT STRATEGY MEMORANDUM)</p> <p>CA advised the Audit Strategy Memorandum was presented to the Committee last year and sets out work for the year. It was noted that on page 19 of the document Risk 5 refers to 2021/22 and it should be 2020/21. This was explained to be imminently amended and re-published.</p> <p>RESOLVED that: Members agreed the Annual Plan.</p>
<p>AGC 32/22</p>	<p>EXTERNAL AUDIT PROGRESS UPDATE</p> <p>CA gave a verbal update on the position of the 21/22 Audit explaining the single entity audit for TVCA Accounts is nearing completion and that a completion report would come to the next Committee. For subsidiaries it was explained there were two areas outstanding on land valuations for STDL to know what should be in subsidiary and the parent respectively. Goosepool was noted to be complete. The other area where assurance hadn't been received was from Teesside Pension Fund, though it was hopeful to be by end of February.</p> <p>There was interest in why it might be materially different to the previous year in terms of the pension fund. CA explained it's not anticipated to be anything specific in terms of</p>

	<p>technical issues but noted there have been issues in LA Audits and all are subject to the same delays.</p> <p>Members queried what the losses were that were made by STDL and whether they were being funded out of the group. GM explained the loss was there because the costs that get attributed to entities is based on land ownership shares across STDC/STDL respectively. It was explained that the funding is contained at group level at STDC so STDC give assurances STDL can fund those costs that get incurred by STDL for its land interests. STDC ensures the funding goes through to the right areas. The STDC Board makes sure it reviews all the financial detail at a group level and don't differentiate between entities.</p> <p>RESOLVED that: Members noted the External Audit Progress Update.</p>
AGC 33/22	<p>FORWARD PLAN</p> <p>NR presented the Forward Plan to the Committee and explained how it aligned with the Terms of Reference and that there are opportunities to review policies if required and incorporated into the Plan and spread out across the 12months.</p> <p>The Committee were informed that potential dates for Induction would be reviewed and that these consist of a half day – with background, expectations etc. and details on specifics. Although it was noted that with local elections coming up, as far as Councillors were concerned, it may be better to time the Inductions after any new appointments</p> <p>RESOLVED that: Members noted and agreed the Forward Plan.</p>
AGC 34/22	<p>PSAA APPOINTMENT OF EXTERNAL AUDITORS UPDATE</p> <p>GM presented a Report on the options for the re-tender of the External Audit Contract that will cover the period 2023-24 (so some overlap on 22/23 initially with Mazars) and 2027-28 financial statements.</p> <p>Explained did some soft market testing but decided to go through the PSAA and process complete now. The Committee were notified that Ernst and Young had been allocated as the new External Auditor for the next cycle (5 years).</p> <p>It was noted that there had been more updates to the FRC quality report and CA advised she would share these with the Committee.</p> <p>RESOLVED that: i. The Committee considered the report and the options presented in respect of future External Audit services; ii. Note that the preferred Option 1 for progression of future External Audit Services has been agreed by Senior Management and notified to PSAA; iii. Note the progress made by PSAA in relation to their procurement process and next steps for the remainder of the process.</p>
AGC 35/22	<p><i>A Resolution was proposed and passed to exclude the Press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972 for following update to be delivered to the Committee.</i></p>
AGC 36/22	<p>SUBSIDIARY AUDIT REPORTS 2021/22 (Goosepool and TIA)</p> <p>RESOLVED that: Members noted the Subsidiary Audit Reports.</p>

<p>AGC 37/22</p>	<p>RISK MANAGEMENT REPORT</p> <p>NR presented the report on Tees Valley Combined Authority Risk as of January 2023.</p> <p>RESOLVED that: Members noted the Risk Management Report.</p>
<p>AGC 38/22</p>	<p>COMMITTEE EFFECTIVENESS & SKILLS AUDIT RESULTS & ANALYSIS</p> <p>Emma Simson, (ES), Acting Chief Legal Officer (Monitoring Officer), explained responses had been summarised in the Appendix along with a proposed Action Plan based on the feedback received.</p> <p>RESOLVED that: Members agreed the Action Plan proposed, subject to the discussed points being incorporated into the implementation of the Action Plan.</p> <p>RESOLVED that: Governance will review the format of future Agenda to look at how the key responsibilities of Members as per the Terms of reference are summarised at the beginning to reinforce Committee requirements.</p>
<p>AGC 39/22</p>	<p>INTERNAL AUDIT REPORT</p> <p>The Committee received the internal report in advance of the Meeting.</p> <p>RESOLVED that: Members noted the internal Audit Report.</p>
<p>AGC 40/22</p>	<p>DATE & TIME OF NEXT MEETING</p> <p>The next meeting would be an Extraordinary Meeting to be arranged as soon as possible and was expected to be March time.</p> <p>Civic Year Meeting dates TBC and dates to be sent to the Committee as soon as agreed.</p>

TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER

2023-24

Meeting	Item	Action	Owner	Target Date	Update
2 nd August 2022	TVCA 2020/21 Financial Statements (Latest Position)	Arrange an Extraordinary Meeting (in person) for the Committee to review & approve the TVCA 2020/21 Financial Statements	TVCA	August 2022	Complete
	TVCA 2021/22 TVCA Draft Financial Statements & Annual Governance Statement	Add 2021/22 TVCA Financial Statements & Annual Governance Statement to the Forward Plan	TVCA	August 2022	Added to Forward Plan Complete
	Internal Audit Plan	Feedback to be returned to the Committee on risk profiling following events related to the Airshow. To be raised with the Management Team and RSM.	TVCA	November 2022	Complete – link to Investigation circulated
	Internal Audit Plan	Add MDCs into the second year of the Internal Audit Plan	TVCA/RSM	Q1 2023	Complete – added into 23-24 Audit Plan
	Internal Audit Plan	Add a placeholder into the Internal Audit Plan on UKSPF – determining specific topics	TVCA/RSM	Q1 2023	Complete
	Internal Audit Plan	Add the scope of the Skills Strategy to the Internal Plan to see how it's embedded and how effective it is	TVCA/RSM	Q1 2023	Complete
	Internal Audit Actions Update	The Internal Audit Actions item will go ahead of the Internal Audit reports in	TVCA/RSM	November 2022	Complete

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		future and an additional column be added to denote when things will happen			
	External Audit Actions Update	The External Audit Actions to be tracked in the same way as Internal Audit Actions to give the same level of detail	TVCA	Commence in Q1 2023	No External Audit Actions at present – will be brought to Committee when these arise – this has been added as a standard agenda item so as and when action arise they will be captured
	External Audit Actions Update	Mazars reach out to Azets the subsidiary auditor to receive the Group Instructions	Mazars	Complete	Complete
	External Audit Actions Update	Assurance is needed that communication is improved and processes are adopted so that it's agreed what the treatment is at the point of change	TVCA/Mazars	Complete	Complete
	External Audit Actions Update	Azets should be invited to attend future Committee meetings	TVCA/Azets	November 2022	Chris Potter attended
	External Audit Actions Update	A standard Agenda item on progress against plan, noting key milestones to cover the subsidiaries of STDC/TIAL/Goosepool would be added to future meeting Agenda's	TVCA	Ongoing	To be added as Agenda Item when external audit actions arise – to be included in External Audit Update item
	Committee Effectiveness & Skills Audit Proposal	Undertake the Committee Effectiveness & Skills Audit with Members and roll out according to the timeline	TVCA	ASAP	Complete
	Forward Plan	Add Terms of Reference Review and Skills Assessment to Forward Plan	TVCA	ASAP	Complete - added to Forward Plan
	Date & Time of Next Meeting	Civic Year Meeting dates TBC and invites be sent to the Committee, along with a draft of the Forward Plan with standard and bespoke agenda items.	TVCA	ASAP	DRAFT to be presented at September meeting
24 th August 2022		VFM conclusion to be brought to the next meeting	Mazars	January 2023	Complete

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	External Audit Completion Report	STDC Audit Completion report was to be circulated to the Committee following the meeting	TVCA	September 2022	Complete
	STDC External Audit Follow Up Letter	Members were advised that Azets are to be invited to the closest meeting to the sign off of the Accounts	TVCA	November 2022	Chris Potter invited to Jan meeting
9 th February 2023	Group Update	Report back to the Committee, the figures and geographical areas of schools that were involved in the awareness raising sessions at Teesworks Skills Academy on the opportunities at the Teesworks site.	TVCA	February 2023	Complete
		Members were advised at Induction will show how the Risk system works.	TVCA		This will be brought to a future meeting in the private session
	Internal Audit Reports	Page numbering / Contents Page to be added to future Papers.	Governance	Ongoing action	Ongoing
	External Audit Annual Plan 21/22 (Audit Strategy Memorandum)	ASM Risk 5 refers to 21/22 and should be 20/21. To be amended and re-published	RSM/TVCA	February 2023	Complete
	Forward Plan	Dates to be arranged for Inductions will need to look at that as may be better to time after any new appointments	TVCA	October 2023	In progress
		Final Accounts may require an additional meeting – TBC	TVCA	TBC	
	PSAA Appointment of External Auditors Update	FRC quality report and been more recent updates to that – CA advised she would share these	Mazars/TVCA	February 2023	Complete
	Committee Effectiveness Results & Analysis	Rank high/medium and low priorities in Action Plan	TVCA	ASAP	Complete
		Provide brief summary of Members' professional details/experience.	TVCA	October 2023	In progress

Anything is possible

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		Provide Members with an introductory summary page of Terms of Reference on the function of the Committee to be included in each papers pack as a 'For Information' item	TVCA	Drafted to present at September Committee	
		Group Structure to be included in each pack. Structure document to be reviewed and to be included as a 'For Information' item in papers pack.	TVCA	Drafted to present at September Committee	
		Add approximate dates to Action Plan so once rank rated for when to be brought back to Committee and added to Forward Plan if required as a separate issue.	TVCA	ASAP	Complete and incorporated into Tracker/Action Plan

Note: Actions pre 2022/23 have been archived and all actions were completed

TEES VALLEY COMBINED AUTHORITY

Annual internal audit report 2022/23

DRAFT

Presented at the Audit and Governance Meeting of 14 September 2023

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

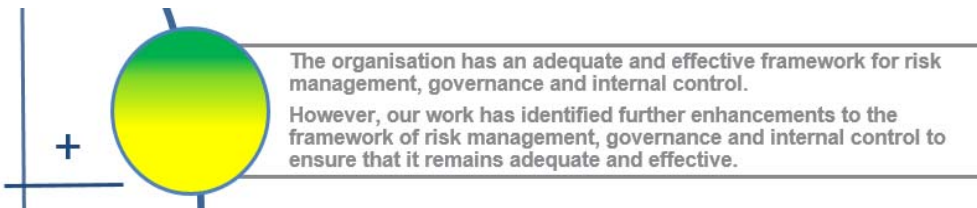


THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2023, the Head of Internal Audit opinion for Tees Valley Combined Authority is as follows:



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Governance Committee, our opinion is subject to inherent limitations, as detailed below:

- Internal audit has not reviewed all risks and assurances relating to the organisation.

- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS).
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual(s).
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance.
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.
- our internal audit work for 2022/23 has been undertaken through the continued operational disruptions caused by the Covid-19 pandemic. In undertaking our audit work, we recognise that there has been some continued impact on both the operations of the organisation and its risk profile, and our annual opinion should be read in this context.

DRAFT

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Based on the work we have undertaken on the systems of governance, risk management and internal control across the organisation, our opinion on governance, risk management and control have been informed by the following:

Governance

We have not performed a specific review of the organisation's governance arrangements during 2022/23 (a specific review of this area was carried out in 2019/20). However, we have performed the following reviews which have looked at differing aspects of the organisation's governance arrangements:

- Transport Programme.
- Procurement To Pay Process.
- BoHo Project Governance.
- Freeport Programme.
- Grants Management.

We concluded that, in respect of three of these reviews (Transport Programme, Freeport Programme and Grants Management), the Cabinet can take **substantial assurance** (positive) on these areas. In respect of the Procurement To Pay Process review, the Cabinet can take **reasonable assurance** (positive) on this area. However, in respect of the BoHo Project Governance review, we were only able to conclude that the Cabinet can take **partial assurance** (negative) on this area. We agreed a total of **six medium priority** and **eight low priority** management actions across these five reviews. We found that controls and processes in respect of the four reviews with a positive opinion were robust, with the actions agreed being primarily focused on clarifying or enhancing those controls. In respect of the BoHo Project Governance review, we found that, whilst the organisation did have in place a control framework, it was not operating effectively in practice and a number of areas were found where the control framework could be improved.

Risk

At the request of management, we have performed a specific review of the organisation's risk management arrangements during 2022/23 (a specific review of this area was previously carried out in 2019/20). This review replaced the following reviews in the annual plan:

- Key Financial Controls: Payroll.*
- Net Zero Teesside.*

We concluded that the Cabinet can take **reasonable assurance** (positive) on this area and a total of **one medium priority** and **four low priority** management actions were agreed as a result of this review. The issues identified largely concerned the fact that the organisation had recently revised its Risk Management Framework and it was still in draft, and also was only part way through the migration of its risk registers to the PowerBI application, at the time of our audit.

We have also attended all Audit and Governance Committee meetings throughout the year and confirmed the Group's risk management arrangements continued to operate and were adequately reported and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight.

* The Key Financial Controls: Payroll review was replaced as management felt that this area had been covered recently, with HR: Resourcing being part of the 2022/23 annual internal audit plan and HR: Payroll being reported upon as part of the 2021/22 annual internal audit plan. The Net Zero Teesside review was replaced as management felt that this project was not yet sufficiently far enough advanced for there to be much value in performing an audit as part of this year's plan.

Control

We undertook seven audits (including the Risk Management review mentioned above) of the control environment that resulted in formal assurance opinions. These seven reviews concluded that **three substantial** (positive), **three reasonable** (positive) and **one partial** (negative) assurance outcome could be taken by the Cabinet. We identified the organisation had established control frameworks in place for a number of the audits undertaken, however improvements in their application were required in a number of areas.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control. We have performed a Follow Up review during the year which concluded that **good progress** had been made towards the implementation of those actions agreed.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Advisory Reviews

At the request of management, two reviews were conducted this year on an Advisory basis. The reasoning provided for this approach was as follows:

- Business Continuity Planning (BCP) – the organisation had recently moved to its new premises at Teesside International Airport and recognised that its BCP arrangements required review.
- Management Information (MI) – at the time of our audit the organisation was part way through a project to develop its MI reporting capability using the PowerBI platform.

Rather than replace or postpone these two reviews, management chose to use the opportunity to use our findings in order to support its projects in these two areas. A total of **15 medium priority** and **five low priority** management actions were agreed as a result of these two reviews.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during the year.

Implementation of internal audit management actions

We have performed a follow up review to determine the organisation's implementation of internal audit findings and we have reported that **good progress** has been made in implementing the agreed actions.

Follow Up of Previous Internal Audit Management Actions

We followed up a total of 11 management actions (all medium priority) agreed as part of the following reviews:

- Procurement, October 2020
- Goosepool: Financial Governance, January 2021
- HR: Recruitment and Selection, October 2021
- COVID-19 Response, November 2021
- Follow Up of Previous Internal Audit Management Actions, November 2021
- HR: Payroll, April 2022
- Boho Projects Governance, November 2022

We were provided with satisfactory evidence in respect of eight medium priority management actions declared as complete by the respective action owner and therefore we confirmed that these actions had been fully implemented. For the remaining three actions, we had recently covered these areas in our Procurement to Pay audit and, where required, have agreed management actions as part of that review. To avoid duplication of actions we have therefore classified these actions as having been superseded for the purposes of this follow up review.

Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Conflicts of interest

RSM has not undertaken any work or activity during 2022/2023 that would lead us to declare any conflict of interest. Where other work is undertaken, each element is assessed via RSM's Client Engagement Assessment Programme (CEAP) to ensure that any potential conflicts of interest are identified and only work which is appropriately authorised is allowed to progress. None of the other work conducted on behalf of TVCA represents a conflict of interests with the internal audit programme.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Performance indicators

Delivery

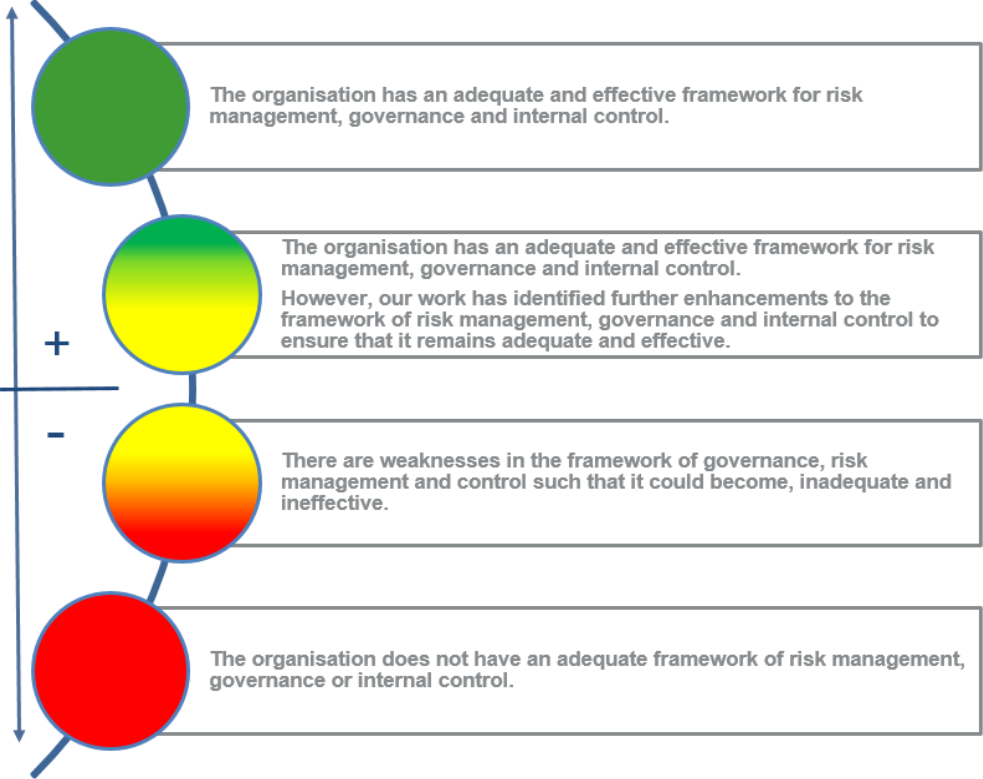
Quality

	Target	Actual		Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	7 days <i>(average)</i>	Conformance with IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	<i>As and when required</i>
Final report issued within 3 days of management response	3 days	1 day <i>(average)</i>	Response time for all general enquiries for assistance	2 working days	2 working days <i>(average)</i>
			Response for emergencies and potential fraud	1 working day	-

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APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p> <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Assurance level	Actions agreed		
		L	M	H
Business Continuity Planning	Advisory review	5	6	0
Transport Programme		1	0	0
Procurement To Pay Process		2	1	0
BoHo Project Governance		3	5	0
Freeport Programme		0	0	0
Management Information	Advisory review	0	9	0

Assignment	Assurance level	Actions agreed		
		L	M	H
HR: Resourcing		1	1	0
Grants Management		2	0	0
Follow Up of Previous Internal Audit Management Actions	Good progress	0	0	0
Risk Management		4	1	0

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APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Cabinet can take:



Taking account of the issues identified, the Board can take **minimal assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk.



Taking account of the issues identified, the Board can take **partial assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk.



Taking account of the issues identified, the Board can take **reasonable assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.



Taking account of the issues identified, the Board can take **substantial assurance** that the controls upon which the Group relies to manage this risk are suitably designed, consistently applied and effective.

YOUR INTERNAL AUDIT TEAM

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **Tees Valley Combined Authority**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

**14TH SEPTEMBER
2023**

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

INTERNAL AUDIT ACTIONS UPDATE

SUMMARY

This report presents the position of current Internal Audit action plan progress as of August 2023.

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee

- i. Consider the analysis and audit progress set out in this paper.
- ii. Acknowledge the annual audit schedule.

DETAIL

- iii. This report presents TVCA audit actions and their progress as of August 2023.

Process

Using a risk-based approach, the internal audit schedule is agreed with the Senior Leadership Team and the Audit and Governance Committee, this ensures the TVCA Group are assessing the effectiveness and efficiency of controls mitigating key risks.

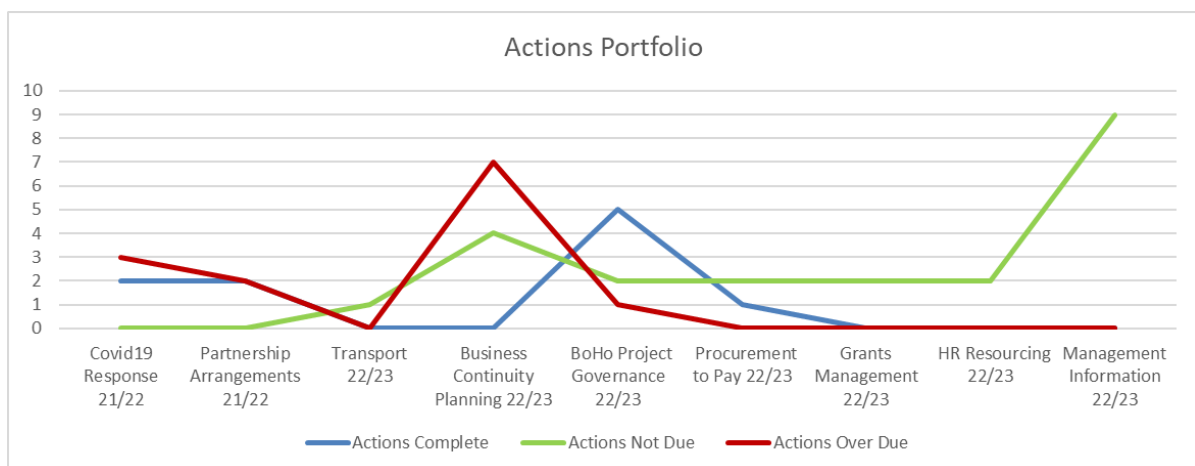
The process of internal audit is monitored by the Risk Management team, to ensure effective tracking of actions is in place. All actions are tracked via a spreadsheet which is shared with action owners for updates.

The Risk Management team facilitate reporting of internal audit actions and provide support to Risk Owners to drive delivery performance.

Anything is possible

Overview of action portfolio

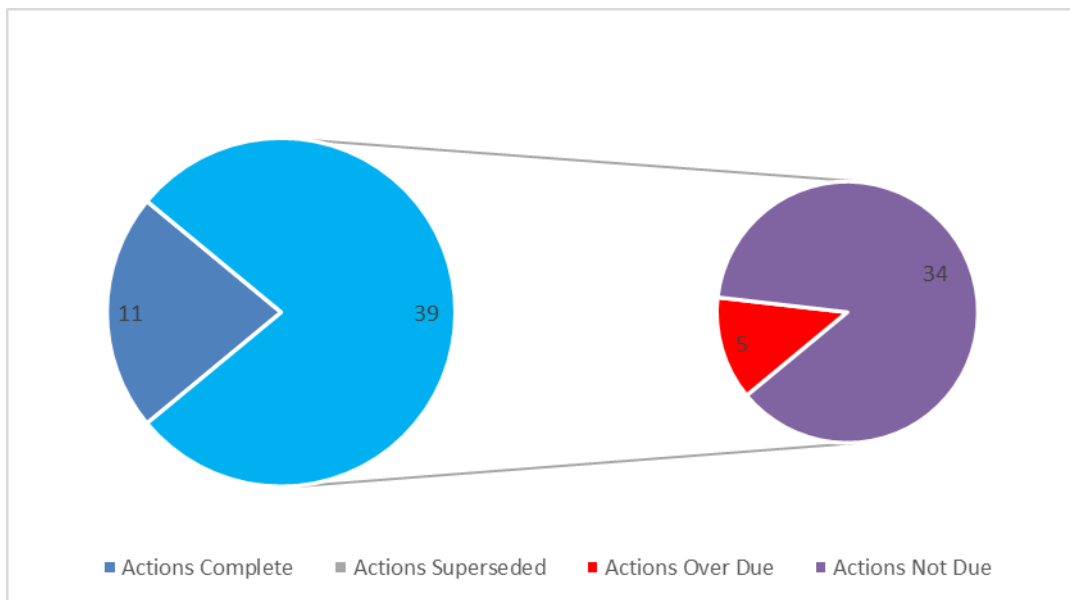
The current portfolio of actions includes those actions which are: Those audits where actions were allocated have been tracked and are as follows (as of next report, all those audits with completed action plans will be archived).



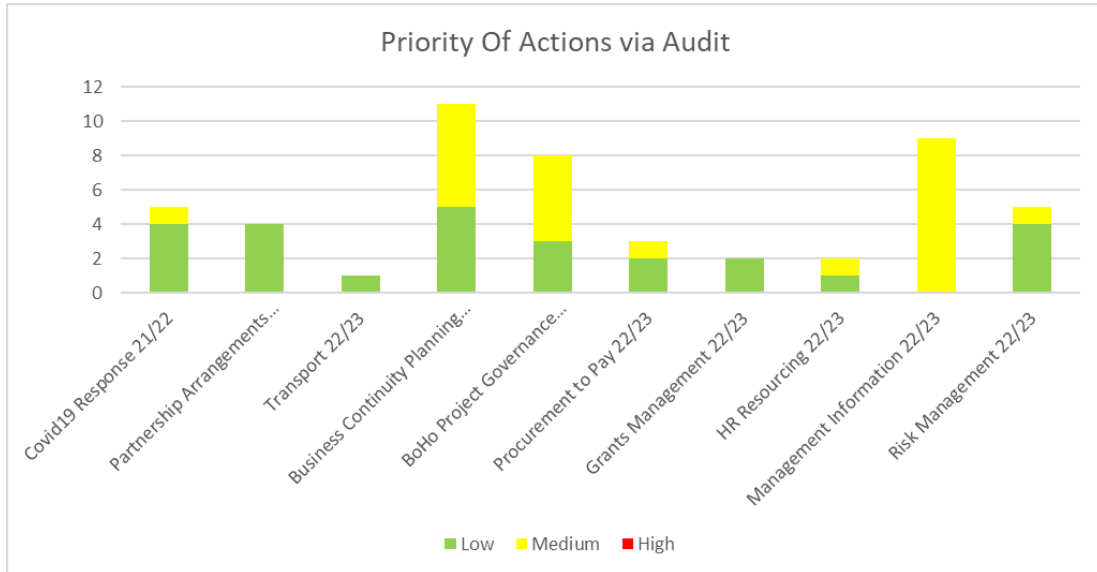
Audit Title	Action Plan Delivery
Covid19 Response 21/22	In Progress
Partnership Arrangements 21/22	In Progress
Transport 22/23	In Progress
Business Continuity Planning 22/23	In Progress
BoHo Project Governance 22/23	In Progress
Procurement to Pay 22/23	In Progress
Grants Management 22/23	In Progress
HR Resourcing 22/23	In Progress
Management Information 22/23	In Progress
Risk Management 22/23	In Progress

Action progress

There are currently 10 action plans in progress.



As of August 2023, 22% of actions for open action plans have been implemented/superseded, with 10% of actions now overdue and 68% of actions not due.



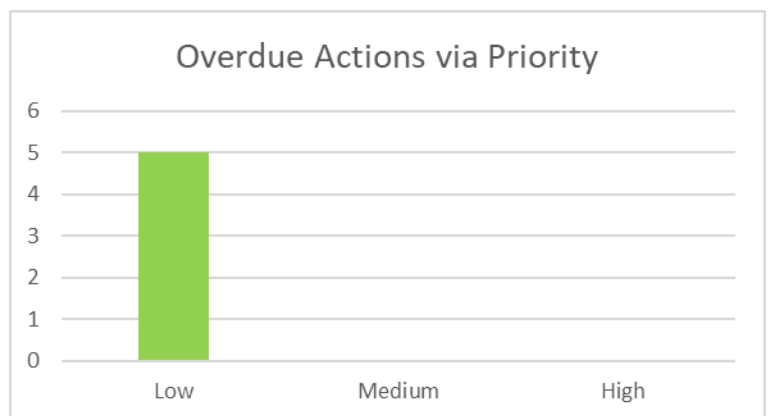
The above graph is an overview of all actions to date which have had action plans agreed.

As of next quarter, all those action plans with completed action plans will be archived and only those audits with open action plans will be reported. This is to reduce the risk that current audit portfolio is inflated.

Overdue actions

There are currently 0 high level actions which are open.

The process of reviewing audit actions and the systems used to do this, is currently being reviewed and improved, allowing for a much leaner approach, and encouraging accountability of action owners to drive delivery.



Low Priority overdue actions

Audit	Original Delivery Date	Revised Delivery Date	Status	Action
Covid 19 1	15/09/2021	TBC	TBC	The Authority will ensure that all options presented for Cabinet approval have the same amount of data, to allow Cabinet to make an informed decision.
Covid 19 2	01/09/2021	TBC	TBC	All relevant stakeholder consultation will be included in Cabinet papers, to provide assurance to the Cabinet that reasonable consultation has taken place.
Covid 19 3	15/09/2021	TBC	TBC	The requirement to ensure that delegated decision forms are accurately completed to record Tees Valley Management Group consultation and decisions will be reiterated to all relevant parties.
Partnerships 2	30/09/2022	TBC	TBC	TVCA will ensure an induction checklist is established and used to document the induction of new members of the Transport Advisory Group and EESAG. The induction checklist will include making the member aware of the Constitution, Assurance Framework and governance structure.
Partnerships 3	31/10/2022	TBC	TBC	TVCA will consider whether the Terms of Reference for LEP, Transport Committee, EESAG and Transport Advisory Group need to be amended to include responsibilities in relation to obtaining assurance on the management of relevant partnership risks.

Audit Progress

Risk Management audit has been progressed since the last reporting period with progress shown below.

Process/Procedure	Status	Comments
Risk Management 22/23	Final report received	Reasonable Assurance 5 actions have been assigned. (4 Low Priority, 1 Medium Priority)

Audit Schedule

Anything is possible



TIAA have been appointed as the internal audit partners. Initial sessions have taken place and a proposed audit schedule has been received for the upcoming year which will be focussed on the corporate risk register and core themes.

FINANCIAL IMPLICATIONS

- iv. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

- v. There are no direct legal implications arising from this report.

RISK ASSESSMENT

- vi. The content of this report is categorised as low to medium risk.

CONSULTATION & COMMUNICATION

- vii. None required.

EQUALITY & DIVERSITY

- viii. No impacts.

Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources
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Telephone Number: 01642 527707



TEES VALLEY COMBINED AUTHORITY

Management Information

Internal audit report 6.22/23

FINAL

17 January 2023

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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1. EXECUTIVE SUMMARY

Why we completed this audit

The Tees Valley Combined Authority (TVCA) Strategic Economic Plan (SEP) sets out the framework for economic development to achieve TVCA's six growth-generating themes and drive the industrial strategy for the Tees Valley. These six themes are as follows:

- Transport – population growth and jobs growth.
- Education, Employment & Skills – NVQ Level 4 and above attainment increase, skills gap reduction, jobs growth.
- Business Growth - business density growth, jobs growth and gross value added (GVA) per hour increase.
- Culture & Tourism – population growth and jobs growth.
- Research, Development & Innovation – business density growth, jobs growth, GVA per hour increase and reduction in carbon emissions.
- Place – population growth and jobs growth.

Within the SEP are set out a range of indicative activities and associated outputs and outcomes from those activities to measure the performance of the business elements which TVCA considers to be of strategic importance. Underpinning the SEP is the TVCA Investment Plan 2019-2029 (reviewed and renewed annually) which provides an overview of the transformational initiatives to which the Tees Valley Combined Authority will commit resources, subject to the detailed consideration and appraisal of project business cases.

The six SEP themes above map to a range of associated impacts which, in turn, are measured by means of a range of SEP Targets which are monitored and reported against by the Strategy and Development Team. Most of the information used for these reports comes from external sources (e.g. public reports / statistics) and, as a consequence, is largely retrospective and not reported very frequently by these external sources. Therefore, the Authority measures and tracks inputs (i.e. delivery of investment plans) and tangible project outputs (since project outcomes are often intangible and more difficult to measure objectively).

The Investment Plan translates these targets into a range of investment activities which are overseen by the Investment Planning Manager (individual projects being overseen by the Project Evaluation and Monitoring Team). The Investment Planning Manager is responsible for producing a quarterly Medium Term Financial Plan (MTFP) update for the TVCA Cabinet which provides a rolling quarterly update to Cabinet on the progress of Investment Plan activities. However, at the request of management we agreed that the MTFP update was not within the scope of this review as this review was intended to be focused upon the production of management information for performance reporting purposes. Currently, no such information is reported to Cabinet.

At the time of our audit, the Investment Planning Manager was part-way through a project to develop a performance reporting mechanism (using Power Bi) to capture, collate and report against a suite of strategic Key Performance Indicators (KPIs) based upon the SEP and Investment Plan, which are designed to act as a set of strategic outputs for TVCA and which have been agreed by the TVCA Chief Executive Officer and Directors, but not yet approved by the TVCA Cabinet. As this project is not yet complete, it was agreed with management that this review would be performed as an advisory review and therefore, no overall assurance rating would be provided.

For the same reason, we have not performed any data analysis over reported performance management information.

The Investment Planning Manager of confirmed that the results of this review would be applied in creating a framework for documenting how TVCA gathers its management information for performance reporting purposes.

Conclusion

The review was advisory and has not resulted in a formal level of assurance.

At the time of our review, TVCA was in the process of developing a framework, as well as the necessary procedures, and reporting system to support its performance management information reporting arrangements. The actions identified by our review will be used by TVCA to develop the processes and controls to monitor and report the performance monitoring information and metrics of the Strategic Economic Plan and underlying Investment Plan in a suite of overall strategic performance measures.

We have agreed a total of **nine medium priority management** actions as a result of our work. Details of these actions can be found in section two below.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Policy and procedures for performance management information

Findings / Implications TVCA’s strategic goals for the ten years to 2029 are recorded in the Strategic Economic Plan (SEP) under the growth generating themes of:

- Business Growth.
- Research, Development, Innovation & Energy.
- Education, Employment & Skills.
- Place.
- Culture.
- Transport & Infrastructure.

The associated impact of each theme is outlined in the Investment Plan 2019-2029. The Strategic Economic Plan is the framework for economic development to deliver the six growth-generating themes. The Investment Plan sets out at a high level the investments the Authority will commit to in order to drive growth in line with the goals of the SEP.

From our discussion with the Group Risk Manager and the Investment Planning Manager we identified that TVCA does not currently maintain a policy nor specific procedures for the management of performance metrics, including the request for, specification of, development and testing of, changes to, and approval of performance metrics. A mechanism for capturing, collating and reporting a suite of strategic Key Performance Indicators (KPIs) is currently under development. The Investment Planning Manager stated that, once this has been completed, the procedures to maintain it will be formally documented.

If policies and procedures are not formally documented and communicated to all relevant personnel, there is a risk staff will be unclear on which requirements to follow regarding the design, maintenance, collation and management of performance metrics. It may therefore be difficult to hold relevant staff accountable for failing to apply understood processes and controls in relation to performance metrics.

Management Action 1	Procedures governing the design, maintenance, collation and reporting of performance metrics will be formally documented and communicated to all relevant personnel once the Management Information project is delivered.	Responsible Owner: Investment Planning Manager	Date: 30 September 2023	Priority: Medium
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Area: Clear structure of ownership and delegated responsibility for performance management information

Findings / Implications From our discussions with the Investment Planning Manager and the Group Risk Manager, we identified that responsibilities for reporting key performance management information is as follows:

Responsibilities – SEP

From our discussion with the Investment Planning Manager, we understand that the SEP Targets are updated manually by the Strategy and Development Team as new data/reports are released by the relevant external providers. This is discussed further in a later control.

Responsibilities – Investment Plan

The Investment Plan targets are monitored by the Investment Planning Manager and the Investment Team based on outputs and outcomes of individual projects. The distinction was made between outputs of projects (directly attributable, tangible measures of performance) and outcomes (indirect, intangible measures of performance which may be influenced by other factors). The Authority is in the process of developing a system to capture this monitoring process from the claims return and various internal reports.

Responsibilities – Strategic Objectives

We understand from discussions with the Investment Planning Manager that no overall framework outlining the responsibilities discussed above and overall governance of the strategic reporting process is formally documented regarding:

- Maintenance of specification / scripts for key performance metrics.
- Sources of base data.
- Means and methods of collation of base data into performance metrics.
- Testing, review and approval prior to release.
- Change control.
- Qualitative or narrative elements accompanying key performance metrics.
- Review and approval of reported information prior to release.

Without a formally documented framework of responsibilities, there is a risk of a lack of clarity of responsibilities regarding the design, maintenance, collation and reporting of information relating to the monitoring of progress towards strategic business targets.

Management Action 2	Management will ensure that a clear ownership structure and delegated responsibility framework for the design, maintenance, collation and reporting of performance management information is documented, maintained and aligned with the procedures referred to in Management Action 1.	Responsible Owner: Investment Planning Manager	Date: 30 September 2023	Priority: Medium
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Area: Overall framework mapping the key objectives from the SEP and Investment Plan to a suite of KPIs

Findings / Implications

From our discussion with the Investment Planning Manager and Group Risk Manager we understand that there is no overall framework document to map the key objectives from the SEP or Investment Plan to a suite of strategic Key Performance Indicators (KPIs). We have performed a mapping exercise on the objectives from the Investment Plan and SEP to understand how these link together and how / whether they are covered by established performance reporting mechanisms. Our findings from this exercise are documented below:

SEP Targets

The six SEP aims are mapped to a series of SEP Targets (e.g. Business Density Growth, Jobs Growth), data for which is obtained from external sources and collated by the Strategy and Development Team as noted above.

We obtained and inspected TVCA's SEP which records the high-level strategic goals of the Authority. We mapped how these aims and impacts are measured through the SEP Targets spreadsheet. We noted that the only impact not explicitly mapped to the SEP Targets is Skills Gap Reduction, however the SEP discussion with management indicated that the plan to address the skills gap centres around providing residents with an opportunity to improve skills, levels and opportunities and hence is measured through the attainment of NVQ Level 4 and above in the local population.

The SEP Targets spreadsheet used to measure these aims and impacts is prepared by the Strategy and Development team and is manually tracked using external data. This is done on a regular basis as data becomes available. We understand from our discussions that there is no formally documented process for measuring the aims and impacts aside from the SEP Targets spreadsheet.

Investment Plan Targets

We obtained and inspected TVCA's Investment Plan which contains targets split into six areas reflecting the SEP aims, as follows:

- Transport – to improve connectivity.
- Education, Employment and Skills – increase educational attainment, produced skilled workforce needed by business and increase opportunities for residents.
- Business Growth – Diversify the economy, support start-ups, develop high growth potential business and key growth sector.
- Culture and Tourism – Build cultural vibrancy in communities and change external perceptions of Tees Valley through arts, cultural and leisure while creating places that attract and retain businesses and make the area more attractive to investors, workers and visitors.
- Research, Development & Innovation – Introduce new processes and practices which reduce carbon emissions, increase productivity and the availability of high value job.
- Place – Accelerate supply of good quality homes across the housing market, revitalise town centres and urban core, develop land and strengthen commercial property offer.

As noted above, the Investment Plan sets out the investments the Authority will commit to drive growth in line with the SEP aims.

Area: Overall framework mapping the key objectives from the SEP and Investment Plan to a suite of KPIs

Currently, the Investment Planning Manager and the Project Performance Team take responsibility for monitoring the Investment Plan at a project level and has oversight of any issues identified (e.g. whether projects are achieving spend level) and will raise any significant issues with the relevant Director(s), but this is not mapped to a suite of overarching KPIs. We enquired whether there are any reports available for this monitoring or any limits to dictate what is required to be escalated to Directors / Cabinet, however we understand that no such reporting framework is currently documented. As noted above, this is currently under development. We cover this in more detail in the section below.

Overall delivery of the Investment Plan is reported to the TVCA Cabinet on a quarterly basis via the quarterly Medium Term Financial Plan (MTFP) update which provides a rolling quarterly update to Cabinet on the progress of Investment Plan activities. However, at the request of management we agreed that the MTFP update was not within the scope of this review.

Strategic Outputs

From our discussions with the Investment Planning Manager and the Group Risk Manager, we understand that a list of Strategic Outputs has been drawn up and agreed by the TVCA Chief Executive Officer (CEO) and Directors. This list incorporates KPIs linked to the SEP and Investment Plan and, as noted above, the reporting mechanism is currently under development. We obtained the list of Strategic Outputs but note that this has not yet been formally approved by TVCA Cabinet. The Investment Planning Manager stated that it is intended that this reporting mechanism is implemented in time for the start of the 2023/24 fiscal year and, therefore, it is planned that it will be submitted to Cabinet for approval early in 2023.

The absence of a framework for the collation and reporting of management performance information that maps strategic objectives to reporting mechanisms and agreed KPIs increases the chance that performance towards important objectives is not evaluated on a consistent basis, or at all, making it difficult for the Authority to determine whether it is delivering its objectives.

Additionally, not having an appropriate framework for what should be escalated to Directors / Cabinet gives rise to the risk that Directors / Cabinet may not have the most up to date, accurate information when making decisions.

Management Action 3	Management will create and maintain a framework mapping key objectives from the SEP and Investment Plan to a suite of KPIs.	Responsible Owner: Investment Planning Manager	Date: 30 September 2023	Priority: Medium
Management Action 4	Management will formally document how the Investment Plan performance metrics are to be monitored, including a framework for what matters require escalation to Directors / Cabinet.	Responsible Owner: Investment Planning Manager	Date: 30 September 2023	Priority: Medium

Area: Quarterly reporting to Cabinet

Findings / Implications

The TVCA Assurance Framework states that all programmes and projects should be monitored, and quarterly Investment Performance Reports considered by the Combined Authority Cabinet. These reports detail performance against spend and outputs/outcomes at the Investment Fund and thematic level, consideration of the risk rating and reporting by exceptions on projects where appropriate.

From our discussion with the Investment Planning Manager we note that, while the framework requires that reports should be provided quarterly, they are currently not being sent to Cabinet as the Investment Planning performance management information system is still under development. We obtained a copy of a draft report that has been prepared to demonstrate to the Group Director of Finance and Resources the intended format and content of the report to be produced and provided to Cabinet but as noted above, this has not yet been formally approved.

It is intended that, once the Power BI Dashboard has been implemented, the dashboard data will be used to automatically produce the required report at a certain point in time after each quarter-end. These dashboards will be included in the report to Cabinet. The report will contain KPIs covering both the Investment Plan and the SEP in one overall suite of strategic KPIs.

If Cabinet does not receive sufficient and timely performance management information there is a risk that it does not have all the necessary information to make appropriate decisions on a timely basis.

Management Action 5

A process will be introduced to ensure that performance management information is reported to Cabinet on a quarterly basis through the reports generated from the Investment Planning system.

Responsible Owner:

Investment Planning Manager

Date:

30 April 2023

Priority:

Medium

Area: Specification of key performance metrics, targets and thresholds

Findings / Implications As noted in prior controls, there is no framework mapping the key objectives from the SEP and Investment Plan to KPIs, although a performance reporting mechanism is under development.

Key to ensuring that such a reporting mechanism meets business objectives is to ensure that reported metrics, targets and thresholds have a formally documented and agreed specification so that they are compiled on a consistent basis each time they are reported upon.

If performance management information metrics do not have a formally documented and agreed specification, there is a risk that information reported is inconsistently prepared, leading to inappropriate decisions being made

Management Action 6	Management will ensure that the specification for key performance metrics, targets and thresholds is formally documented and agreed.	Responsible Owner: Investment Planning Manager	Date: 30 April 2023	Priority: Medium
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Area: Scheme of responsibility and authority

Findings / Implications During the discussion with the Investment Planning Manager, we understood that there is neither a framework nor a procedure that is maintained regarding the capture, collation and reporting of key performance metrics. As a result, there is no formal documentation of who is responsible for the approval of KPI specifications, maintenance of the underlying data or compilation of the reported metrics.

Without a formally documented scheme of authorities and responsibilities in respect of the approval of KPI specifications, maintenance of the underlying data or compilation of the reported metrics it could be difficult for the organisation to have assurance over the validity and authenticity of the reported performance metrics used for the management of organisational performance information.

Management Action	See Management Action 2.	Responsible Owner: N/A	Date: N/A	Priority: N/A
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Area: Change control

Findings / Implications

Also key to the maintenance of key performance metrics is ensuring that such metrics are tested and formally approved prior to being used, and having an appropriate level of control over subsequent changes to the suite of metrics or the specification of individual metrics.

However, during our discussion with the Investment Planning Manager, we noted that there is no formal document that outlines the responsibilities for the testing and approval of metrics targets or any subsequent changes made to the specification of performance metrics, targets, and thresholds.

Not maintaining agreed processes for testing, approval and changes to key performance metrics means there is a risk that unauthorised changes could be made to data, leading to data being reported that does not provide the required information to manage the business effectively.

Management Action 7

The procedures for testing, approving and making changes to performance metrics will be formally documented and communicated to all relevant personnel.

Responsible Owner:

Investment Planning Manager

Date:

30 September 2023

Priority:

Medium

Area: Access control over the compilation of key performance metrics

Findings / Implications

Best practice dictates that, in order to ensure the accuracy and completeness of key reported performance management information, an appropriate level of control must be maintained over:

- Source data.
- The means of compilation of reported information.
- Any data which must be compiled manually.
- Any manual intervention in the compilation or reporting of key performance management information.

Our review found:

SEP

Through our conversations with the Strategy and Development Team, we understand that the information in the SEP Targets derives from externally accessible sources. In addition, this information is released at different times and on an infrequent basis (e.g. annually). As a result, it is not possible to automate the production of this information and there are no formal controls over the data extraction and compilation. The Assistant Economic Analyst, who prepares the SEP metrics spreadsheet, extracts the data directly from the external sources and gives it to the Investment Planning Manager. However, there is no formal process to check and approve this information (e.g. by maintaining an audit trail / screenprints or other extracted supporting information within it) as evidence of the accuracy of the information.

Investment Plan / Strategic Targets

From our discussion with the Investment Planning Manager, we understand that restricted access has not yet been built into the Power Bi system as it is still being developed.

To ensure that only designated management personnel are able to edit data in the system, there will be limitations on who is allowed to do so once the system is fully implemented. However, we note that, currently, only the Investment Planning Team has access to the data for the system at this time because the system is not yet operational.

Lack of formal controls over the means of compilation of reported data increases the possibility that KPIs could be altered by unauthorised parties.

Management Action 8	Management will ensure that the means by which KPIs are compiled or edited are restricted to named, authorised individuals, and access controls are maintained over reporting functionality.	Responsible Owner: Investment Planning Manager	Date: 30 September 2023	Priority: Medium
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Area: Checking and approval process

Findings / Implications As noted above, the Investment Planning Team and the Project Performance Team are working together to build a dashboard to track the progress of the investment plan and other key performance metrics. As stated by the Investment Planning Manager, the Project Performance team has just begun manually updating the Power Bi dashboard with data gathered on various projects from monitoring claims returns. Therefore, currently, the only monitoring control in place is the review of monitoring claims returns by the Investment Planning Manager before updating the Power Bi dashboard with the data.

Further, we were informed by the Investment Planning Manager that, since the system is still in the development stage, ensuring that it is providing appropriate results is also manual, since the Investment Performance Team provides the claims returns to the Investment Planning Manager for review and approval then the Investment Planning Tteam updates the Power Bi system manually.

Whilst we recognise that this is a transitional stage, such manual processes will not provide sufficient assurance over the accuracy of reported information once the system is fully implemented. We have been advised that a process of first line checks and second line quality assurance checks is to be established once the reporting system is implemented. However, if a review and approval process is not included in the agreed procedures for the system's use, there is a risk that inaccurate or invalid updates to the dashboard information could be processed.

Management Action 9	Management will ensure that a process of first line checks and second line quality assurance checks is established once the reporting system is implemented.	Responsible Owner: Investment Planning Manager	Date: 30 September 2023	Priority: Medium
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APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

The internal audit assignment has been scoped to provide assurance on how the Tees Valley Combined Authority manages the following area.

Objective of the area under review

Tees Valley Combined Authority has an adequate and effective management information framework in place to enable it to collate and report upon key performance information accurately and on a timely basis to enable Cabinet and the Board to manage its operations and make appropriate decisions to mitigate identified risks.

When planning the audit, the following areas for consideration and limitations were agreed:

Our review will consider the following areas:

- Whether there is a policy and underlying processes which govern the request for, specification of, development and testing of, changes to, and approval of performance metrics.
- Whether there is a clear structure of ownership and delegated responsibility for performance management information, with due regard to:
 - Maintenance of the specification / scripts for key performance metrics.
 - Sources of base data.
 - Means and methods of collation of base data into performance metrics.
 - Review and approval of performance information prior to release.
 - Qualitative or narrative elements accompanying key performance metrics is also subject to review and approval prior to release
- TVCA has an overall framework which maps the key objectives of its Strategic Economic Plan into a suite of key performance indicators (KPIs).
- Whether that framework identifies and specifies the TVCA's needs from its performance management information to satisfy its governance and decision-making requirements.
- Within that framework, the specification of individual performance metrics, targets and thresholds is aligned with TVCA's strategic objectives and is clearly documented.
- How the specification of performance metrics, targets and thresholds is formally agreed and signed off by the relevant user of that data.
- Changes to the specification of performance metrics, targets and thresholds is also subject to the same level of testing, formal review and approval prior to being signed off by the relevant user of that data.
- Access to the means of collating and reporting performance information is restricted to only those persons authorised and necessary for its production.
- Performance reporting processes are automated to remove / reduce the requirement / opportunity for human intervention / override.

- Where data must be compiled manually or obtained from systems which are not fully integrated, there is a process to ensure that such data is collated, reviewed and approved so that it is reported completely, accurately and on a timely basis.
- As part of our review, we will test a sample of performance metrics to determine whether:
 - The metric is supported by an approved specification, with related targets and thresholds that are designed to meet the intended purpose of the metric and have been appropriately tested and authorised prior to usage.
 - The data has been extracted completely, accurately and on a timely basis from underlying systems.
 - Reported statistics are subject to appropriate review and approval prior to release.
 - Any element requiring manual intervention / override is clearly identifiable and subject to separate review and approval.
 - Narrative or qualitative information accompanying reported statistics is subject to appropriate review and approval prior to release.

We will include a cross section of metrics based upon data which must be compiled manually or obtained from systems which are not fully integrated as part of our sample.

- We will consider the use of Data Analytics in order to:
 - Compare reported statistics to underlying data sets.
 - Identify potential gaps, omissions, errors or duplication.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the risk and objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- We will not review training of staff or contractors.
- We will not review the procurement activities undertaken to select the contractors used.
- We will not review compliance with COMAH regulations, or any other health and safety requirements related to the day to day, business as usual, management of the site outside of the work required to remove the COMAH status.
- Our review will not confirm whether all key risks have been considered, just whether the process appears sufficient to ensure that they are captured.
- We will not meet with any external stakeholders during the course of this review.
- Our work does not guarantee the outcome (financial or otherwise) of any of the projects reviewed.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	22 November 2022	Internal audit	Rob Barnett, Head of Internal Audit
Last evidence received		Contacts	Philip Church, Senior Manager
Draft report issued	1 December 2022		Mike Gibson, Client Manager
Responses received	17 January 2023		Abinesh Viyapury, Senior Auditor
			Grace Kunzler, Internal Auditor
Final report issued	17 January 2023	Client sponsor	Gary MacDonald, Group Director of Finance and Resources
			Laura Metcalfe, Investment Planning Manager
			Natalie Robinson, Group Risk Manager
		Distribution	Gary MacDonald, Group Director of Finance and Resources
			Laura Metcalfe, Investment Planning Manager
			Natalie Robinson, Group Risk Manager

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **Tees Valley Combined Authority**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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TEES VALLEY COMBINED AUTHORITY

HR: Resourcing

Internal audit report 7.22/23

FINAL

13 January 2023

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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1. EXECUTIVE SUMMARY

Why we completed this audit

Up until May 2020, recruitment activities in respect of Tees Valley Combined Authority (TVCA, “the Authority”) were outsourced to an external service provider, Xentrall, although some recruitment campaigns were still being progressed by Xentrall after this date. From July 2020 onwards this migration was completed and the TVCA HR Team has acted as a shared service centre for all the Group entities (including staff employed by the Teesside International Airport Limited – TIAL).

TVCA recognises that its employees are fundamental to its success, and it therefore needs to be able to attract and retain employees of the highest calibre who share the Authority’s culture. Our review focused on the procedures in place around the recruitment of new employees to determine whether a fair and effective selection process is in place. As part of our review, we looked at the recruitment framework and underlying procedures, and sample tested 20 new recruits who started since 1 January 2022. At the request of management, our review did not look at recruitment activity within South Tees Development Company as we were advised at the time of our fieldwork that there had not been any new recruitment into STDC during the period covered by this review (since 1 January 2022).

We also followed up on the management actions agreed in our previous report HR: Recruitment and Selection (report reference 1.21.22, issued 25 October 2021). Six actions were agreed during this previous review, one medium priority and five low priority.

Conclusion

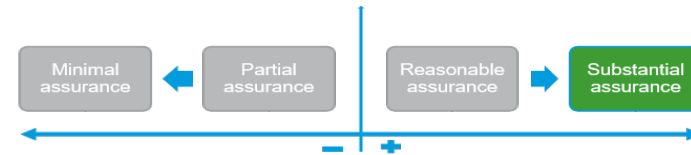
We found that the Authority has adequate and effective recruitment processes in place to ensure the fair and effective assessment and selection of new recruits at the Authority. However, our review did highlight that the HR department does not generate any formal reporting in relation to recruitment to provide the Senior Leadership Team with an overview of overall Authority recruitment and resourcing issues.

Additionally, our review concluded that the majority of actions agreed in our previous review had been implemented. We identified that one low priority management action had not been addressed and consequently it has been re-raised within this report.

As a result of these findings, we have agreed **one medium** and **one low priority** management actions, details of the action raised can be found in section 2 of this report.

Internal audit opinion:

Taking account of the issues identified, the Cabinet can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



Key findings

We identified the following findings that have resulted in one medium priority management actions being raised:



The HR department currently uses the PowerBI platform to generate reports but do not generate any reporting in relation to the recruitment activities of the department and, therefore, nothing is formally reported to the Senior Leadership Team in relation to any issues with recruitment and resourcing within the Group. There is a risk that Senior Management are unaware of the recruitment activities happening within the Authority and of any issues in relation to resourcing. **(Medium)**

For details of the low priority management action, please see section two of this report.

Our audit review identified that the following controls are suitably designed, consistently applied, and are operating effectively:



From our sample of 20 new starters within Tees Valley Combined Authority (TVCA), it was identified that in 13 cases the role was backfilled which did not require a decision form to be completed. In the remaining seven cases the role was new, and a decision form had been completed in full including reasonable rationale to create a new role within the Authority. Through review of the seven forms, it was confirmed that they had all been signed by the Group HR Manager, Finance Manager, Chief Executive Officer and Director of Finance in line with agreed procedures.



The Job Description and Person Specification are created when a role is being recruited for, including backfilled roles where a member of staff has left the Authority and is being replaced. This documentation is also submitted as part of the Recruitment Decision Form when a new role has been identified to support in the approval process. Job Descriptions detail the main duties that are required within the role and what the candidate will be required to do. Person Specifications include both the “essential” and “desirable” criteria in terms of qualifications, skills, aptitude, knowledge, and experience for the job. From our sample of 20 new starters, it was confirmed that in all cases a Job Description and Person Specification had been created and stored within the employee files.



It was confirmed through discussion with the Group HR Manager that for all vacancies at TVCA will use North East Jobs to advertise the roles. North East Jobs is an external site which is specifically tailored to recruit within the North East of England and within the public sector. From our sample of 20 new starters, it was identified that in all cases the Authority had retained the job advertisement which had been conducted through North East Jobs. When questioned we were advised that no other form of advertisement was conducted for the roles we sampled and only the North East Jobs website was used.



From our sample of 20 new starters, it was identified in all cases that a digital shortlisting summary spreadsheet had been completed for each of the roles. Detailed within the spreadsheet was a scoring matrix and the criteria for the role which was completed for all candidates who had applied. All the spreadsheets sampled contained scoring against the matrix and the highest scoring candidates had been selected for the interview. Interview details had also been captured on all of the shortlisting spreadsheets.



From our sample of 20 new starters, it was identified that in all cases interviews had been conducted for all of the candidates using template interview questions. Through review of the interview notes it was confirmed that responses to each of the questions had been captured by the hiring manager with each of the responses being scored. In each case the total score was captured at the bottom of the interview notes with the highest scoring candidate being offered the role.



From our sample of 20 new starters, it was identified that in all cases a Pre-employment Checklist had been completed in full for each successful candidate. These checklists had been signed by two members of staff within the Human Resource Team to confirm that the checks conducted were satisfactory.



When a successful candidate has been identified they are sent the TVCA Employment Contract which details the terms and conditions of their employment. From our sample of 20 new starters, it was identified that in all cases the contracts had been signed by both the successful candidate for the role and the Group Chief Executive Officer.



Through discussion with the Group HR Manager, it has been confirmed that the need for recruiting through third party agencies has ceased to operate and as such there has been no recruitment undertaken since 1 January 2022 using a third-party agency.

2. DETAILED FINDINGS AND ACTIONS

Risk: Failure to provide sufficient capacity to deliver TVCA functions.	
Control	<p>A Recruitment Policy and Framework is in place at TVCA which details its recruitment and selection procedures. Policies are initially approved by the Board and reviewed annually thereafter by the HR Team and the Policy Review Working Group. The Recruitment Policy and Framework in place at TVCA are available to all staff via the Authority's intranet.</p>
	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>There is a Recruitment Policy and Framework in place at the Authority which outlines the principles of TVCA's approach to recruitment and contains specific information on the delivery of the recruitment and selection process. A review of the policy confirmed that the following is outlined but not limited to:</p> <ul style="list-style-type: none"> • Consideration of the need to recruit. • Job Descriptions and Personal Specification. • Advertising. • Selection Process. • Interview Process. • Pre-employment checks (this includes references, DBS check, Right to Work in the UK). <p>In each of the sections stipulated above, there are clear guidelines which provide members of staff the necessary information to be able to effectively recruit for vacant roles.</p> <p>Review of the policy confirmed that there is a section which captures that it was last reviewed in October 2022, and it is scheduled for next review in September 2023. It was confirmed by the Group HR Manager that the Committee which reviews policies, procedures and frameworks meets when there are three items for its review. The Recruitment Policy was edited recently to include that biometric visa cards are no longer accepted as evidence of Right to Work in the UK, and that a sharecode must be provided. It is within the remit of the HR Team to add minor amendments such as this in the absence of a full review and such matters would be raised as a comment for the minutes when the Committee next meets, but it has not actually met since June 2022. There are some other policies that need to be reviewed, and management advises that for the next Committee meeting, the policy changes for recruitment will be added as part of the agenda. Until this is done, there is a risk that the policy has not been reviewed and any changes approved by the Policies, Procedures and Templates Working Group which could lead incorrect business practice being followed regarding recruitment.</p> <p>This issue was previously raised in our report 1.21.22, issued on 25 October 2021.</p>

Risk: Failure to provide sufficient capacity to deliver TVCA functions.

Management Action 1	The Recruitment Policy is to be reviewed and approved by the Policies, Procedures and Templates Working Group.	Responsible Owner: Group HR Manager	Date: 31 March 2023	Priority: Low
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Risk: Failure to provide sufficient capacity to deliver TVCA functions.

Control	Missing control TVCA uses the PowerBI platform to generate formal reports. However, in relation to the recruitment process, no such reporting is available, which in turn means that no such reporting is delivered to the Senior Leadership team for review on a routine basis.	Assessment:	
		Design	×
		Compliance	-

Findings / Implications	Through discussion with the Group HR Manager, it has been confirmed that the HR department use the PowerBI platform for the use of generating reports but currently do not generate any reporting in relation to the recruitment activities of the department. As such nothing is formally reported to the Senior Leadership Team in relation to any issues relating to recruitment or resourcing within the Group. There is a risk that Senior Management could be unaware of the recruitment activities happening within the Authority and any related issues.
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Management Action 2	TVCA will implement a reporting mechanism through the PowerBI platform in relation to recruitment and resourcing within the Authority and this will be reported into the Senior Leadership Team.	Responsible Owner: Group HR Manager	Date: 31 March 2023	Priority: Medium
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APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Risk 00001376: Failure to provide sufficient capacity to deliver TVCA functions.	1	(12)	1	(12)	1	1	0
Total					1	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The internal review assignment has been scoped to provide assurance on how the Authority manages the following risk.

Objective of the area under review	Strategic risk relevant to the scope of the review	Risk source
The Authority has adequate and effective systems and processes in place to manage the recruitment and selection of new staff.	<i>Risk 00001376: Failure to provide sufficient capacity to deliver TVCA functions.</i>	Corporate Risk Register

1.1 Scope of the review

Up until May 2020, recruitment activities in respect of Tees Valley Combined Authority (TVCA, “the Authority”) were outsourced to an external service provider, Xentrall, although some recruitment campaigns were still being progressed by Xentrall after this date. From July 2020 onwards this migration was completed and the TVCA HR team has acted as a shared service centre for all of the Group entities (including staff employed by the Teesside International Airport Limited – TIAL), although recruitment in respect of South Tees Site Company (STSC) was conducted by its own team from its acquisition by the Group in October 2020 until April 2021 when it moved across to the central TVCA team.

We conducted an audit of HR recruitment and selection processes covering TVCA and the subsidiary entity South Tees Development Corporation (STDC), as part of our agreed 2021/22 annual internal audit plan and the results of this review were reported in our report ref. 1.21.22, issued on 25 October 2021.

Our review will focus on:

- How recruitment requirements are identified and directed based on new funding / programmes, replacement for leavers, talent management in key roles and organic business growth.
- Where any resourcing shortfalls are identified, how, and at what level / forum, these are communicated and discussed within the organisation to ensure that decisions are made / action is taken on a timely basis to mitigate any risks to the organisation’s service delivery.
- A recruitment policy and supporting procedures is in place, up to date and available to all relevant staff.
- Recruitment activity is being managed in compliance with agreed procedures, as follows:

- Authority to recruit is documented and in line with stated procedures.
 - The job specification reflects the needs of the Group and follows stated evaluation criteria.
 - The advertising, application and shortlisting process is documented and in line with stated procedures.
 - Selection and conditional offer follow stated evaluation criteria.
 - Pre-employment checks are conducted in line with stated procedures and on a timely basis.
 - All successful candidates have a formal, signed contract of employment.
- Where third party recruitment advisors are appointed to assist in the recruitment of staff, a clearly defined process is followed, to ensure that an appropriately experienced and cost-effective agency is used.
 - There is sufficient reporting on recruitment matters to ensure that decisions can be made at the appropriate level and on a timely basis.

As part of this review, we will also follow-up on the actions raised in our previous report.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the risk and objectives set out for this review.
- Any testing undertaken as part of this review will be compliance based and sample testing only.
- We will not comment on the suitability of staff members appointed during the recruitment process.
- We will not carry out any pre-employment checks ourselves, and we will rely on the data provided to us during the audit.
- We will not review procurement activities in relation to the use of external recruitment agencies during the course of this review.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Please note that the full scope of the review can only be completed within the review budget if all the requested information is made available at the start of the review, and the necessary key staff are available to assist the review process during the review. If the requested information and staff are not available, we may have to reduce the scope of our work and/or increase the review budget. If this is necessary, we will agree this with the client sponsor during the review.

Debrief held 5 December 2022
Last response to queries received 14 December 2022
Draft report issued 14 December 2022
Responses received 13 January 2023

Final report issued 13 January 2023

Internal audit Contacts Rob Barnett, Head of Internal Audit
Philip Church, Senior Manager
Mike Gibson, Client Manager
Samuel Hammond, Senior Auditor

Client sponsor Gary MacDonald, Group Director of Finance and Resources
Clare Winter, Group HR Manager
Natalie Robinson, Group Risk Manager

Distribution Gary MacDonald, Group Director of Finance and Resources
Clare Winter, Group HR Manager
Natalie Robinson, Group Risk Manager

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TEES VALLEY COMBINED AUTHORITY

Grants Management

Internal audit report 8.22/23

FINAL

13 January 2023

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To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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1. EXECUTIVE SUMMARY

Why we completed this audit

An audit of grants management was undertaken at Tees Valley Combined Authority (“TVCA, the “Authority”) as part of the approved internal audit plan for 2022/23.

The Tees Valley Combined Authority (TVCA, the “Authority”) was created in April 2016 with the purpose to drive economic growth and job creation in the area. This requires the Authority to deliver a range of projects in developing improvements in a range of areas including infrastructure, transport and housing. The Authority has set out a 10-year Investment Plan (which is reviewed annually) outlining the transformational investments that the Authority will commit resources to, subject to the detailed consideration and appraisal of project business cases. The current Investment Plan 2019-2029 is not intended to be an exhaustive list of activity as new opportunities will arise during the period, but it identifies the key activities that the Authority has identified could be transformational and will need investment during the plan period to unlock the opportunities they could bring.

Within this 10-year Investment Plan the Authority is responsible for evaluating project proposals and then monitoring the delivery of successful projects to ensure that funding is released in line with their Funding Agreement.

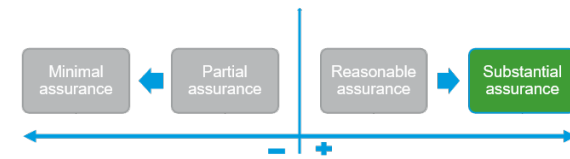
Our review focused on the Assurance Framework on whether the projects were initiated according to outlined procedures and processes regarding named prioritised programmes and projects within the Investment Plan. Furthermore, we reviewed project appraisal, business case, funding agreement and relevant variation agreement process at the Group. We also reviewed the quarterly claims returns to determine whether appropriate updates, outputs and outcomes had been recorded and monitored. We performed a site visit to a project of Re-development of the Regent Cinema to ensure that the expected outputs as per the business case / funding agreement were consistent. Our review considered whether there are reporting mechanisms that provide oversight on achieving the Medium-Term Financial Plan (MTFP).

Conclusion

We found that the Authority has adequate and effective systems and processes in place with regards to grants management, which is well understood by all relevant parties, to deliver its aims and objectives in accordance with the Tees Valley Assurance Framework and Monitoring and Evaluation Framework. However, our review did highlight two exceptions, and as a result, we have raised two low priority management actions. Details on the actions raised can be found in section two of this report.

Internal audit opinion:

Taking account of the issues identified, the Cabinet can take **substantial assurance** that the controls upon which the Authority relies to manage this risk are suitably designed, consistently applied and effective.



Key findings

For details of the low priority management action, please see section two of this report.

Our audit review identified that the following controls are suitably designed, consistently applied and are operating effectively:



Tees Valley Combined Authority (TVCA) Cabinet approved TVCA's Assurance Framework 2019-29, effective 2 July 2021. We evidenced meeting minutes for the approval of the Assurance Framework. The Assurance Framework details the approach adopted for the administration and decision making of the Tees Valley Investment Plan, including all funding under the Combined Authority's control.



We reviewed the Assurance Framework 2019-29 which sets out the roles and responsibilities of staff responsible for assessing business cases to ensure that decisions are appropriate and free from bias or perception of bias. The Monitoring and Evaluation Framework also outlined roles and resources under governance, and a table is provided in the section on primary resources and monitoring and evaluation related responsibilities for all projects and programmes.



We selected 10 samples of projects from 227 delivery in projects as of 15 November 2022. In nine instances the project's appraisal had been performed and documented by the Project Performance Monitoring Team and appropriately approved. Furthermore, in the remaining instance, the project was sponsored by TVCA, and the business case was developed internally according to the Assurance Framework and the TVCA's appraisal evaluation process.



We obtained the business case for the ten project samples that were selected. After reviewing it, we determined that nine of those projects had resources that have been allotted to them, and are supported by the Investment Plan. For the remaining instance, we evidenced the expression of interest and the Cabinet approval document in addition to the business case. Further, we were able to confirm that all projects and programmes were carried out in accordance with the TVCA's overarching goal of delivering the six growth-generating themes within the provided spreadsheet that detailed all of the projects' deliveries, which included the names of the programmes and projects that were involved as well as how they fit into the TVCA's Strategic Economic Plan's six growth-generating themes.



In our review of the Assurance Framework 2019-29, we noted that the TVCA shall issue a Funding Agreement letter which sets out the monitoring, claims, branding and evaluation requirements. The Combined Authority's Section 73 Officer and project sponsor certifies the Funding Agreement. We obtained the Funding Agreement for 10 projects out of the total of 227 deliveries in projects, and upon review, we confirmed that Funding Agreements were signed by both parties and the appropriate clauses included.



Testing a sample of 10 business cases, we confirmed that the business case was in place, and outlined the project's plan, budget, and timeframe.



We obtained ten Funding Agreements, and we evidenced that each Funding Agreement was acknowledged and accepted to be liable by the grant recipient. Further, we confirmed the funding agreement to ensure sure that it outlines the projects' outputs and outcomes as well as the frequency and format of report submissions.



The Project Performance Officers (Project Performance Team) monitor the quarterly project performances and report through the claims return. We obtained a sample of an internally developed business case. We evidenced that the roles and responsibilities were outlined, and the monitoring process was defined and evidenced in the Quarterly Claim Return and project progress within the claims return.



TVCA's Investment Plan sets out, at a high level, the transformational investments that TVCA will commit resources to, subject to the detailed consideration and appraisal of project business cases. Based on the selected ten projects, we evidenced that the project's funding decisions are made based on the Investment Plan and separate Cabinet approval.



The Quarterly Claim Return, which details the project's updates and progress and tracks its outcomes and outputs. We were able to confirm from our sample of 10 projects that claims reports are cumulatively updated from the original claims return and that project status, updates, and outcomes are updated and documented within the claims return.



In our review of Funding Agreements for 10 projects, we also noted that payment would be made by TVCA to the applicant quarterly in arrears, in line with the breakdown of eligible expenditure provided. Through review of quarterly claims return for 10 projects, we confirmed that the payment was made on a quarterly basis, with sign-off by responsible parties.



In our review of Funding Agreements for 10 projects, we also noted that payment would be made by TVCA to the Applicant quarterly in arrears, in line with the breakdown of eligible expenditure provided. Through review of quarterly claims return for 10 projects, we confirmed that the payment was made in a quarterly basis, with sign-off by responsible party.



Dependent upon the outcome of any business case review, any significant changes to a project will be reported to the Combined Authority Cabinet as appropriate. A variation letter to the Funding Agreement will be issued where appropriate. We obtained a sample of the [REDACTED]

[REDACTED] we

evidenced that the appropriate change request was obtained, it was approved, and a variation of the Funding Agreement was issued



The Cabinet receives quarterly financial positions and updates from the Director of Finance and Resources. We evidenced from the Quarterly Report of the project-specific spending and updates to the Investment Plan, re-profiling, adjustments for funding under each Strategic Economic Plan (SEP) theme, a summary of funding forecast and updates for the projects, and detailed consolidation for each project against the SEP themes.



We obtained a sample of the nearly completed Re-development Project of the Regent Cinema. We performed a site visit for the verification to ensure whether the agreed outputs (three screens, seating facility (Nos), cafe bar, kitchen) as per the Funding Agreement and recent quarterly claims return are in line with the physical project outputs. We were able to confirm that the outputs of the project are placed according to the Funding Agreement and claims return.



The Investment Planning Manager informed us that the COVID-19 pandemic did not materially disrupt the management of grants during that time, and TVCA was more accommodating with the project sponsors in terms of the amount of time for project sponsors to submit their monitoring claims return; nonetheless, TVCA did not deviate from the procedures and managed remotely regards to monitoring projects. We obtained a project of [REDACTED] and we evidenced the signed Funding Agreement (variation of contract) for the project extension with the revised outcomes and outputs. We were able to confirm that the claims returns are consistent with the signed Funding Agreement.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Risk: 0001387: Failure to manage funding in order to deliver maximum value for money.				
Control	Tees Valley Combined Authority (TVCA) maintains a Monitoring and Evaluation Framework which maps further details regarding the ongoing monitoring and evaluation of projects and programme activity.	Assessment:		
		Design		✓
		Compliance		×
Findings / Implications	<p>TVCA has a documented Monitoring and Evaluation Framework dated January 2020, which goes further than the requirements for monitoring and evaluation for the Devolution Deal, ensuring that all Combined Authority activity is consistently monitored and evaluated and that the added value of the organisation can be demonstrated to both local and national stakeholders. The Monitoring and Evaluation Framework sits alongside with the Assurance Framework of TVCA documents.</p> <p>According to the Monitoring and Evaluation Framework, setting the Combined Authority's strategic approach to monitoring and evaluation includes an annual review, and the Investment Planning Manager is responsible for developing the Monitoring and Evaluation Framework through the annual review in conjunction with the Project Development Manager.</p> <p>Management did not review the Monitoring and Evaluation Framework and obtain approval from the appropriate management personnel in January 2020.</p> <p>Failure to review the Monitoring and Evaluation Framework on annual basis could result is projects / programmes not being assessed appropriately and the Authority's Investment Plan not being fully implemented.</p>			
Management Action 1	Management will review and update the Monitoring and Evaluation Framework in order to bring it in line with the Assurance Framework. Furthermore, the Investment Planning Manager will take the necessary steps to obtain approval from the TVCA Directors.	Responsible Owner:	Date:	Priority:
		Investment Planning Manager	September 2023	Low

Risk: 00001387: Failure to manage funding in order to deliver maximum value for money.

Control	<p><u>Partially missing control</u></p> <p>As per the Assurance Framework it outlines that the site monitoring visits may be undertaken, and provides clear guidelines on what frequency of visits and what documentation should be maintained.</p> <p>A Claims and Monitoring Officer checks the quarterly/monthly claims return and it is approved by the Investment Planning Manager.</p>	<p>Assessment:</p> <p>Design ×</p> <p>Compliance -</p>
Findings / Implications	<p>As per the Assurance Framework, during the delivery stages of the project the delivery organisation shall submit regular monitoring reports to the Authority (the frequency of which is determined on a risk basis). These reports shall give updates on financial and output performance, progress against milestones and an updated risk register. Project Performance Officers will keep in regular contact with the project delivery representatives throughout the delivery stage of the project and where required, monitoring visits may be undertaken.</p> <p>We did not evidence that the site inspections had been carried out and that a log had been kept for the ten projects that were selected. There is no standard procedure for the Project Performance Monitoring Team to follow regarding the practise of visiting the project site and keeping a log. At the moment, the Project Performance Monitoring Team does an evaluation of the project's progress based on the quarterly claims return.</p> <p>The lack of monitoring and evaluation could negatively impact the project, and there is a risk that it may not fully achieve its objectives as part of the funding agreement/business case outcomes and outputs.</p>	
Management Action 2	<p>Management will evaluate the overall risk posed by the project profile before making a determination about the frequency of site visits and the process by which the Project Performance Monitoring Team will determine whether or not site visits are required.</p>	<p>Responsible Owner: Investment Planning Manager and Group Risk Manager</p> <p>Date: September 2023</p> <p>Priority: Low</p>

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
Risk 00001387: Failure to manage funding in order to deliver maximum value for money.	1	(11)	1	(11)	2	0	0
Total					2	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

The internal audit assignment has been scoped to provide assurance on how the Tees Valley Combined Authority manages the following risk.

Objective of the area under review	Strategic risk relevant to the scope of the review	Risk source
The Authority has a robust and effective set of policies and procedures to ensure that grants are only claimed and paid in line with scheme rules.	Risk 00001387: Failure to manage funding in order to deliver maximum value for money.	Strategic Risk Register

When planning the audit, the following areas for consideration and limitations were agreed:

Our review will focus on:

- The Authority has an Assurance Framework which governs the oversight of project and programme activity, specifically the development of business cases, decision-making in respect of projects and ongoing monitoring and evaluation.
- The Authority also has a Monitoring and Evaluation Framework which sits alongside the Assurance Framework and sets out further detail for the ongoing monitoring and evaluation of projects and programme activity.
- Staff responsible for the assessment of business cases, and the monitoring and evaluation of projects are familiar with these Frameworks and procedures.
- Whether all business cases are assessed, and the accept / reject decision is made and documented in line with the Investment Plan 2019-2029 and the requirements of the Authority's Constitution, Financial Regulations and Assurance Framework.
- The process of assessing business cases for selection ensures that projects are assessed on a consistent basis and includes a consideration of the following criteria (not an exhaustive list):
 - Whether the project is identified as a named project with allocated resource, a named project without allocated resource or a new project.
 - Whether the project is supported by a clear business case.
 - Whether the project is aligned with the Authority's strategic aims and objectives, including its 10-year Investment Plan.
 - Whether the project meets the Authority's broader aims including value for money and social value.
- All successful projects have a formal Funding Agreement signed by both parties which contains the specification of the project and the agreed Monitoring and Evaluation Plan.
- Projects are being monitored in line with the Monitoring and Evaluation Framework in that:
 - Each project has a clear plan, timescale, budget and monitoring framework set by its sponsor.

- The party(ies) responsible for delivering the project is(are) clearly defined.
 - A formal contract/agreement is in place with any external delivery partner.
 - An agreed process for monitoring is in place for “direct delivery” (i.e. internally-delivered) projects.
 - Funding decisions are made in line with the project plan and the Assurance Framework.
 - Project reporting procedures are in line with the project plan and the Evaluation and Monitoring Framework.
 - Site visits are undertaken to confirm the delivery of project objectives.
 - Payment of funding instalments is made in line with the Funding Agreement, but only after being subject to appropriate checking and approval in line with the Monitoring and Evaluation Framework.
- Any projects failing to meet their objectives are identified promptly so that action can be taken at an appropriate level and on a timely basis.
 - There is sufficient reporting within the Authority and to Cabinet to ensure effective governance over the delivery of grants and to ensure that clear and effective decisions can be made on a timely basis.
 - As part of our review, we will visit a sample of project sites to verify information obtained during project monitoring and evaluation in respect of grant funding.
 - Our review will also consider the impact of Covid-19 and how this has affected grants management and monitoring and what has been done in response.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the risk and objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- Our review will focus on Business Case assessment and project monitoring and evaluation processes within TVCA only and not within any of its subsidiary entities.
- We will not review accounting entries in respect of projects reviewed.
- We will not review delivery of the project, only how that project is being monitored to support funding decisions.
- We will not comment on the suitability or otherwise of projects, only that they are being monitored in line with the Authority’s criteria.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held 13 December 2022
Draft report issued 20 December 2022
Responses received 13 January 2023

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Final report issued 13 January 2023

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **Tees Valley Combined Authority**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



TEES VALLEY COMBINED AUTHORITY

Follow Up of Previous Internal Audit Management Actions

Final Internal audit report 9.22/23

13 January 2023

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

Background

The focus of this review is to provide assurance that agreed management actions have been fully implemented. These are in respect of the following internal audit reports that have been completed by RSM:

- Procurement, October 2020
- Goosepool: Financial Governance, January 2021
- HR: Recruitment and Selection, October 2021
- COVID-19 Response, November 2021
- Follow Up of Previous Internal Audit Management Actions, November 2021
- HR: Payroll, April 2022
- Boho Projects Governance, November 2022

From the above reports we reviewed a total of 11 medium priority management actions during the course of this review.

The 11 management actions were comprised of: four from the Procurement review; one from the Goosepool; Financial Governance review; one from the HR: Recruitment and Selection review; one from the COVID-19 Response review; one from the Follow up review; two from the HR Payroll review; and one from the Boho Projects Governance review.

Conclusion

We were provided with satisfactory evidence in respect of eight medium priority management actions declared as complete by the respective action owner and therefore we confirmed that these actions had been fully implemented. For the remaining three actions, we have covered these areas in our recent Procurement to Pay audit completed in November 2022 (TVCA report reference 3.22.23, STDC report reference 3.22.23) and, where required, have agreed management actions as part of that review. To avoid duplication of actions we have therefore classified these actions as having been superseded for the purposes of this follow up review. Taking account of these findings and in line with our definitions set out in Appendix A, in our opinion the organisation has demonstrated **good progress** in implementing agreed management actions.

Progress on actions

The following table includes details of the status of each recommendation:

Implementation status by category of action	Number of actions agreed	Status of recommendations			
		Implemented	Implementation ongoing	Not implemented	Superseded
Medium	11	8	0	0	3
Total:	11	8	0	0	3
	(100%)	(73%)	(0%)	(0%)	(27%)

Implementation status by review	Number of actions agreed	Status of recommendations			
		Implemented	Implementation ongoing	Not implemented	Superseded
Procurement, October 2020					
• Action 1: Policy and Procedure					
• Action 5: Award of Contracts	4	1	0	0	3
• Action 6: CPR Limits					
• Action 10: Procurement Forward plan					
Goosepool: Financial Governance, January 2021					
• Action 5: TIAL Business Plan	1	1	0	0	0
HR: Recruitment and Selection, October 2021					
• Action 5: HR and Recruitment Policy	1	1	0	0	0
COVID-19 Response, November 2021					
• Action 5: Cost effectiveness of monitoring programmes	1	1	0	0	0

Follow Up on Previous Internal Audit Management Actions, November 2021	1	1	0	0	0
<ul style="list-style-type: none"> Action 2: KPI's reported to the Goosepool Board 					
HR: Payroll, April 2022					
<ul style="list-style-type: none"> Action 1: HR and Payroll Policy Action 3: Exception Reports 	2	2	0	0	0
Boho Projects Governance, November 2022					
<ul style="list-style-type: none"> Action 5: Compliance and Monitoring Process 	1	1	0	0	0
Total:	11	8	0	0	3
	(100%)	(73%)	(0%)	(0%)	(27%)

2. FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

We have raised no further actions as part of this follow up review.

APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

APPENDIX B: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented.

Assignment title	Recommendations
Procurement, October 2020	<p>Status: Implemented</p> <p>The Group will finish developing and then deliver the Group's Implementation Plan. As part of this work, a group Procurement Policy and Procedures will be developed and tailored toward each Group entity and will address each of the actions raised throughout this report.</p> <p>The policy and relevant procedures will reference specific entity requirements including delegated approvals.</p> <p>This will be appropriately approved and examined by the Audit and Governance Committee of TVCA and Audit and Risk Committee of STDC and other board and committees as appropriate.</p> <p>The policy(ies) and procedures will be subject to a regular review process with a log for document control.</p> <p>Priority: Medium</p>
Procurement, October 2020	<p>Status: Superseded</p> <p>The Group will reiterate the requirement to all relevant staff that the Award of Contract forms are competed and approved in line with the updated Procurement Policy and schemes of delegation including confirmation of the correct procedures to be adopted in the case of urgency. This will include checking the items identified during our fieldwork to ensure that they have been appropriately authorised and updating the paperwork as appropriate.</p> <p>The Group will ensure that all notices are published on Contracts Finder as per the Contract Procedure Rules.</p> <p>Priority: Medium</p> <p>Rationale: We have covered this area in our recent Procurement to Pay audit completed in November 2022 (TVCA report reference 3.22.23, STDC report reference 3.22.23) and, where required, have agreed management actions as part of that review. To avoid duplication of actions we have therefore classified this action as having been superseded for the purposes of this follow up review.</p>

Procurement, October 2020

Status: **Superseded**

The Group will perform a check on the existing contracts listed on the Contracts Finder that are above the CPRs limit to ensure that they have been appropriately authorised and signed off as per the delegated authorities.

Priority: **Medium**

Rationale: We have covered this area in our recent Procurement to Pay audit completed in November 2022 (TVCA report reference 3.22.23, STDC report reference 3.22.23) and, where required, have agreed management actions as part of that review. To avoid duplication of actions we have therefore classified this action as having been superseded for the purposes of this follow up review.

Procurement, October 2020

Status: **Superseded**

Management will produce the procurement forward plan in conjunction with the procurement Implementation Plan.

Contract Justification Forms

Actions raised under Control 4. Please see management actions 4 and 5 for details.

Awards of Contracts Forms

Actions raised under Control 5. Please see management actions 5 and 6 for details.

Updated Contracts Register

Actions raised under Control 6. Please see management actions 7 and 8 for details.

Priority: **Medium**

Rationale: We have covered this area in our recent Procurement to Pay audit completed in November 2022 (TVCA report reference 3.22.23, STDC report reference 3.22.23) and, where required, have agreed management actions as part of that review. To avoid duplication of actions we have therefore classified this action as having been superseded for the purposes of this follow up review.

Goosepool: Financial Governance, January 2021

Status: **Implemented**

The TIAL business plan will be updated and reported to the TVCA Cabinet for approval.

A formal monitoring and review process will be established to enable future revisions of the business plan required as a result of the Covid-19 pandemic.

Priority: **Medium**

HR: Recruitment and Selection, October 2021	<p>Status: Implemented</p> <p>The Recruitment Policy and Framework in place at TVCA and STDC will be updated to outline the process for using an agency to recruit, including the approval of this and the approval of the purchase order.</p> <p>The Group will retain evidence of approved purchase orders for the use of agencies to recruit.</p> <p>Where an agency is used to recruit interim staff, then the Group will retain evidence of approval obtained to use an agency to recruit.</p> <p>Priority: Medium</p>
COVID-19 Response, November 2021	<p>Status: Implemented</p> <p>The Authority will consider the cost effectiveness of monitoring programmes on an individual level, to allow for a more detailed assessment of each programme's individual effectiveness.</p> <p>Priority: Medium</p>
Follow up on previous internal audit management actions, November 2021	<p>Status: Implemented</p> <p>The KPIs for the Goosepool Board will be agreed and reported each quarter to the Goosepool Board. The Goosepool Board will also decide which KPIs are to be discharged through the airport governance structure.</p> <p>Priority: Medium</p>
HR: Payroll, April 2022	<p>Status: Implemented</p> <p>The Group will create a set of policies and procedures to outline the role of HR and finance within the payroll process. This will highlight HR's role in checking new starters and leavers.</p> <p>Priority: Medium</p>
HR: Payroll, April 2022	<p>Status: Implemented</p> <p>Discussions will be held with Xentral to determine if it is possible to provide exception reports to HR and/or finance and these are reviewed and approved before any payroll payments are made. These reports should include:</p> <ul style="list-style-type: none"> • Any changes or variations to an employee's salary; • Individuals that are paid over a certain amount each month; and • Duplicate names. <p>Priority: Medium</p>

Boho Projects Governance, November 2022

Status: **Implemented**

A process will be introduced to ensure that when the Compliance and Monitoring team receive notification of a change request, this will be escalated to the Project Development Team and the Investment Planning team for review.

Management will take action to ensure that the actual project output is measured against the initial requirement as documented in the Business Case and the Funding Agreement and any corrective action identified as being necessary will be taken for any changes or variations from the agreed budget and plan.

Priority: **Medium**

APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

Objective relevant to the scope of the review

Objective of the area under review

To ensure that management actions have been implemented in accordance with the agreed timetable and that any new controls are operating effectively.

Scope of the review

We will review the list of actions stated by management as being completed to determine whether the evidence supplied supports that assertion. The actions to be reviewed will be agreed with management in advance of our fieldwork.

The following limitations apply to the scope of our work:

- The follow up will only cover management actions agreed in the identified reports.
- We will not review the whole control framework. Therefore, we are not providing assurance on the entire risk and control framework of these areas.
- Where sample testing will be undertaken, our samples will be selected over the period since actions were implemented or controls enhanced.
- We will only review high / medium actions that have been implemented.
- We will only review actions that have been reported as closed.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held 16 December 2022
Further discussions with client 10 January 2023
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Responses received 13 January 2023
Final report issued 13 January 2023

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Our report is prepared solely for the confidential use of **Tees Valley Combined Authority** and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



TEES VALLEY COMBINED AUTHORITY

Risk Management

FINAL Internal audit report 10.22/23

26 April 2023

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

1. EXECUTIVE SUMMARY

Why we completed this audit

As part of the 2022 / 2023 internal audit plan, we have completed a review of the Tees Valley Combined Authority's risk management framework to confirm whether adequate and effective processes are in place to ensure that all risks are aligned to the achievement of the strategic objectives, assessed and graded on a consistent basis and actions are recorded to mitigate risks are agreed and monitored.

The Authority has recently significantly redrafted its Risk Management Framework and the updated version is currently in draft and awaiting approval in accordance with the Authority's governance framework. The Risk Management Framework defines the purpose of risk management as the creation and protection of value. The framework outlines that risk management improves performance, encourages innovation, and supports the achievement of the Authority's objectives.

The Risk Management Framework is supported by the Risk Management Policy, which is also currently in a revised draft version. The policy outlines how the TVCA Group is committed to implementing an enterprise-wide risk management culture and has chosen to adopt ISO 31000 best practice in the identification, evaluation and effective management of threats and opportunities.

A risk management system has been built utilising the PowerBI Application to store all risk registers, and to integrate the identification, review and management of all risks across the business. All risk owners have access to the risk management system to understand the current impact and probability rating and whether the risk is above its maximum threshold, and whether mitigating controls or actions have been agreed. The system allows for live data to be recorded and reported on to the home page dashboard and senior management are expected to adopt a self-service approach to risk management by using the system to facilitate decision making. Risk data relating to TVCA was populated in this system around 12 months ago and South Tees Development Corporation ("Teesworks") was populated in March 2023.

As part of our testing, we considered 10 risks identified for TVCA and 10 for subsidiary entity Teesworks. We reviewed each risk to determine whether a regular review has been undertaken, and whether mitigating controls are implemented and available or a treatment action plan is in place. We also considered whether the risk links to the strategic objectives, and whether an assessment of the risk rating has been completed via the risk and probability matrix.

Conclusion

We tested the current practices in place; however, our testing was limited as the Authority is currently developing its Risk Management Framework to strengthen the overall control framework in place. The Authority is currently operating in a transitional period between the manual risk registers and the new risk management system through PowerBI. We also noted that, at the time of the audit, the Teesworks risks had only recently been migrated to the system as of March 2023.

The Authority has recently updated its Risk Management Framework which sets out the requirements of risk management identification, review and management of all risks across the business. However, the updated version of framework is still in draft and therefore we cannot confirm whether staff are therefore operating in line with the updated draft framework.

Based on the testing completed as part of this review, we identified that not all risks are aligned to a strategic or operational objective and assessed in line with their potential impact on those objectives. We found the updated framework does not outline the self-service escalation process described by the Group Risk Manager and we cannot confirm whether senior management are aware of their responsibility to self-service using the risk management system. From our sample testing we identified that mitigating controls, or an appropriate treatment action plan, were available; however, there is currently no testing undertaken to confirm whether controls are effective and operating as required. We noted that these findings are all included within the Authority's longer-term plans following the ratification of the Risk Management Framework.

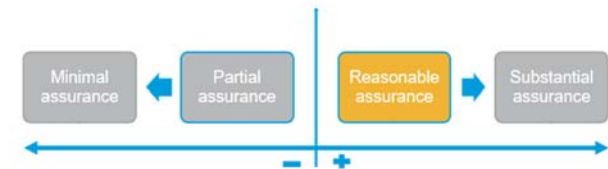
As a result of our review, we have agreed **one medium** and **four low** priority management actions.

Further details of these actions raised can be found under section two of this report.

Internal audit opinion:

Taking account of the issues identified, the Authority can take **reasonable assurance** that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



Key findings

Following our audit testing, we have raised one medium and four low priority management actions:



For the 10 TVCA risks reviewed, we noted that in four cases controls had been recorded on the risk management system and in five cases, a treatment action plan was in place for further actions to mitigate the risk. The remaining risk was in draft at the time of review, and therefore controls or treatment action plans would be considered at the first appointment with the risk owner.

For the 10 Teesworks risks, nine risks had controls or a treatment action plan documented. In the remaining case, the control or treatment action plan was not documented. However, we note that Teesworks risks were only transferred to the system in March 2023 and therefore work on these risks is still under development.

The Risk Analyst informed us that they have not started any control testing at this stage as the Risk Management Framework is still in the initial implementation phase, and testing is expected to be implemented by December 2023.

However, where adequate controls and testing are not in place, controls may not be working as intended and therefore risks may not be appropriately mitigated which could impact on the achievement of objectives. **(Medium)**

Details of the low management actions agreed can be found under section two of this report.

Our audit review identified that the following controls are suitably designed, consistently applied, and are operating effectively:



Through review of the Risk Management Framework, we noted that the impact and probability matrix is broken down into four key areas to reflect the increasing level of risk: low risk, medium risk, high risk, and severe risk. The impact and probability of each risk is assessed on a one to five scale for each area of the organisation.

We tested 20 risks to determine whether they had been assessed in line with the risk and probability matrix:

- For the TVCA risks, we confirmed that nine had been appropriately assessed in line with the risk and probability matrix and an inherent risk score, residual risk score and maximum threshold were recorded. In the remaining case, the risk had only been identified recently and therefore the assessment had not been undertaken at the point of the audit, but this was scheduled for the next review date; and
- We found for the Teesworks risks in the sample, all had completed the appropriate assessment of risk and probability and the inherent score, residual risk and maximum threshold were clearly documented on the system.



The Authority aims to have all risk registers assessed based on maturity which are defined as the following: uncertain, initial, emerging, confirming, advanced, and optimal. These are described as:

- Uncertain: No risk management engagement - unsure of current risk management practices.
- Initial: Minimal or no awareness of risk management. Risk management is ad-hoc only performed by some individuals
- Emerging: Risk management applied inconsistently with little standardisation. Some formal processes in place.
- Confirming: Risk management framework applied to most processes.
- Advanced: Risk management is proactively engaged, consistently and fully implemented. Risks are monitored and reviewed for continuous improvement.

- Optimal: Risk management considered in day-to-day decision making and pursuit of opportunities. Advanced knowledge of risk management.

Once all risk registers are assessed based on their maturity, appropriate reviews will be scheduled more or less frequently depending on the maturity level, as required.



The Authority currently reports to the Audit and Governance Committee on a quarterly basis to monitor risks above threshold to ensure that the progression of actions plans in line with the delivery dates.

We reviewed the last two reports presented to the Audit and Governance Committee for January and March 2023, which covered quarter three and quarter four. We identified from the report that each risk above threshold is documented, and information includes: the risk summary, residual score, risk change %, threshold, and mitigation. We can clearly identify from the report if the percentage of risk has changed, whether this be an increase or decrease in the level of risk. We noted that each report is compiled into specific risk registers to categorise the relevant risks to each area. Below this is a documented table which shows the risk threshold and a summary of the current threats and the progress on the mitigating actions.

Through review of the reports we noted, the purpose is to provide the Audit and Governance Committee an overview of the high risks and how they are currently being treated, and whether or not further mitigations can be made or if decisions from senior management have been considered.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Risk Management	
Control	<p>The Authority has a Risk Management Framework in place which is approved by the Audit and Governance Committee. The framework outlines the required strategy for risk management across all entities.</p> <p>The Risk Management Framework has recently been significantly redrafted and the updated draft has not yet been approved.</p>
	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>We obtained a copy of the updated Risk Management Framework and confirmed that this is currently still in draft and awaiting approval. The framework is a significantly redrafted version of its previous framework and, as such, requires formal approval in line with the Authority's governance framework.</p> <p>The framework defines the purpose of risk management as being the creation and protection of value. It states that risk management improves performance, encourages innovation, and supports the achievement of the Authority's objectives.</p> <p>The Risk Management Framework is supported by the Risk Management Policy. The policy outlines how the TVCA Group is committed to implementing an enterprise-wide risk management culture, and adopting ISO 31000 best practice in the identification, evaluation and effective management of threats and opportunities. The policy states that risk management is an essential part of good operational and project management and is a central responsibility of all those working within the Authority. To note, the policy is also due for approval in line with the updated framework.</p> <p>In line with the ISO standard the Authority has adopted the following risk management principles which are clearly defined within the risk management framework as follows:</p> <ul style="list-style-type: none"> • Integrated: Risk management is an integral part of all organisational activities. • Customised: A structured and comprehensive approach to risk management contributes to consistent and comparable results. • Inclusive: Appropriate and timely involvement of stakeholders enables their knowledge, views, and perceptions to be considered. This results in improved awareness and informed risk management. • Dynamic: Risks can emerge, change, or disappear as an organisation's external and internal context changes. Risk management anticipates, detects, acknowledges, and responds to those changes and events in an appropriate and timely manner. • Best available information: The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear, and available to relevant stakeholders.

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- Human cultural factors: Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
 - Continual improvements: Risk management is continually improved through learning and experience.

Through discussions with the Group Risk Manager, we noted that the updated framework is currently under review for approval, and subsequent reviews will be completed on a three-yearly cycle as the standard across the authority.

Without a formalised framework or policy in place, there is a risk that staff are unable to perform their duties in line with the required procedures for risk management, which could impact on the achievement of objectives if risks are not managed accordingly.

We recognise that the Group is in the process of implementing its updated Risk Management Framework and as such, have agreed a low priority management action.

Management Action 1	The Authority will ensure that the updated Risk Management Framework is appropriately approved and reviewed in line with the current standard cycle.	Responsible Owner: Group Risk Manager Director of Finance and Resource	Date: 31 August 2023	Priority: Low
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Area: Risk Management

Control	The Risk Management Framework outlines the roles and responsibilities of key directorates and senior management.	Assessment:	
		Design	✓
		Compliance	×

Findings / Implications The Group Risk Manager has led on the development of the Risk Management Framework. Through review of the updated Risk Management Framework, we noted that it outlines that risk management is the responsibility of everyone within the organisation to ensure accountability and ownership of risk across the organisation. However, the framework also defines specific responsibilities for risk owners and control owners, and we have documented some of these responsibilities below:

Group Chief Executive Officer (CEO)

- The CEO, supported by the Executive Team, is accountable for ensuring appropriate risk management within the Group.
- Endorse the Risk Management Policy for approval by the Group, approve the Risk Management Framework and monitor implementation.

Audit and Governance Committee

- Monitor the systems and process via the Group's risk profile and consider the risk profile when developing and implementing the Internal Audit and Compliance Programme.
- Identify and refer specific projects or investigations deemed necessary to assess risk management through the CEO, the internal auditor and the Group.

Internal Audit

- Act as the third line of defence providing independent assurance.
- Consider strategic and operational risks in the development and implementation of the Internal Audit and Compliance Plan recommending improvements.

Group Risk Manager

- Where the project is considered to materially influence the achievement of the Group's corporate objectives, ensure that the project risk register is facilitated by the Group Risk Manager.
- Ensure coordination of activities such as risk register, assessments and reporting are completed.

Business Function Managers

- Identify gaps in areas such as training awareness.

-
- Ownership of risk management within their function or as delegated by the Group CEO in accordance with the Risk Management Policy and Framework.
 - Championing risk management within their function and appropriate risk management practice by staff, volunteers, contractors, and service providers.
 - Ensures coordination of activities such as risk register, assessments and reporting are completed.

To note, this is not an exhaustive list of responsibilities.

The Group Risk Manager has confirmed that the Authority will be communicating these responsibilities to all relevant staff and, at the time of this audit, staff within Teesworks were still to be informed of the changes. Once approved, the updated Risk Management Framework will be made available on the TVCA website and on internal channels for staff to access, thereby replacing the existing version. However, until that point, without such communication, staff may not be aware of their updated means and responsibilities to manage and identify associated risks in line with the framework, which could result in threats or risks going unnoticed.

In mitigation, we recognise that the new process will be largely automate the process of risk management and that the recent changes are an update to existing processes rather than new processes entirely, and as such, have agreed a low priority management action.

Management Action 2	Once the Risk Management Framework is approved, the Authority will ensure that it is communicated to all relevant staff not already covered.	Responsible Owner: Group Risk Manager	Date: 31 August 2023	Priority: Low
	In addition, the framework will be published on the appropriate channels to allow staff to access this, where appropriate.			

Area: Risk Management

Control	The Group has not yet aligned all directorate-level risks to the Authority's strategic objectives, as the new risk management system is still in the early stages.	Assessment: Design ✓ Compliance ×
Findings / Implications	<p>We discussed with the Risk Analyst whether directorate level risks have been linked to strategic objectives within the new risk management system. From this discussion, we understood that this is in the infancy stage and only selected high level risks have been aligned to the strategic objectives so far. As this process further develops, all risks will be aligned to operational objectives and / or strategic objectives to ensure that risks are appropriately assessed in line with their potential impact on the achievement of objectives.</p> <p>As part of this sample testing, we confirmed whether the risks were aligned to the operational or strategic objectives and we only found one of the risks to be aligned to the strategic objectives of the Tees Valley Investment Plan 2022-25. We discussed this with the Risk Analyst, and we understood that the aim is to align all risks to relevant objectives by December 2023. This requirement is clearly documented within the Risk Management Framework under risk management objectives, which states the framework is directly linked to the achievement of objectives of the Group and delivery of the programme of investment projects.</p> <p>Without the risks being linked to strategic objectives, the organisation may not have thoroughly considered any risks preventing it from achieving its objectives, which could lead to underperformance. As this is already part of management's intentions, we have agreed a low priority management action in respect of this matter.</p>	
Management Action 3	As the development of the risk management system continues, the Authority will ensure that all identified risks will be linked to a strategic objective and / or the operational objective.	Responsible Owner: TVCA Risk Analyst Teesworks Risk Analyst Date: 31 December 2023 Priority: Low

Area: Risk Management

Control	<p>Partially missing control: Self-service escalation is embedded within the risk management system and is the responsibility of allocated risk owners.</p> <p>The self-service approach has not been documented within the Risk Management Framework.</p>	<p>Assessment:</p> <p>Design ×</p> <p>Compliance -</p>
Findings / Implications	<p>Through discussions with the Group Risk Manager, we noted that risk owners are expected to use the risk management system to self-service any live reporting data. This process is to ensure that the accountability and responsibility for escalation sits with each risk owner. Whereas the risk reporting data is produced and compiled by the Risk Analysts on a quarterly basis for presentation to the Senior Management Team. Information provided includes top 10 risks, and in particular, those risks that have exceeded their threshold.</p> <p>We noted from the discussions with the Group Risk Manager, that this self-service escalation process is not recorded within the Risk Management Framework, the current process recorded in the framework outlines that risk should be managed by the party best placed to manage the risk and at the most appropriate level in the organisation. Risks may need to be escalated up the management chain – either within or between the levels of hierarchy (i.e., Strategic, Programme and Enterprise, Project, or Contractor).</p> <p>The accountable managers, with the assistance of the Risk Manager, are responsible for identifying any risks which are to be considered for escalation in their regular reporting cycle. These will then be reviewed with line management at risk review meetings, as specified within the programme controls governance structure, in order to review and approve the escalation of the risk. This cycle of review is repeated up the organisation structure.</p> <p>With the development of the system, the Authority is expecting risk owners to manage their identified risks and escalate where appropriate, if possible threats are identified through their appropriate department head or director.</p> <p>Following the testing, we identified that there is a dashboard available on the home page of the risk management system which clearly shows risks that are currently above the agreed threshold. Risk owners are expected to review these and escalate where appropriate to ensure that the necessary actions are implemented in a timely manner. In addition, the Risk Analyst provides reporting on a quarterly basis to further outline these risks.</p> <p>Without the self-service escalation process being documented, risk owners may not understand the requirement to review and escalate for their identified risks and this could potentially lead to threats going unnoticed, and the potential loss of income, if a significant threats are not identified.</p>	
Management Action 4	The Risk Management Framework will be updated to reflect the escalation process and the requirement to self-service.	<p>Responsible Owner: Group Risk Manager</p> <p>Date: 31 December 2023</p> <p>Priority: Low</p>

Area: Risk Management

Control	Partially missing control: The Authority documents the control environment and any treatment action plan, where required, against all risks to ensure that appropriate risk mitigations are in place. The Authority has not yet implemented its control testing programme.	Assessment: Design x Compliance -
Findings / Implications	<p>For all risks identified the Authority is aiming to embed control environments to mitigate risk. Where controls are not appropriate given the current maturity level of the risk, a treatment action plan will be developed to address the risk and implement temporary mitigating controls to manage the risk.</p> <p>We reviewed a sample of 20 risks to confirm if an appropriate control has been implemented to mitigate risk or a treatment action plan to manage the current risk maturity.</p> <p>From the testing we identified:</p> <p>TVCA</p> <p>For the sample of 10, four had recorded controls documented within the risk management system and how they would be undertaken and in five cases we confirmed a treatment action plan was thoroughly documented to outline the mitigating actions to manage the risk. In the remaining case, the risk was in draft therefore still in development with the team and a control or treatment action plan was to be assessed at the first appointment with the risk owner.</p> <p>We confirmed for all cases and appropriate a control owner was documented.</p> <p>Teesworks</p> <p>For three risks, we noted that appropriate controls were documented within the risk management system, and in six cases, we confirmed that a treatment action plan was recorded to outline the process for mitigating and managing the risk. In the remaining case, we noted that there was no control or treatment action plan recorded. However, we understood that the Teesworks risk register information was only migrated into the risk management system in March 2023 and therefore the work around these risks is still in the transitional phase. However, where control mitigations are not in place, there is a risk that risks are not adequately managed, which could impact on the achievement of the organisation's objectives. The Authority will ensure that all risks have an appropriate control aligned or a treatment action plan in place to mitigate the risk.</p> <p>We confirmed for all 20 cases that an appropriate control owner was documented. We further noted from the testing, that all cases with an appropriate treatment action plan had the current status recorded and the next review date schedule to address the progress of the action and support this through to completion.</p> <p>We met with the Risk Analyst and noted that the Authority has not started the development of control testing at this stage, but this process is recorded within the Risk Management Framework and the Authority is aiming to have this embedded by December 2023. We confirmed that the Authority is expected to test the effectiveness of design and operation of the controls in place.</p>	

Management Action 5	As part of the continuous development of the risk management system, the Authority will ensure that all risk have controls identified or a treatment action plan where appropriate. In addition, testing on all controls will be undertaken as outlined in the framework.	Responsible Owner: TVCA Risk Analyst Teesworks Risk Analyst	Date: 31 December 2023	Priority: Medium
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APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*	Non-Compliance with controls*	Agreed actions		
			Low	Medium	High
Risk Management	3 (11)	2 (11)	4	1	0
Total			4	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objective of the area under review

TVCA has in place an adequate and effective risk management framework to ensure that all risks to the achievement of its objectives are identified, assessed and graded on a consistent basis and any actions to mitigate those risks are agreed and monitored on a regular basis.

1.2 Scope of the review

The following areas will be considered as part of the review:

- The risk management framework is in place and has been regularly reviewed and approved.
- Senior management, Directorate risk leads, and all other relevant staff are aware of the risk management framework and their overall responsibilities.
- Arrangements are in place to identify, review and manage key Directorate and strategic risks.
- Directorate-level risks are linked to the Authority's strategic objectives and are assessed in line with their potential impact on those objectives.
- Risks are assessed in accordance with an approved risk matrix to provide priority risks for reporting and mitigating action. This will also include 'horizon scanning' and how directorates ensure that risks are identified sufficiently in advance to allow appropriate action to be taken.
- Maintenance, monitoring and updating of directorate and strategic risk registers occurs on a regular and consistent basis.
- A process is in place for the escalation of directorate risks to strategic risks, or cascade as necessary.
- The controls to manage / mitigate risks have been documented and are clear in detail, assigned to nominated persons and a timescale for completion agreed.
- Assurances have been identified (as well as gaps in assurance) and are used to inform the risk management process.
- There are regular reporting of the directorate risk registers to senior management and how this informs decision making.
- There is regular reporting of the strategic risk register through the organisation's governance arrangements and how this informs decision making.

The following limitations apply to the scope of our work:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- We will not confirm that all strategic or directorate risks have been identified.
- We will not perform testing to confirm that any mitigating controls that have been identified and recorded on the risk register are actually in place. Similarly, we will not perform any testing to confirm that the sources of assurance that have been identified and recorded are actually in place.
- This review will not comment on whether individual risks are appropriately managed.
- We will not comment on the scores assigned to individual risks, we will only consider whether a scoring mechanism is in place which is fit for purpose and has been consistently applied.
- Our work does not guarantee the success or otherwise of risk mitigation actions.
- Our review is not intended to look at risks and controls at an individual project or programme level.
- We do not endorse a particular means of risk management.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

To minimise the risk of data loss and to ensure data security of the information provided, we remind you that we only require the specific information requested. In instances where excess information is provided, this will be deleted, and the client sponsor will be informed.

Please note that the full scope of the audit can only be completed within the audit budget if all the requested information is made available at the start of the audit, and the necessary key staff are available to assist the audit process during the audit. If the requested information and staff are not available, we may have to reduce the scope of our work and/or increase the audit budget. If this is necessary, we will agree this with the client sponsor during the audit

Debrief held	28 March 2023
Draft report issued	12 April 2023
Responses received	17 April 2023
Revised Draft report issued	25 April 2023
Further responses received	25 April 2023
Final report issued	26 April 2023

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **Tees Valley Combined Authority** and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.



Tees Valley Combined Authority

Indicative Audit Strategy 2023/26 and Annual Plan 2023/24

2023/24



August 2023

DRAFT

OVERVIEW

Introduction

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across our Government clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for Government in terms of the macroeconomic and financial environment, spiralling costs and the labour market. We have identified a number of key areas which will individually and collectively affect the sector in various ways; these require consideration when planning internal audit coverage.

Macroeconomic and financial environment: The UK economy has experienced a sequence of significant events including Brexit, the pandemic and the conflict in Ukraine. Further challenges lie ahead as the government seeks to cut spending and raises taxes to plug the gap in the UK's finances. Rapid and increasingly prolonged inflation, rising interest rates, shortages in the labour market and continuing supply chain disruption are leading to increased costs and a challenging financial situation for many.

Increasing wage demands: One of the consequences of the economic situation is demands for significant pay increases to help combat the effect of inflation and a perceived lack of pay progression for over a decade. This has seen strike action taking place or planned by rail workers, postal workers, lecturers, bus drivers and nurses. This will put pressure on organisational budgets and present challenges in recruitment.

Cyber security: This continues to be one of the highest ranked risks for organisations and shows no sign of going away. The widespread move to remote working and increased online service delivery has made organisations more vulnerable to phishing, malware, and ransomware attacks, particularly where there has been a lack of investment in infrastructure.

Climate change: Global warming can lead to physical, operational, financial and reputational risks arising. 'Loss and damage' - the phrase used to describe the destruction being wrought by the climate crisis - will remain high on the agenda. Aside from the obvious environmental impact, climate change can stress local economies, threaten business models and pose widespread disruption to organisations.

The impact on government: Individually and collectively, the current climate will present many challenges for local authorities. Public finances have been under tremendous and historic pressure in recent years and local authorities face significant challenges to their financial sustainability. High levels of inflation and energy costs and higher than expected forecasts of the National Living Wage mean that councils are facing significant additional cost pressures. Transformation and modernisation are essential for councils to make the most of operating and financial efficiencies and seize the opportunities that can come from modern service delivery.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2023/24 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of Tees Valley Combined Authority's (TVCA) framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

INTERNAL AUDIT PLAN

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2023/24, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing TVCA and those within the sector and has been developed with senior management and Committee.

Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS). In 2022, TIAA commissioned an External Quality Assessment (EQA) of its internal audit service. The independent EQA assessor was able to conclude that TIAA ‘generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)’. ‘Generally conforms’ is the highest rating that can be achieved using the IIA’s EQA assessment model.

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing TVCA. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix A) and the Annual Plan (Appendix B) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit and Governance Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and TVCA. This number of days is fixed and it is TIAA’s responsibility to deliver the Audit Plan for this number of days. Where TVCA agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Group Director of Finance and Resources and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date plan issued:	24 th August 2023
--------------------------	------------------------------

APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	BAF/Risk Ref	Type	2023/24	2024/25	2025/26
Governance					
Governance – Strategic Control		Assurance	✓		
Data Protection (GDPR)		Assurance	✓		
Performance Management and Management Information		Assurance		✓	
Procurement		Assurance		✓	
Governance -Business Planning and Stress Testing		Assurance			✓
Equality, Diversity and Inclusion		Assurance			✓
Risk					
Risk Management – Mitigating Controls		Assurance	✓		
Risk Management Framework		Assurance			✓
ICT					
Disaster Recovery		Assurance	✓		
Cyber Security Maturity Assessment		Assurance		✓	
Finance					
Key Financial Controls (Rolling Programme)		Assurance	✓	✓	✓
Operational Performance and Infrastructure					
Control Of Major Accident Hazard (COMAH)		Assurance	✓		
Subsidiary Reviews		Assurance		✓	✓
Projects		Assurance		✓	✓
Follow Up					
Follow Up		Follow Up	✓	✓	✓

Review Area	BAF/Risk Ref	Type	2023/24	2024/25	2025/26
Management and Planning					
Annual Planning		Management	✓	✓	✓
Annual Report		Management	✓	✓	✓
Audit Management		Management	✓	✓	✓
Total Days			75	75	75

APPENDIX B: ANNUAL PLAN – 2023/24

Quarter	Review	Type	Entity	Days	High-level Scope
3	Governance – Strategic Control	Assurance	TVCA STDC STDL	8	<p><u>Rationale</u></p> <p>Effective governance operating across the Cabinet, Boards, Committees and senior management groups is paramount to the effective operation of the organisation and to the delivery of the Authority’s objectives and financial targets set out in the Business Plan.</p> <p><u>Scope</u></p> <p>The review considers the role and operation of the TVCA Cabinet, Boards and Committees, and senior management groups; standing orders and financial regulations; and delegated authorities. The review does not include consideration of the extent of compliance and reporting on controls assurance or the arrangements for managing risks or conflicts of interest.</p>
3	Key Financial Controls	Assurance	TVCA STDC STDL	10	<p><u>Rationale</u></p> <p>This is a key risk area. The full audits for the financial systems are undertaken on a systematic basis. For 23/24 the audit will consider Creditor Payments, 24/25 will cover Payroll and 25/26 will consider the budgetary control arrangements.</p> <p><u>Scope</u></p> <p>The review considers the arrangements for authorising and paying costs incurred by the organisation and the arrangement for control of the organisation’s cheques and automated payments. The review considers the opportunities for both internal and external fraud and the measures in place to mitigate these. The scope does not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed.</p>
4	ICT Disaster Recovery	Assurance	TVCA	10	<p><u>Rationale</u></p> <p>The Authority places significant reliance on its ICT systems for day- to-day operations and to fulfil its business development objectives. ICT Disaster Recovery arrangements are therefore an essential aspect of the organisations business continuity arrangements.</p> <p><u>Scope</u></p> <p>The review considers the extent to which the Authority has put into place arrangements which provides reasonable but not absolute assurance that the impact on the organisation of any major incident will be minimised. The scope of the review does not include providing assurance that the actual testing of hardware/software etc. has been carried out effectively.</p>

Quarter	Review	Type	Entity	Days	High-level Scope
4	Data Protection - GDPR	Assurance	TVCA	10	<p><u>Rationale</u></p> <p>To help ensure compliance with the requirements of the Data Protection Act 2018.</p> <p><u>Scope</u></p> <p>The review assesses compliance with the key GDPR elements of:</p> <ul style="list-style-type: none"> • Privacy Impact Assessments; • Data Subject rights (e.g. Right to be forgotten); • Data Classification and Asset management; • Data Security & Breach Management; • Governance & Consent; and • Data Controllers and Processors.
4	Risk Mitigating Controls	Assurance	TVCA	8	<p><u>Rationale</u></p> <p>An effective risk management framework where identified risks are subject to controls that are relevant and are working is expected to be in place. Risk Management is central to the Authority's strategic management and a fundamental element of good governance.</p> <p><u>Scope</u></p> <p>A sample of risk will be selected for the Authority's strategic risk register and the effectiveness of the identified controls will be reviewed. The scope of the review does not include consideration of all potential mitigating arrangements or their effectiveness in minimising the opportunities for the identified risks to occur.</p>
4	Control Of Major Accident Hazard (COMAH)	Assurance	STDC	10	Discussions are planned to fully scope this audit.
1 – 4	Follow-up	Follow up	TVCA STDC STDL	4	Follow-up of implementation of agreed priority one and two actions from audit reports, ensuring the Authority are implementing recommendations, and providing reports to the Audit and Governance Committee.
1	Annual Planning	Management		2	Assessing the Authority's annual audit needs.
4	Annual Report	Management		2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1 – 4	Audit Management	Management		11	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit and Governance Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
			Total days	75	

APPENDIX C: INTERNAL AUDIT CHARTER

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within TVCA and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Governance Committee.

Definition of Internal Auditing

Internal auditing is an independent, 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.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to TVCA's senior management and governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All TVCA's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that TVCA's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

As well as providing the required level of assurance, TIAA's may engage in consultancy activity that contributes to the overall assurance that can be delivered to the Audit and Governance Committee.

TIAA may also conduct any special reviews requested by the Board, Audit and Governance Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of TVCA and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within TVCA and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit and Governance Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with TVCA's management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and TVCA's requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of TVCA and additional time will be required to carry out such testing. TVCA is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with TVCA’s External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

Audit and Governance Committee Responsibility

It is the responsibility of TVCA to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee’s requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit and Governance Committee is also approving the Internal Audit Charter.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA’s audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each Audit and Governance Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA’s audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of TVCA’s governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management’s use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA’s audit charter and PSIAS/IIA Standards.	100%

Audit Completion Report

Tees Valley Combined Authority– Year
ended 31 March 2022

September 2023



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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



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September 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 9 February 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: {{_es_:signer1:signature }}

Cameron Waddell

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls.
- Valuation of the net defined benefit liability.
- Valuation of property, plant and equipment.
- Goodwill.
- Group consolidation.
- Recoverability of debtors.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £1,456,000. Section 7 outlines our work on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission in February 2023. To-date we have not completed our work on the Authority's WGA submission, in line with the group instructions issued by the NAO.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. No such correspondence from electors has been received.

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02




Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Fraud, laws and regulations		We are awaiting a response to our request for information from those charged with governance.
Related party transactions		Detailed testing of disclosures.
Pensions		A national issue has meant that pensions entries have been recalculated using the more recent information from the triennial review. We are waiting for pension fund auditor assurance over the updated member data.
Group consolidation audit work		We are completing detailed testing of the consolidation entries.
Closing procedures		Review and closure processes, including checking the amended version of the financial statements.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.



03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2023. We have not made any significant changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £4.8m for the Authority and £7.1m for the Group using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £4.8m for the Authority and £7.1m for the Group using the same benchmark.

Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Our Audit Strategy Memorandum included our intention to use our own internal valuer to inform our work on property, plant and equipment. For the STDC Group, the Authority did not initially consider a valuation report was required for the STDC and STDL land, under the Code, so we engaged our own expert to establish a valuation was necessary and to assess the reasonableness of the valuations subsequently provided by the subsidiary and Authority's valuer.

In addition, during the year the joint venture, Teesworks, became a minority interest rather than a joint venture and we engaged our internal valuations team to review the STDC's valuation of Teesworks. The initial results from this work were provided to the audit team in May 2023, which highlighted the need to gain assurance over the source information used to value STDC's interest in Teesworks. We therefore now need to complete testing of the revenue and costs figures which form the basis of the Corporation's discounted cash flow calculations.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

As detailed in our Audit Strategy Memorandum, we identified Stockton-on-Tees Borough Council as a service organisation providing general ledger and payroll services to the Authority.





3. Audit approach

Group audit approach

Group component	Approach adopted	Key points or other matters to report
Tees Valley Combined Authority (parent)	●	Full audit completed by Mazars LLP in line with the NAO code of practice. No change in audit approach.
South Tees Development Corporation Group (subsidiary)	●	Full audit completed by Mazars LLP in line with the NAO code of practice, with reliance on the component auditor's (Azet's) work on the subsidiaries as appropriate. No change in audit approach.
Goosepool Group (subsidiary)	●	Full audit completed by Azets, including Teesside International Airport, in line with statutory audit requirements for Companies. No change in audit approach.

We received a response to our Group Instructions, issued in September 2022 and updated in November 2022, on 21 December 2022 for Goosepool, 10 March 2023 for South Tees Development Limited and 20 March 2023 for South Tees Site Company Limited.

- 
Full audit
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
- 
Audit of balances and/or disclosures
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- 
Specific audit procedures
 Performance of specific audit procedures on the component's financial information
- 
Review procedures
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 16 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management.
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to you attention at this stage.</p>



4. Significant findings

Valuation of the net defined benefit liability	Description of the risk
	<p>The 2021/22 financial statements are expected to contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.</p>
	<p>Audit conclusion</p> <p>We received the pension fund auditor assurance on 22 March 2023 which raised some issues that we considered but did not materially affect the Authority.</p> <p>There was a national issue which arose during our 2021/22 audit in relation to the IAS19 accounting entries and updated information being available from the triennial review undertaken and published after the actuary provided the information for the accounts. Management requested an updated IAS19 report from the actuaries to confirm that the impact of this issue is not material to the Authority or Group. The updated report showed an increase in liabilities which is not material, and the Authority has chosen not to update the financial statements.</p> <p>Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention at this stage, other than the misstatements reported below.</p>

Valuation of property, plant and equipment	Description of the risk
	<p>The 2021/22 group financial statements are expected to contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Group's holding of property, plant and equipment (PPE).</p> <p>Management will need to consider whether a valuation expert is required to provide information on valuations in line with the Code for STDC Group, or if not revalued in year management will need to gain assurance that asset values are not materially misstated. There remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of Group PPE to be an area of significant risk.</p>
	<p>How we addressed this risk</p> <p>We intended to address this risk by placing reliance on the work of the component auditor for STDC Group's subsidiaries, Goosepool and South Tees Developments Limited (STDL) and we relied on their work for Goosepool.</p> <p>However for the STDC Group, the Authority did not initially consider a valuation report was required for the STDC and STDL land, under the Code, so we engaged our own expert to establish a valuation was necessary and to assess the reasonableness of the valuations subsequently provided by the subsidiary and Authority's valuer.</p> <p>We also considered the reasonableness of the chosen classification category of the PPE under the CIPFA Code for the STDC Group statements and undertook testing of any adjustment required to reclassify the PPE appropriately under the Code.</p>
	<p>Audit conclusion</p> <p>Our work on the Group's subsidiaries highlighted some areas that were discussed with management, further detail is included on page 16 below.</p>

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4. Significant findings

Goodwill	<p>Description of the risk</p> <p>The financial statements contain a material entry in respect of goodwill relating to Teesside International Airport. The calculation of goodwill is based on estimates and assumptions which are open to challenge. This results in an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We discussed with key contacts any significant changes to the goodwill estimates. We challenged the assumptions made and reviewed the detailed work completed by the component auditor We consulted internally with colleagues with knowledge of goodwill from other sectors.</p>
	<p>Audit conclusion</p> <p>Subject to satisfactory completion of our work on the consolidated accounts, our work has provided the assurance we sought, and we have not identified any matters to report in relation to goodwill.</p>

Group consolidation	<p>Description of the risk</p> <p>The 2020/21 consolidation of the subsidiary companies into the group resulted in material errors in the published accounts. This results in an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We discussed the consolidation process with officers. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures included for the subsidiaries.</p>
	<p>Audit conclusion</p> <p>Subject to satisfactory completion of our outstanding work, our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention at this stage, other than the amendments reported below.</p>



4. Significant findings

Recoverability of long-term debtors	Description of the risk There are long-term debtors between the Group and its Goosepool subsidiary which are increasing year on year as further money is invested.
	How our audit addressed this area of management judgement We discussed the nature of funding from central government and the process by which the funding is passed to the subsidiary to ensure the accounting treatment between the group and the subsidiary remains appropriate.
	Audit conclusion Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention at this stage.



4. Significant findings

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Draft accounts were published on the Authority's website on 31 July 2022 to meet the statutory deadline. However, this was before the completion of the 2020/21 audit and there were some amendments to opening balances as a result of the prior year audit relating to the accounting treatment of Teesworks. The table on page 22 below shows the changes to opening balances.

Significant matters discussed with management

Pensions

A national issue arose during our 2021/22 audit in relation to the IAS19 accounting entries and updated information being available from the triennial review undertaken and published after the actuary provided the information for the accounts.

Management requested an updated IAS19 report from the actuaries to confirm that the impact of this issue is not material to the Authority or Group. The updated report showed an increase in liabilities which is not material, and the Authority has chosen not to update the financial statements, the unadjusted misstatement is included below on page 21.

We are still waiting for assurances from the pension fund auditor in relation to the updated membership information used to inform the updated actuary's report.

Property, plant and equipment

We discussed the valuation of property, plant and equipment included in the group accounts as part of the audit of the subsidiaries. The key issues related to the South Tees Development Corporation group and included:

- Valuation of the Lackonby works site.
- Valuation of the the proposed offshore wind site.
- Treatment of assets under construction.

Our discussions at the subsidiary level confirmed there are no material issues to report at the Authority group level.

Significant difficulties during the audit

There have been delays in completing out work on the consolidated accounts due to late completion of the subsidiary audits. For each of the subsidiary audits completed by component auditors, we received a response to our Group Instructions, issued in September 2022 and updated in November 2022, on 21 December 2022 for Goosepool, 10 March 2023 for STDL and 20 March 2023 for STSC.

In addition, for the STDC Group, the Authority did not initially consider a valuation report was required for the STDC and STDL land, under the Code, so we engaged our own expert to establish a valuation was necessary and to assess the reasonableness of the valuations subsequently provided by the subsidiary and Authority's valuer. If formal valuations had been obtained by the STDC Group as part of the accounts preparation process, our work in this area would have been completed much earlier in the audit process.



4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Follow up on previous internal control points

Description of deficiency

There are significant weaknesses in the arrangements for accounts preparation in relation to the single entity and Group accounts.

Potential effects

Inaccurate accounts are approved and published. Additional audit fees. Late publication of audited accounts.

Recommendation

Continue to strengthen the arrangements in place for accounts preparation.

2022/23 update

Management have addressed this point in full. A new team was implemented with significant private and public sector experience. Additional review procedures have been put in place. The majority of changes from the draft accounts to final were identified by the new team and addressed for the version of the accounts provided to our external auditors.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £144,000. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

The tables below relate to the single entity Authority accounts only, further adjustments to the Group accounts will be reported separately.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Long-term loan			190	
	Cr: Interest		190		
	Interest for the period up to 1 May 2022 included in the accounts, should have been pro-rata to the period				
2	Dr: Expenditure	680			
	Cr: Accruals				680
	Extrapolated cut-off error, actual error of £188k accrual for Northern Scholl of Art, subsequently not claimed				
3	Dr: Pensions reserve			776	
	Cr: Pensions liability				776
	Updated reports from the actuary taking into account the updated information available from the triennial review show as increase in the liability from £6,821k to £7,597k.				
Total unadjusted misstatements		680	190	966	1,456

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6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Brought forward group share of surplus in joint venture/ investment in subsidiaries	3,315		3,315	
	Dr: Brought forward group taxation	777			
	Cr: Brought forward group business growth expenditure		4,092		
	Cr: Brought forward group creditors				3,203
	Dr: Brought forward group debtors			2,714	
	Cr: Brought forward group cash and cash equivalents				2,826
	Correction of prior year accounting treatment of the joint venture.				
Total adjusted misstatements		4,092	4,092	6,029	6,029

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6. Summary of misstatements

Disclosure amendments

The following disclosure amendments have been made:

- Brought forward balances classification correction between single entity and group short-term borrowing and short-term creditors, £147k.
- Classification correction between long-term loans and soft loans, £1,009k.
- Note 1 expenditure and funding analysis, separate disclosure of depreciation, amortisation and impairment.
- Note 5 property, plant and equipment, correction of classification between assets under construction and land.
- Note 5 capital commitments, correction of total disclosed.
- Note 7 earmarked reserves, removal of references to development pot.
- Note 10 directors' remuneration, amended to show payments to specific individuals rather than job roles.
- Note 13 cash and cash equivalents, classification correction between cash and cash equivalents and short-term investments, £5,000k.
- Note 14 creditors, salary recharges reclassified as local authority creditors.
- Note 15 other long-term liabilities, reclassification between long-term and short-term debtors.
- Note 16 related party transactions, amended to include additional disclosures.
- Note 21 financial instruments, correction of PWLB loan fair value and classification between long and short-term liabilities.

There were also some minor presentational updates to the cash flow statement, notes and accounting policies.



07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in October 2023.

Status of our work

We are yet to complete our work in respect of the Authority's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Authority's arrangements. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report in October 2023.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear Cameron

Tees Valley Combined Authority and Group - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Tees Valley Combined Authority ('the Authority') and Group for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Resources (Section 151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority, Cabinet and committee meetings, have been made available to you.



Appendix A: Draft management representation letter (continued)

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



Appendix A: Draft management representation letter (continued)

Fraud and error

I acknowledge my responsibility as Director of Finance and Resources (section 151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Authority and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Authority's/Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.



Appendix A: Draft management representation letter (continued)

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

I confirm that the Authority and Group has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Authority and Group, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Authority and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. **Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR. Unadjusted misstatements should be numerical AND disclosure.**

Yours faithfully

Group Director of Finance and Resources (Section 151 Officer)



Appendix B: Draft audit report

Independent auditor’s report to the members of Tees Valley Combined Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Tees Valley Combined Authority (‘the Authority’) and its subsidiaries (‘the Group’) for the year ended 31 March 2022, which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Movement in Reserves Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2022 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Resources’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority and Group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Resources with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report (continued)

Other information

The Director of Finance and Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance and Resources is also responsible for such internal control as the Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Director of Finance and Resources is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012 and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report (continued)

We evaluated the Director of Finance and Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Appendix B: Draft audit report (continued)

Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matters on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Authority’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Authority’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Appendix B: Draft audit report (continued)

Use of the audit report

This report is made solely to the members of Tees Valley Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

[Signature]

Cameron Waddell – Key Audit Partner
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Date: *to be confirmed*



Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. Or detail significant matters identified.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations..</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Group Director of Finance and Resources that Tees Valley Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit and Governance Committee, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.



AGENDA ITEM 12

REPORT TO THE TEES VALLEY
COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE

14th SEPTEMBER 2023

REPORT OF ACTING CHIEF LEGAL OFFICER (ACTING MONITORING OFFICER)

DRAFT ANNUAL GOVERNANCE STATEMENT

SUMMARY

This report presents to Committee Members the Authority's draft Annual Governance Statement for 2022/23.

RECOMMENDATIONS

It is recommended that Members note the content of the draft Annual Governance Statement for 2022/23 included at **Appendix 1** and either:

- (a) provide comments for consideration when submitted to Cabinet on 22 September 2023; or
- (b) recommend to Cabinet 22 September 2023, approval as drafted.

DETAIL

1. The Accounts and Audit Regulations 2015 require all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement which will be published online to accompany its Statement of Accounts.
2. The Annual Governance Statement will be presented for approval to Cabinet on Friday 22nd September 2023.
3. A requirement of the regulations states that the Governance Statement should be signed by a minimum of the Group Chief Executive and the Mayor, following approval by Cabinet. A key objective of this signing off process is to secure corporate ownership of the Statement's contents.
4. The Annual Governance Statement acknowledges the Tees Valley Combined Authority's responsibility for ensuring that proper arrangements are in place around the governance of its affairs. Guidance on producing an effective Governance Statement confirms that approvers of the Statement should be aware of the process followed in order to draft it. TVCA's Annual Governance Statement, includes a description of the key elements of its governance framework, how good governance is ensured in each of those elements, a description of the process applied in reviewing the effectiveness of this framework and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.



5. The Combined Authority's draft Annual Governance Statement for 2022/23 is attached at **Appendix 1**. At this time the Authority has not identified any significant issues that are not being addressed within the Statement.

FINANCIAL IMPLICATIONS

6. There are no direct financial implications from this report.

LEGAL IMPLICATIONS

7. The Accounts and Audit Regulations 2015 require all English authorities to prepare an Annual Governance Statement and for it to accompany the Statement of Accounts. The Authority's Statement of Accounts have been published, therefore on approval, the Annual Governance Statement will be published alongside the Statement of Accounts.

RISK ASSESSMENT

8. There are no risks associated with this Report.

CONSULTATION & COMMUNICATION

9. There are no consultation obligations associated with this Report.

EQUALITY & DIVERSITY

10. There are no equality and diversity issues associated with this Report.

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Item 12

Appendix 1

Tees Valley Combined Authority

Annual Governance Statement 2022/2023

1. Introduction

Good governance continues to be key to the delivery of our organisational objectives.

Last year saw an expansion in the Combined Authority Group Governance responsibilities as it commenced support of the Teesside Freeport Board and workstreams, Teesside International Airport and South Tees Development Corporation. This year will see a further expansion of governance responsibilities, as the Group governance function will support both the Middlesbrough Development Corporation and Hartlepool Development Corporation Boards, and their relevant Audit & Governance Committees.

The effective and transparent oversight of our growing responsibilities are reliant upon maintaining robust governance arrangements which ensure the effective delivery of our activities, good decision making, transparency and the active identification and management of risk.

Our ambition remains to make the Tees Valley the best place to live in the UK by driving rapid and sustainable economic growth, delivering better life chances and a better quality of living for our communities. But these are not the limits of our ambition or our responsibilities.

Our goal is that the Tees Valley Combined Authority Group continues to be perceived to be at the forefront of the devolution revolution and recognised by its peers as the exemplar region for delivery and innovation in local government and economic development.

As part of the first wave of Mayoral Combined Authorities we are aware that we have a responsibility to prove that the best answers for local people come from local people and that devolution is the most effective way of driving regional economic development and creating vibrant, inclusive and prosperous communities throughout the United Kingdom. We have seen recent additional recognition from Government, most notably in being named the UK's first and largest Freeport as well as being home to the new Northern Economic Campus for HM Government.

These public investments and accolades are driving private sector development too with SeAH having already commenced construction of its £450m monopile factory at former steelworks site in Redcar. Work is ongoing on other projects set to be based on the site, including the bp-led £1.5bn Net Zero Teesside project and Circular Fuels' £150million renewable energy plant. Elsewhere, the likes of BP, Sabic and Alfanar are set to make billion-pound investments in our region. All these things are only possible because Government, our constituent Authorities and wider stakeholders trust our governance, decision making and ability to deliver. Recent government decisions and the evolving Anything is possible



devolution agenda places further duties on us to ensure that our governance framework continues to be a model of best practice and has the flexibility to adapt to any new responsibilities and new challenges the coming period presents.

It is also our ambition that our Governance Framework continues to add genuine value to the decision and policymaking of the Combined Authority Group.

2. The Scope of Responsibility

The Tees Valley Combined Authority is responsible for ensuring that our operations are conducted in accordance with the law and appropriate standards. We are also responsible for making sure public money is used effectively and appropriately and is properly accounted for. We have a responsibility to ensure we have proper arrangements in place for the governance of our affairs and effective exercise of our functions, including the management of risk. We also have a duty under the 1999 Local Government Act to make continuous improvements to the way we operate.

Our Constitution sets out how we operate, how decisions are made, what our governance arrangements are and what processes are followed to ensure these are effective, transparent and accountable.

These arrangements are designed to be consistent with all legislative requirements and with the principles and best practice outlined in the CIPFA guidance on good governance.

This Annual Governance Statement details how we have complied with this framework and also how we meet our responsibilities under the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.

3. The Purpose of our Governance Framework

Meaningful and dynamic corporate governance establishes the conditions and culture for us to work effectively, economically, and ethically.

Our governance framework comprises the systems and procedures we believe will achieve our strategic objectives and deliver our activities in an appropriate and cost-effective way.

These objectives, as laid out in our Strategic Economic Plan and Investment Plan, are:

- Driving **business growth** to increase job numbers and business density.
- Enhancing the **productivity** in key industrial sectors through the commercialisation of knowledge.
- Establishing a local labour market with the **skills** to meet local business needs.
- **Attracting and retaining innovative local, national and international businesses and individuals**, with an emphasis on vibrant town centres.
- **Changing perceptions** of the Tees Valley through its cultural and leisure offer, and making our area an attractive place to work, visit and live.

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- Facilitating local, regional, national and international **connectivity** through investment in road, rail, air and broadband infrastructure.

A 10-year Investment Plan was agreed in January 2019 setting out how we will allocate resources to deliver these objectives. This plan is reviewed annually at Cabinet level, most recently in July 2022.

Our governance framework enables us to monitor the achievement of these strategic objectives, and the system of internal control which derives from it allows us to manage risk at a realistic level.

Risk Management Framework

The Combined Authority operates a comprehensive and proactive Risk Management Framework outlining its approach to Risk Management. Central to this strategy is a Corporate Risk Register which details what risks have been identified, the probability and impact of these risks being realised, and which controls are in place to mitigate against these risks. This report is periodically reviewed by Senior Officers and scrutinised by the Audit & Governance Committee.

4. The Key Elements of our Governance Framework

The following arrangements are in place to quantify the quality of our services, ensure that they are delivering our objectives and make certain that we are providing value for money.

The Constitution

The responsibilities of Combined Authority employees and members is clearly laid out in the Authority's Constitution. This document – subject to annual review – explicitly documents how the Authority operates, responsibilities for specific functions, schemes of delegation and how decisions are made. A new Scheme of Delegation was introduced in the Autumn of 2020 to deliver greater transparency and efficiency of the Combined Authority's day-to-day decision-making process and the constitution, including constitutional delegations was reviewed and updated in the 2022 Municipal year.

The Constitution – which can only be amended by the unanimous agreement of the Cabinet – also sets out expected standards of behaviour for both officers and members.

The Constitution clearly sets how both the activities of the Mayor, Cabinet and Senior Officers will be subject to a robust set of check and balances, and details how this scrutiny process will be delivered.

Statutory and non-Statutory Committees

The Combined Authority Constitution details a number of Statutory Committees.

- A statutory **Overview and Scrutiny Committee** of members appointed by each of the Constituent Authorities, reviews the policies and operations of the Combined Authority and ensures effective democratic scrutiny of decisions. With powers derived from legislation, this committee has the authority to 'call in' for review

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Authority decisions which have yet to be implemented and the power to prevent their implementation whilst under review. The committee has utilised this power on one occasion to date. The committee continues to conduct strong scrutiny of the Combined Authority's activities, including establishing a Task and Finish Group to conduct an in-depth investigation into the draft Combined Authority Budget for 2021/22, as part of the consultation process. The committee also receives reports detailing decisions taken under delegated powers for scrutiny and review.

- A statutory **Audit and Governance Committee**, assuring sound governance and financial management of the Combined Authority, with members appointed from each Constituent Authority working in tandem with appropriately qualified and experienced independent members. This committee oversees the operation of the Authority's risk management arrangements, considers and reviews its Internal Audit arrangements and reviews its Financial Statements.
- A statutory **Transport Committee**, reviewing transport strategy and policies and making recommendations to Cabinet. Members are drawn from the executive member with transport responsibilities from each Constituent Authorities and private sector representation.
- The statutory **Teesside Freeport Board** exists to review the Freeport Strategy, Freeport services operating within the Tees Valley and overseeing the Combined Authority's representation on external bodies with Freeport responsibilities. The Freeport Board also makes recommendations to Cabinet on Freeport strategy and policies to review Freeport services, ensure compliance with Freeport legislation and to co-ordinate the interests of landowners and other key stakeholders.
- The **Tees Valley Business Board (TVBB)** (formerly the Tees Valley Local Enterprise Partnership (TVLEP)). Following the Government's Levelling up White Paper, in October 2022 TVCA Cabinet approved the proposed 'LEP Integration Plan' which rebranded the TVLEP to the TVBB, and repositioned it within the Governance structure of the Tees Valley Combined Authority. The TVBB provides for a greater emphasis on private sector representation and strategic leadership. It includes provision for the development of current advisory groups and creation of new advisory groups to allow greater strategic leadership from the local private sector. The position of the TVBB is strengthened by its clear governance integration and strong partnership working – both evidenced by the LEP Chair holding the role of Associate Member of the Combined Authority Cabinet.

Although not Committees of the Combined Authority, the Group Governance structure also includes the following:

- **South Tees Development Corporation Board** is responsible for identifying any decision or issue which results or may result in a significant risk of a financial liability, a statutory liability or an environmental or criminal liability - a referral decision
- **Hartlepool Development Corporation Board** must not make any decision which imposes financial or other liability on the Tees Valley Combined Authority. The



Statutory Officers of the Hartlepool Development Corporation are required to advise the Corporation Board where a decision is likely to breach this restriction, and representations will be sought from the Tees Valley Combined Authority before any decision is made.

- **Middlesbrough Development Corporation Board** must not make any decision which imposes financial or other liability on the Tees Valley Combined Authority. The Statutory Officers of the Middlesbrough Development Corporation are required to advise the Corporation Board where a decision is likely to breach this restriction, and representations will be sought from the Tees Valley Combined Authority before any decision is made.

The work of these Committees and Boards and the wider Combined Authority is given strategic support and oversight by a series of non-statutory and advisory groups, made up of experts from the private, public and third sectors and designed to create channels of communication with stakeholders and to add value to the Combined Authority's wider community consultation and engagement efforts, including but not limited to the:

- Education, Employment and Skills Advisory Group – beneath which sit several specialised workstreams addressing specific areas of operation.
- Creative Place Advisory Group
- Transport Advisory Group
- UKSPF Local Partnership Group

Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Combined Authority has appointed a suitably qualified Group Chief Legal Officer, who is the Authority's Monitoring Officer. They have a protocol in place with all directors that clear systems are operating to ensure the legality of all Authority activities. All Cabinet reports are considered for legal issues before submission to members. The Group Chief Legal Officer, is also the Monitoring Officer for the South Tees, Hartlepool and Middlesbrough Development Corporations which ensures transparency on group legal, governance and probity matters

Internal Audit

The Combined Authority's Internal Audit function, undertaken by RSM Limited, ensures compliance with the relevant standards and statutory requirements. The service liaises with relevant statutory and senior officers throughout the year to develop and maximise the effectiveness of the Authority's internal control systems and delivers an annual report on the quality of our processes.

External Audit

The purpose of the External Auditors, Mazars, is to provide an opinion on the accounts and Value for Money (VfM) conclusion.

Chief Financial Officer and Financial Arrangements

Anything is possible



In accordance with the requirements of Section 73 of the 1985 Local Government Act, the Combined Authority has appointed a suitably qualified Chief Finance Officer - the Group Director of Finance and Resources. The Group Director of Finance and Resources also fulfils a similar role for the South Tees, Middlesbrough and Hartlepool Development Corporations, ensuring transparency on group finance and resources issues.

This Chief Finance Officer is responsible for:

- The operation of a robust system of budgetary control, including quarterly and annual financial reports indicating financial performance against forecasts.
- Ensuring that the Authority's finance function is appropriately resourced.
- Assessing the short, medium and long-term implications of all material business decisions, and identifying and mitigating financial and organisational risks arising from them.
- Aligning the Combined Authority's business and financial planning processes.
- Promoting good financial management throughout the organisation.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including quarterly and annual financial reports, which indicate financial performance against forecasts. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Assurance Framework

As part of the Devolution Deal signed with HM Government, a significant proportion of central government regional investment funding has been consolidated into a Single Pot, over which the Combined Authority has significant autonomy over allocation.

An Assurance Framework has been developed setting out how the Tees Valley will ensure accountable and transparent decision making with regards to this fund, appraise projects and monitor and evaluate schemes to achieve value for money and ensure that funds are spent lawfully.

The Assurance Framework is reviewed annually, most recently in July 2022.

Mayoral Development Development Corporations (MDCs)

The Tees Valley Combined Authority has, through the powers granted to the Tees Valley Mayor pursuant to the provisions of the Localism Act 2011 created three Mayoral Development Corporations – the South Tees Development Corporation, the Middlesbrough Development Corporation and the Hartlepool Development Corporation. Each MDC has in place its own governance arrangements, constitution and relevant statutory committees. The

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Tees Valley Mayor is chair of each MDC Board and TVCA and the MDCs share a Chief Executive Officer, Director of Finance & Resources and Monitoring Officer.

South Tees Development Corporation

Although a separate statutory body, so far as it required, regular updates are provided to TVCA Cabinet, Tees Valley Business Board and Overview & Scrutiny Committee on the progress of STDC activities, and any significant decisions which are likely to impose any risk or obligation on TVCA are brought to the TVCA Cabinet for decision through a referral mechanism.

The TVCA Group Governance Team assumed responsibility for the management of STDC's group governance arrangements in the Autumn of 2019, in order to strengthen the integration of decision-making across different aspects of the Combined Authority Group and to strengthen the governance arrangements of the Development Corporation.

The South Tees Development Corporation currently operates the following, as required by statute: :

- A **Board**, the ultimate decision-making body of the Development Corporation with a constitutional responsibility to guide and oversee delivery of the key objectives of STDC.
- An **Audit & Governance Committee** with oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit arrangements.

The land at STDC (now operating under the trading name of **Teesworks**) was formerly managed by the South Tees Site Company Ltd (**STSC**), an interim government body established in December 2016 to ensure the safe, secure and cost-effective management of the former steelworks site. STSC was transitioned in the control of STDC in the autumn of 2020 and STDC and its subsidiaries have adopted the trading style 'Teesworks'.

STDC is a 10% shareholder in Teesworks Ltd which has the responsibility for developing and marketing the site to for future tenants. The STDC Chief Executive Officer sits on the Board of Teesworks Ltd.

Middlesbrough and Hartlepool Development Corporations

Both Middlesbrough and Hartlepool Development Corporations are separate statutory bodies. Their individual Constitutions provide that neither can make a decision which will impose a financial or other liability on the Tees Valley Combined Authority. It is incumbent on the Statutory Officers of those Development Corporations to advise the Board where this may be likely as a result of a proposed decision and to prevent such a liability being imposed or where relevant, manage the decision appropriately through the Tees Valley Combined Authority Cabinet.

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Both the Middlesbrough and Hartlepool Development Corporations each operate a **Board**, the ultimate decision-making body of each of the Development Corporations with a constitutional responsibility to guide and oversee delivery of the key objectives of the Corporations.

As required by Statute, during the latter part of 2023, each Corporation will set up and recruit to an **Audit & Governance Committee** which will have oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing the relevant Corporation's internal audit and external audit arrangements.

The TVCA Governance team assumed responsibility for both the Middlesbrough and Hartlepool Development Corporations on their inception in early 2023.

Goosepool 2019 Limited

TVCA is a 75% shareholder in Goosepool 2019 Ltd which in turn owns 89% of the shares in Teesside International Airport.

Goosepool has its own Governance arrangements in place. Two senior officials of TVCA make up the board in addition to one official from its minority shareholder. The TVCA Governance team assumed responsibility for governance arrangements of the Goosepool Board in Spring 2020, in order to strengthen the integration of decision-making and governance across different aspects of the Combined Authority Group. The Governance team is also providing some oversight and support to the TIAL Board to ensure good governance, and company secretarial standards.

Regular updates on the progress against the Airport Business Plan are given to TVCA Cabinet and relevant committees.

Adult Education Budget Governance

Responsibility for post-19 education funding was devolved to Tees Valley Combined Authority in August 2019. An appropriate governance framework was developed alongside this process to ensure effective and appropriate decision-making, oversight and value-for-money assurance and this process has been incorporated into the wider Combined Authority Assurance Framework.

Corporate Risk Register

The Combined Authority operates a comprehensive and proactive Risk Management Framework outlining its approach to Risk Management. Central to this framework is a Corporate Risk Register which details what risks have been identified, the probability and impact of these risks being realised, and which controls are in place to mitigate against these risks. This report is regularly presented to the Senior Leadership Team and scrutinised on a quarterly basis by the TVCA Audit and Governance Committee.

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Declarations of Interest and Code of Conduct

All Combined Authority employees and members are subject to a formal Code of Conduct – forming part of the Authority’s Constitution - and must complete, at least annually, a formal Declaration of Interest.

- An annual review of members’ Declarations of Interest was completed in July 2021 and the 2022 review began in July 2022. The 2023 review has begun.
- An annual review of officers’ Declarations of Interest was completed in December 2020.

In the interests of transparency, the member declarations are reviewed by both the Chief Executive and Monitoring Officer and published on the Authority’s website. The Chief Executive’s Employee Declaration of Interest is also published on the Authority’s website.

Gifts and Hospitality

The Combined Authority maintains a register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

Governance Arrangements

A dedicated Governance team is in place to ensure that the Combined Authority Group is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees number of areas including transparent decision making, Declarations of Interest, whistleblowing and Freedom of Information request handling.

Freedom of Information and Environmental Information Regulation Requests

The Combined Authority is subject to the Freedom of information Act 2000 and the Environmental Information Regulations 2004. The Group Governance team processes such requests. A full time Governance Officer is employed as a dedicated Freedom of Information Officer to handle all Freedom of Information requests across the TVCA Group. Over the last financial year, on behalf of the TVCA Group, the Combined Authority has seen a significant increase in the number of requests received. During the financial year 2021/2022, the Authority received 86 such requests for information. In the financial year 2022/23, 153 requests were received, with 22 of those seeking an internal review – 175 total requests over this period.

5. Review of Effectiveness

The Combined Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance arrangements. Any areas for review are overseen and co-ordinated by the Group Chief Executive, Group Director of Finance & Resources and

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Monitoring Officer and any findings reported to the Audit and Governance Committee, as appropriate.

During 2022/23, the TVCA Audit and Governance Committee carried out a review of its own effectiveness, with the findings being incorporated into an Action Plan – progress toward which will be reviewed periodically by the Committee over the coming year.

Internal Audit

A Draft Annual Internal Audit Report was received 18th May 2023 which concluded that:

“The organisation has an adequate and effective framework for risk management, governance, and internal control.

However, our work has identified further enhancements to the framework of our risk management, governance, and internal control to ensure that it remains adequate and effective”

The following opinions were provided in the Audit Report:

Governance

We have not performed a specific review of the organisation’s governance arrangements during 2022/23 (a specific review of this area was carried out in 2019/20). However, we have performed the following reviews which have looked at differing aspects of the organisation’s governance arrangements:

- Transport Programme.
- Procurement To Pay Process.
- BoHo Project Governance.
- Freeport Programme.
- Grants Management.

We concluded that, in respect of three of these reviews (Transport Programme, Freeport Programme and Grants Management), the Cabinet can take substantial assurance (positive) on these areas.

In respect of the Procurement To Pay Process review, the Cabinet can take reasonable assurance (positive) on this area.

However, in respect of the BoHo Project Governance review, we were only able to conclude that the Cabinet can take partial assurance (negative) on this area. We agreed a total of six medium priority and eight low priority management actions across these five reviews.

We found that controls and processes in respect of the four reviews with a positive opinion were robust, with the actions agreed being primarily focused on clarifying or enhancing those controls. In respect of the BoHo Project Governance review, we found that, whilst the organisation did have in place a control framework, it was not operating effectively in practice and a number of areas were found where the control framework could be improved.

Risk

Anything is possible



At the request of management, we have performed a specific review of the organisation's risk management arrangements during 2022/23 (a specific review of this area was previously carried out in 2019/20). This review replaced the following reviews in the annual plan:

- Key Financial Controls: Payroll.*
- Net Zero Teesside.*

We concluded that the Cabinet can take reasonable assurance (positive) on this area and a total of one medium priority and four low priority management actions were agreed as a result of this review.

We have also attended all Audit and Governance Committee meetings throughout the year and confirmed the Group's risk management arrangements continued to operate and were adequately reported and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight.

Control





We undertook seven audits (including the Risk Management review mentioned above) of the control environment that resulted in formal assurance opinions.

These seven reviews concluded that three substantial (positive), three reasonable (positive) and one partial (negative) assurance outcome could be taken by the Cabinet.

We identified the organisation had established control frameworks in place for a number of the audits undertaken, however improvements in their application were required in a number of areas.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control. We have performed a Follow Up review during the year which concluded that good progress had been made towards the implementation of those actions agreed.

The following assignments were completed 22/23 which concluded:

Assignment	Assurance level	Actions agreed		
		L	M	H
Business Continuity Planning	Advisory review	5	6	0
Transport Programme		1	0	0
Procurement To Pay Process		2	1	0
BoHo Project Governance		3	5	0
Freeport Programme		0	0	0
Management Information	Advisory review	0	9	0
Assignment	Assurance level	Actions agreed		
		L	M	H
HR: Resourcing		1	1	0
Grants Management		2	0	0
Follow Up of Previous Internal Audit Management Actions	Good progress	0	0	0
Risk Management		4	1	0

External Audit

Our most recent auditor's report, issued on September 28th 2022, concluded that:

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the Group as at 31st March 2021 and of the Corporation's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

VFM conclusions are no longer issued, instead VFM commentary is issued as part of the Auditor's Annual Report. Mazars issued their Auditor's Annual Report in October 2022 and concluded the following in relation to value for money:

'Our work did not identify any evidence to indicate a significant weakness in the Corporation's arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.'

Anything is possible



We expect to receive our 2021/22 auditor's report in September 2023, we expect the conclusion to be in line with the 2020/21 report.

6. Conclusion

It is our conclusion – validated by external opinion – that the Combined Authority Group operates suitable, effective and robust governance framework which supports the achievement of its policies, aims and objectives and meets all statutory requirements.

Ben Houchen

Mayor of the Tees Valley

Julie Gilhespie

Group Chief Executive,
Tees Valley Combined
Authority

Siobhan McArdle

Chair of the Tees Valley
Business Board and
Associate Member of the
Tees Valley Combined
Authority Cabinet

TEES VALLEY COMBINED AUTHORITY - Audit & Governance Committee
Forward Programme 2023/2024

Standing Items

- Declarations of Interest
- Summarised Terms of Reference (For Information)
- Minutes from the Previous Meeting & Action Tracker
- Group Update
- Internal Audit Actions Update
- Internal Audit Progress Report
- Internal Audit Reports
- External Audit Actions Update
- External Audit Progress Report
- Forward Programme
- Governance Structure (For Information)
- Date and Time of the Next Meeting

Date	Items scheduled in year 2023/2024
14th September 2023	<ul style="list-style-type: none"> • Appointment of Chair and Vice Chair • Confirmation of Appointment of Representative to South Tees Development Corporation Audit & Governance Committee • Appointment of Representative to Middlesbrough & Hartlepool Development Corporation Audit & Governance Committee • External Audit Completion Report 2021/22 • Review & Approval of Draft Annual Governance Statement • Interim update to Committee on Progress of Committee Effectiveness Action Plan • Teesworks Update
XX December 2023	<ul style="list-style-type: none"> • Terms of Reference Review • Draft Accounts • Internal Audit Strategy • External Audit Annual Report 2021/22 • External Audit Strategy Memorandum 2022/23 • Full update report to Committee on Progress of Committee Effectiveness Action Plan
XX January 2024	<ul style="list-style-type: none"> • Review of Assurance Framework • Oversight of Governance Toolkit • Review of Anti - Fraud Policy • Review of Whistleblowing Policy



	<ul style="list-style-type: none">• Review of Governance Policy & Framework• Interim update to Committee on of Committee Progress Effectiveness Action Plan• Review of Risk Management Policy & Framework
XX March 2024	<ul style="list-style-type: none">• Final update on effectiveness of implementation of Action Plan and next steps

Q1 2024 – 2025:

Annual Review of Terms of Reference

Contact:

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AGENDA ITEM 17

REPORT TO THE TEES VALLEY
COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE

14th SEPTEMBER 2023

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP UPDATE

SUMMARY

This report provides a general update on the key activities of the Mayor and Combined Authority since the last Committee meeting, which are not covered in other reports to this meeting.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Audit & Governance Committee notes the report.

DETAIL

FREEPORT

1. Two new Freeports in Wales, at Milford Haven and Port Talbot have been announced. In addition, eight Investment Zones have been announced. The Investment Zones are expected to complement the Freeports.
2. Following the local elections, the new leader of Redcar & Cleveland Borough Council was invited to join the Freeport Board and chair the Strategy & Accountability workstream, and the role of chair of the Innovation & Skills workstream was offered to the Mayor of Middlesbrough, in accordance with the workstream Terms of Reference.
3. The Freeport Director has stepped down following the completion of their engagement to establish the first Freeport in the UK and conclude the MOU process with HMG. A transitional plan has been developed to manage the diverse areas covered by the Freeport Director, including Governance, Business Case development, Stakeholder engagement and Inward investment.
4. The business case to invest the remaining £3.5m capital seed funding from DLUCH is in development. This proposes a 5G Digital Trade Testbed at Teesside International Airport. The test bed will be technology agnostic, offering all systems within the sector to be trialled and evaluated prior to deployment and will lead to proven methodologies to move physical goods both nationally and internationally. The learning outcomes of tests will support delivery of the benefits of frictionless trade and digital interoperability.

TEESSIDE INTERNATIONAL AIRPORT

5. In June, it was announced that Ryanair would increase its twice-weekly off-season service from Teesside to Alicante to three times per week, beginning in October. This means a further c.20,000 seats will be available for people flying outside of the summer season, giving them more holiday options. This comes following a strong 2022 and after the airport returned to its full 2023 summer service operations, with the final route – to Corfu – also launching in June.
6. Teesside was the UK's first airport to entirely do away with the 100ml limit on liquids when passing through airport security. The threshold has been upped to 2 litres for hand luggage, thanks to two new state-of-the-art CT scanners fully operational in security. The requirement to remove electronic items from bags is also no longer in force.
7. New Civil Aviation Authority figures named Teesside the second most punctual in the UK in 2022. The average delay per departing flight was just 14 minutes, compared to the least punctual airport's 30 minutes. The airport has also been shortlisted in the Travel Trade Gazette (TTG) annual Travel Industry Awards in the UK & Irish Airport of the Year category, with the winner announced on 28 September.

TEESWORKS

8. The final explosive demolition on the Teesworks site – of the Redcar Power Station – is due to go ahead on June 29. This brings to a close the accelerated two-to-three-year programme of blowdowns across the site, beginning in March 2021, ahead of schedule.
9. Redcar and Cleveland Borough Council has officially approved plans for Circular Fuels Ltd's renewable fuel-from-waste facility on the Teesworks site. Its £150million plant at the Dorman Point area of the site is expected to create 250 construction jobs and more than 50 skilled roles when operational.
10. Over the past 12 months a number of media articles suggesting impropriety or wrongdoing by Teesworks and the Joint Venture Partners have appeared in the press and were subsequently raised in the House of Commons. Neither STDC nor Teesworks recognise these claims, with a Government spokesperson saying it has not seen any evidence of wrongdoing. Following cross-party calls for an investigation - including from the Tees Valley Mayor - Government announced an official independent review would be launched, headed by Angie Ridgewell, Chief Executive of Lancashire County Council . The panel will review TVCA's oversight of STDC and Teesworks JV, including



consideration of specific allegations made, and look at wider governance and financial management. The review is now under way and TVCA and STDC are working with the panel to provide all relevant information.

DARLINGTON STATION

11. Preparatory work at Darlington Station has been progressing well during the autumn, winter and spring. The new temporary car park opened on the former cattle mart site at the end of April and is now being used by station passengers. This enabled the former car park on the eastern side of the station to be closed, which was the final part of the land assembly. All buildings within the eastern gateway site have been demolished and cleared enabling the work on the new multi-storey car park and station building to move into the construction phase. Network Rail continue to make good progress on their elements of the project and will start on site later this summer.

EVENTS

12. The Department for Culture, Media and Sport offered £45,000 in funding to screen the Coronation of King Charles III and the Eurovision Song Contest after the BBC named Darlington one of the official host venues. TVCA helped facilitate the event, which brought more than 120,000 people to the centre for two weekends of live music and celebrations.

TEES VALLEY BUSINESS

13. More than £12million ERDF has been allocated to support Tees Valley SMEs' growth plans and job creation until June 2023. To date, 560 businesses have been supported with grant offers to the value of just over £12million, which will generate private sector match of £15.1million and is forecast to create 1,829 new jobs.
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15. Made Smarter is a government-backed initiative designed to improve the productivity of manufacturers through the adoption of Industrial Design Technologies (IDTs). Tees Valley Business is with the North-East LEP to deliver the 2022/23 programme. The £800k allocation for 2022/23 delivery is funded via BEIS. We have 50 manufacturing businesses on the programme at different stages. The programme consists of completing an online diagnostic, accessing a digital showcase to explore technology available along with one-to-one digital specialist support and workshops to develop a digital roadmap. Additional grant support is available for access to an IDT specialist as well as the purchasing of new digital technologies and equipment. To date, 5 Tees Valley SMEs have been approved grant funding to the value of £27,551. BEIS funding for Made Smarter is expected to continue for a further two years as a minimum.



UKSPF

16. UKSPF open calls for Business Support and People and Skills were launched on 17th March, 2023 and closed to applicants on 28th April, 2023. A total of 40 applications were received and are now in appraisal. TVCA officers working with the Business Board Chair are anticipating final decisions on funding awards to be concluded by the end of June and presented to the UKSPF Partnership Group as soon as practical in July.

CLEAN GROWTH AND INNOVATION

17. The Tees Valley's Cluster Plan for Decarbonisation was launched on 28th March at an event attended by representatives of the Department of Energy Security and Net Zero (DESNZ), Tees Valley's major industrials, and other key stakeholders. The advisory group from this project has now formed the Tees Valley Industrial Net Zero Leadership Group, which will meet for the second time in July having appointed its independent chair. The new group will work towards a single unified voice for the Tees industrial cluster and seek to foster collaboration on key challenges. Work conducted the cluster plan on electricity grid constraints is already proving useful to TVCA's Net Zero team in the work on this issue.
18. TVCA's flagship Trees on Tees scheme has seen strong progress, with a coordinator and team of officers appointed. Sign up via the Trees on Tees Web Page has resulted in a response by 49 businesses, 21 landowners, 9 schools, 15 community groups and 360 residents. Discussions with respondents has resulted in 20 projects coming forward from business and landowners. This includes small sites on which to plant trees, offers of financial support and an interest in corporate volunteering. Discussions with organisations such as Trees for Cities is starting to bring new offers of funding into the region.
19. The North East and Yorkshire Net Zero Hub has begun delivery of an £80m Social Housing Decarbonisation Fund Wave 2 programme, which includes housing providers and homes in the Tees Valley. TVCA has concluded its MOU with DESNZ and is now entering into legal arrangements with 19 delivery partners. The scheme will last for two years and upgrade more than 5,000 homes. The Hub's Solar Schools Enabling Fund has received positive feedback from Abingdon Primary School in Middlesbrough, which has been able to install solar panels and reduce energy bills as a result of a grant received.

EDUCATION, EMPLOYMENT AND SKILLS

20. Multiply, which launched in December 2022 as part of the UKSPF continues to provide innovative methods to engage people with low levels of numeracy to develop their functional number skills for life and work. With a first-year budget of £1m, TVCA secured 10 training providers who engaged over 2,000 Tees Valley residents in learning. Year



two delivery commenced in March 2023 and will deliver learning within a budget of £1.3m. DfE also confirmed that there will be an opportunity for Tees Valley to apply for additional funding during the next year.

21. TVCA continue to deliver the 22/23 academic year, £4m allocation for Skills bootcamps and now have confirmation for wave 5 for 2024/25. An implementation plan for 2024/25 will be submitted to the Department of Education in due course. Skills Bootcamps provide up to 16 weeks technical training at levels 3-5 that is developed by local employers to address the current and future workforce skills needs.

FINANCIAL IMPLICATIONS

18. There are no financial implications to this report.

LEGAL IMPLICATIONS

19. There are no legal implications to this report.

RISK ASSESSMENT

20. This report is an update and therefore is categorised as low risk.

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