



Internal Audit

REVISED FINAL

Tees Valley Combined Authority Group

Assurance Review of Risk Management

2023/24

June 2024

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Risk management is a fundamental process to help an organisation identify and manage risks that may stop its objectives being met.

SCOPE

The review considered the arrangements for the identification, recording, monitoring and reporting of risk management.

The review considered risk register records for the Tees Valley Combined Authority (TVCA) and the South Tees Development Corporation (STDC).

KEY STRATEGIC FINDINGS



The process is appropriately directed by the Risk Management Framework and is supported by guidance notes.



Risk Registers were found to not be fully populated with controls for some of the risks identified.



Reporting to Committees provides an appropriate level of information with detailed analysis where required.



The risk system is a 'self-serve' system with regular reviews with risk owners held by the Group Risk Officers. Recent resource issues suggest that resilience is currently insufficient to ensure that all risks are reviewed with risk owners at the prescribed timeframe.

GOOD PRACTICE IDENTIFIED



The Risk Management Framework has been developed using the ISO31000 standard.

ACTION POINTS

Urgent	Important	Routine	Operational
0	3	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	Several risks have not yet got fully developed and recorded controls in the risk registers. It is acknowledged that the system being used is relatively new, however, the risk scores being used for reporting may not be accurate if appropriate controls are not identified, monitored and reviewed.	A full review of all risk registers be undertaken with a date set to ensure that all controls are identified for all risks with appropriate records to demonstrate this in the registers.	2	<i>Controls/treatment action plans are reviewed in line with risks to ensure residual score is appropriately captured. Where controls have not been developed this should be reflected in their risk score and response (Where risk and control entries are incomplete this will be reflected in the status as draft until full completion) or a treatment action plan captured should a control not be required. With exception where this has not been picked up it will be completed as part of our quality reviews.</i>	September 2024	Head of Performance Risk and Assurance

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	<p>A review of a sample of risk identified the following:</p> <p>Mitigating Actions and Controls were found to have not been updated since July 2023 in relation to Steel House, Controls 1837 and 1838.</p> <p>There is no record to show where controls have been reviewed where there is no change to the scores or controls.</p>	Controls be reviewed and updated in accordance with the prescribed review period with a record made to show when a review has been undertaken and no changes were needed to be made.	2	<i>Management has performed a review and this is isolated to risks where no activity had taken place, and the risks should have been deactivated and therefore no controls or actions were required. Management can confirm the two risks identified have now been deactivated and training has been provided to staff to highlight the importance of deactivating risks where these have been avoided. A monthly control is now in place where the Head of Risk or in the absence of, the Group Financial Controller, reviews to ensure notice of review by relevant risk owners is noted.</i>	September 2024	Head of Performance Risk and Assurance.
4	Delivery	There has been a prolonged absence of one of the two Group Risk Officers, which has impacted on the ability of the Group to continue to provide all of the periodic review of risks with risk owners. This has also coincided with a change in the Head of Performance Risk and Assurance role that has also temporarily reduced the ability to undertake the required risk review tasks.	A review of the capacity and available cover for the two Group Risk Officer roles be undertaken to identify appropriate and resilient cover should a prolonged absence in staff be experienced again.	2	<i>A comprehensive self-service system is in place, with extensive staff training provided on risk, controls and risk analysis. To ensure staff are performing periodic reviews accordingly further staff communications will be shared and the Head of Risk will perform a full monthly review to ensure this has taken place. If the Head of Risk is absent this will be completed by the Group Financial Controller.</i>	December 2024	Head of Performance Risk and Assurance.

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The Tees Valley Combined Authority Group (the Group) has a documented Risk Management Framework (the Framework) that was originally approved by the Board in March 2019. A full review of the Framework is recorded as being undertaken in 2022 with some changes made to roles and responsibilities being made in November 2023. The document states that the Framework will be agreed every year by the Audit and Governance Committees. The version control in the version provided does not record an annual review in the table, however, this is recorded elsewhere in the document as having been approved in July 2023.	The annual review and approval of the Risk Management Framework by Audit and Governance Committees be recorded in the version control table and not part through the document.	3	<i>Recommendation agreed and management acknowledge the importance of recording annual reviews and have updated the forward plan accordingly to reflect this recommendation.</i>	December 2024	Head of Performance Risk and Assurance.

PRIORITY GRADINGS

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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	2 & 3	-

Other Findings

- The Tees Valley Combined Authority Group (the Group) has a documented Risk Management Framework (the Framework) that was originally approved by the Board in March 2019. A full review of the Framework is recorded as being undertaken in 2022 with some changes made to roles and responsibilities being made in November 2023. The document states that the Framework will be agreed every year by the Audit and Governance Committee. The version control in the version provided does not record an annual review in the table, however, this is recorded elsewhere in the document as having been approved in July 2023.
- The Framework is clear in that risk management is an integral, visible and consistent part of routine management activity and that the Authority is committed to implementing an enterprise-wide risk management culture.
- The Group has used ISO31000 Risk Management as the basis for the Framework. The Framework is clear in that it applies to all aspects of the Group and its programmes.
- Roles and responsibilities are clearly defined for the STDC Board/Cabinet, Group Chief Executive Officer, Audit and Governance Committee, Group Finance and Resources Director, Head of Performance Risk and Assurance, Project Managers, Business Function Managers, Risk Owners, Control Owners and Staff, Contractors and Service Providers.

Other Findings



The three lines of defence model is included within the document with an explanation and examples of each of the three lines.



The Framework makes reference to risk appetite and the Group will maintain a Risk Appetite Statement with an explanation of how risk should be managed that are outside of the agreed appetite. The Framework also explains the application and management of risk tolerance.



The Group scores risk using a 1-5 scoring system based on likelihood and impact with risk actions being described using the traditional Four Ts, being Treat, Transfer, Terminate and Tolerate, although the Framework also references sharing, exploiting, enhancing and ignoring the opportunity with actions that are to be taken.



Inherent risk and residual risk are clearly explained in the Framework along with the colour coding category used to categorise the levels of risk.



A review of the risk dashboard including selected risks in a sample of risk registers was undertaken.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Partially in place	4	-

Other Findings



Regular sessions are held with risk owners by the two Group Risk Officers in place at the Group. Review updates are recorded directly to the system that then updates in the Risk Dashboard.



Reporting of risk management is provided to the TVCA and the STDC Governance and Audit Committees. Evidence was provided during the audit and was reviewed. The following was noted: For each Risk Register presented, there was a summary of the average residual score, the percentage threat change from the last version and the average maximum threshold figure. A summary of the risks that were above threshold was provided showing residual scores and a narrative on the mitigation. A new risk that had been added was highlighted. Risk Registers for Teesworks and other key Project Risk Register information was also provided. Details of threats avoided and transferred was seen to be also included.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, 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.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

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.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	2 nd February 2024	2 nd February 2024
Draft Report:	16 th May 2024	
Revised Draft Report:	23 rd May 2024	23 rd May 2024
Final Report:	23 rd May 2024	
Revised Final Report:	7 th June 2024	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Tees Valley Combined Authority		
Review:	Risk Mitigating Controls		
Type of Review:	Assurance	Audit Lead:	Andrew McCulloch

Outline scope (per Annual Plan):	<p>The review considered the arrangements for the identification, recording, monitoring and reporting of risk management.</p> <p>The review considered risk register records for the Tees Valley Combined Authority (TVCA) and the South Tees Development Corporation (STDC).</p>		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Sustainability: The impact on the organisation's sustainability agenda has been considered.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

Planned Start Date:	07/02/2024	Exit Meeting Date:	17/05/2024	Exit Meeting to be held with:	Rachael Jupp
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	Y
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N