

SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT & GOVERNANCE COMMITTEE

Date: Monday 17th June 2024

Time: 10:00am

Venue: Teesside Airport Business Suite, Teesside International Airport

| Attendees: | | Apologies: |
|-----------------------------------|------------------------------------|-------------------|
| Allan Armstrong (AA) | Independent Member (Chair) | John Baker |
| Mike Sharp (MS) | Independent Member | Cameron Waddell |
| Geoff Westmoreland (GW) | Independent Member | Andrew McCulloch |
| Gary Macdonald (GM) | TVCA | |
| Victoria Smith (VS) | TVCA | |
| Emma Simson (ES) | TVCA | |
| Derek Weatherill (DW) | South Tees Development Corporation | |
| Rachael Jupp (RJ) | TVCA | |
| Guy Close (GC) | TVCA | |
| Governance Officer | TVCA | |
| Jane Butterfield (JB) (via Teams) | TIAA | |
| Claire Mellons (CM) (Via Teams) | Ernst Young | |

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| STDC-A&G 46/2023. | Welcome & introductions | <p>Allan Armstrong, Independent Member, (AA), welcomed members, members of the public and press to the meeting.</p> <p>He advised members that a number of public questions had been received in advance of the meeting and responses to these had been published on the Tees Valley Combined Authority website that morning.</p> | | |
| STDC-A&G 47/2023 | Apologies for Absence | John Baker, Andrew McCulloch, and Cameron Waddell had submitted apologies for the meeting. | | |
| STDC-A&G 48/2023 | Declarations of Interest | There were no declarations of interest. | | |
| STDC - A&G 49/2023 | Minutes of Previous Meetings & Action Tracker | <p>The minutes of the meeting held on the 23 February 2024 were agreed as a true and accurate record.</p> <p>Gary Macdonald, Group Director of Finance and Resources, (GM), provided the following updates in respect of Action Tracker items:</p> <ul style="list-style-type: none"> • A date is still being agreed for the Away Day • Utilities Installation – an update is included on the agenda. • Park and Ride – update would be brought to the next meeting. • External Audit progress – an update is included on the agenda. • Independent Review – GM noted that members of the committee had received regular updates, a further meeting had been scheduled for July and an update would also be provided later in the agenda. <p>H&S – an update was to be provided later in the agenda.</p> | | |
| STDC- A&G 50/2023 | Executive Update | The Committee had received a report providing an activity update since the last meeting. | | |

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| | | <p>GM provided a further verbal update, and the committee were invited to ask questions throughout. These are summarised as follows:</p> <ul style="list-style-type: none"> • Decontamination Project and COMAH Status – GM reported that lifting of COMAH status had been a major achievement for the team. Derek Weatherill, EHS Director, South Tees Development Corporation, (DW), advised that demolition is nearing completion as is the removal of contaminated materials from site. • Independent Review – work is ongoing with the cross authority working group, there have been several briefing sessions for Cabinet, STDC and TVCA Audit & Governance and Overview & Scrutiny members. Progress against the recommendations is scheduled to go to the September meeting of the TVCA Cabinet. <p>CIPFA have been commissioned to undertake a review, fieldwork is ongoing, and they are expected to report to internal committees in July. Responses have been provided to external auditors and their response is awaited. Emma Simson, Acting Chief Legal Officer and Monitoring Officer, (ES), advised that a full update in respect of all recommendations will be brought to the committees before going to Cabinet in September.</p> <p>AA asked if there was anything that members needed to be aware of. ES advised that they had written to government in respect of two of the recommendations which pertain to the interpretation of legislation, however due to the general election a response may be delayed.</p> <ul style="list-style-type: none"> • Freeport – annual review process had been completed and the outcome would be known shortly. <p>AA asked what effect Freeport changes had had. GM explained that every Freeport must have a customs zone and tax sites, and there is potential for extending the primary custom zone or having secondary customs zones. Zones are accredited appropriately, and needs will be reviewed as the requirements on site evolve, and if required an application will be made for further accreditation. In terms of inward investment the Freeport has already attracted tenant/potential tenant interest.</p> <ul style="list-style-type: none"> • Utilities – the power needs on site are being reviewed. Testing and energising of SeAH has been completed. | | |

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| | | <p>AA asked if there is any risks to maintaining these supplies. GM noted that consideration had been given to site supply needs and these had been tested.</p> <p>Clarification was sought around Item 8, GM explained it is about ensuring as a minority shareholder in the JV that the infrastructure that is put in place meets the needs of the site as it evolves to support growth and investment.</p> <ul style="list-style-type: none"> • Programme development – the appointment of the new quay operator was announced recently, they are highly experienced, the new quay is being operationalised and the mobilisation of heavy cranes is ongoing, in line with the plan. • Net Zero Teesside – remediation of the site is on track, involving the diversion of high voltage cables. • Park and Ride – AA asked who the procuring body is. GM confirmed it was a public procurement process and was part of the Net Zero agreement. | | |
| STDC-A&G 51/2023 | Update on Internal Audit Report | <p>The Committee were provided with an update report detailing the current internal audit action plan progress as of May 2023.</p> <p>It recommended that the Committee:</p> <ol style="list-style-type: none"> i. Consider the analysis and audit progress set out in this paper. ii. Acknowledge the annual audit schedule. <p>Victoria Smith, Group Financial Controller, (VS), explained that TIAA have been in place as Internal Auditors for a year, Andrew McCulloch had sent his apologies, but Jane Butterfield had joined the meeting via Teams.</p> <p>A number of audits and key financial control audits have been built into the forthcoming audit plan which will be brought to the next meeting. This report focuses on 2023/2024, and VS noted how exceptionally helpful TIAA had been in helping TVCA to move forward.</p> | | |

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| | | <ul style="list-style-type: none"> • Final Reports have now been issued in respect of Data Protection (GDPR and Risk Management – Mitigating Controls). • Governance – Strategic Control, is currently deferred to 2024/25. • Field work has commenced in respect of Disaster Recovery. • Field work is substantially complete in respect of Key Financial Controls (Creditorsx). • Scoping has been agreed and fieldwork is schedule to commenced w/c 4 July 2024 in respect of Control Major Accident Hazard (COMAH), with a draft report to be provided next month. <p>VS reported that TIAA are hoping to bring their annual opinion to the next meeting.</p> <p>Jane Butterfield, TIAA, (JB) explained that the risk management report is produced in line with the Risk Management Framework and is comprehensive. Testing on risk data held in the system identified some gaps, however the system is relatively new, and these will be addressed. Some risks appeared to have not been reviewed since 2023, but the system does not record if reviewed and no changes have been made. TIAA are happy with the management responses they received, and the overall assessment is reasonable assurance.</p> <p>AA asked where items had not been reviewed, where there any that were applicable to the here and now or were they in respect of things in the future and was there anything the committee should be assured about. JB advised that she would provide a response outside of the meeting.</p> <p>VS explained that a full review of every risk had been undertaken, the system had been updated and now when you run the risk reports everything is accurate. Staff have received further training on how to update the system, and going forward checks will be made on a regular basis to ensure that negated risks are closed down.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • AA asked if there is a formal close out procedure for management actions. VS confirmed that there is and that a manager can close it out on the system, but this then has to be reviewed by the risk team before it is ultimately closed on the system. Closed risks remain on the system. | <p>TIAA to provide a response</p> | <p>TIAA</p> |

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| | | <ul style="list-style-type: none"> • Geoff Westmoreland, Independent Member, (GW), asked how the complexity of it is managed, and is there an easier way to do this. It was explained that the system itself is very user friendly, the team meets monthly with every risk owner to review their risks, ensuring that they have the information they need. GM added that there are some good examples of proactive risk raising, it is very fluid and real time, and risks are reviewed on a monthly basis. • GW asked if there is a risk management training module, VS advised that this would need looking at with HR. • AA noted that within the report some key dates have been pushed back and asked how this sits with the Independent Review. GM explained that timescales had been set to feed in to the review, whilst allowing for the Cabinet AGM, and the appointment of members to committees. • AA asked why it was felt that TIAA are the right organisation for TVCA. VS explained that a full procurement process had been undertaken, packs were reviewed, scoring was undertaken at interview, and TIAA scored highest on quality and price. <p>RESOLVED THAT: the Committee noted the report.</p> | <p>Discussion with HR</p> | <p>VS</p> |
| <p>STDC-A&G 52/2023</p> | <p>STDC Group Financial Statements and External Audit Report including Value for Money Commentary 2021/22</p> | <p>The Committee were provided with an update report and annual accounts for 2021/2022.</p> <p>It recommended that the Committee:</p> <ol style="list-style-type: none"> i. Approves the Annual Accounts for 2021/2022 for the STDC Group and Corporation. ii. Approve that the Chair of Audit, Risk and Assurance Committee be authorised to sign off any further changes required to the Statement of Accounts for 2021/2022 prior to publication; and iii. Subject to no further issues being raised by Mazars, approve that the Mayor and the Group Director of Finance and Resources be authorised to sign the accounts on behalf of STDC. <p>VS explained that they had hoped to have had the opinions from Mazars, and these had been chased up on a number of occasions. Mazars are currently looking at cashflow but are unable to advise what the issue is, from TVCA’s perspective everything is accurate and balances. In respect of limited number of ongoing issues, both Mazars and Ernst Young have been provided with the correspondence for review.</p> | | |

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| | | <p>In relation to Mazars review of the Independent Review, they have advised that work is ongoing, and their intention is to talk to the panel again.</p> <p>Mazars hope to be able to pick this back up on the 4 July 2024 when they have completed their work on the NHS Audit.</p> <p>VS confirmed that there have been no changes to the accounts.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • AA asked for an overall timeframe. VS explained that Mazars are still to commit to a date, GM noted that the question has been asked, but they have not yet responded. • Mike Sharp, Independent Member, (MS), asked when Ernst Young take over. GM advised that they take over from 2023/2024 accounts, initial discussions had taken place and the information that they required as part of the onboarding process had been provided. • AA noted that in light of this the recommendations in the report could not be considered, VS confirmed that this was correct. • MS asked if Mazars had given any indication in respect of the next accounts. VS advised that they hope to have a team available to start looking at them in August 2024. VS noted that this will not affect the 2023/2024 work being undertaken by Ernst Young but may impact sign off. <p>RESOLVED THAT: the Committee noted the update.</p> | | |
| STDC-A&G 53/2023 | Review of Anti-Fraud Policy | <p>The Committee were provided with a report and updated policy in respect Anti-Fraud and Corruption.</p> <p>It recommended that the Committee:</p> <ol style="list-style-type: none"> i. Notes the Anti-Fraud and Corruption Policy. <p>VS explained that the policy is in line with government guidance, it was being brought to committee to note as best practice and will be published on the internet.</p> | | |

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| | | <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • GW felt that it would be good practice for staff to receive annual training in respect of this. • AA asked what makes it best practice. GM stated that there is a policy, as well as the governance processes that site around it and it is standard good practice. • AA noted that the policy makes reference to external parties and asked how you make sure the policy is passed on. VS explained that elements of the policy are incorporated in to the procurement process/documents. • GW asked what assurances are in place. GM explained that the legal team undertake due diligence before agreeing contacts. <p>RESOLVED THAT: the Committee noted the policy.</p> | | |
| STDC-A&G 54/2023 | Review of Whistleblowing Policy | <p>The Committee were provided with a report and updated policy in respect of Whistleblowing.</p> <p>It recommended that the Committee:</p> <ol style="list-style-type: none"> i. Approve the Whistleblowing Policy as drafted; or ii. Propose amendments to the draft Whistleblowing Policy for consideration by officers. <p>ES explained that the STDC Constitution refers to this as the ‘Confidential Reporting Policy’, but it is more readily known as a Whistleblowing Policy, this will be aligned when the constitution is updated.</p> <p>ES advised that having spoken to HR there have been no referrals under the policy, and therefore there has been no learning to report.</p> <p>Minor updates have been to the policy, and going forward it will be reviewed and updated annually. As identified with other policies staff need to be aware of it and we will ensure that this is disseminated after approval.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> | | |

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| | | <ul style="list-style-type: none"> • GW asked how concerns are raised, e.g. is there a confidential line, allowing individuals to remain anonymous and in doing so removing the barrier to someone making a disclosure. ES stated that this could be looked in to, however the whole point of a whistleblowing policy is to allow staff to raise a concern without fear of recrimination, so it is about ensuring staff feel comfortable to do this. • MS felt that the document needed to state 'this will not happen to you if you raise these concerns' as it is well documented within the NHS that people who have raised concerns have felt compelled to leave. ES to look at this. <p>RESOLVED THAT: the Committee noted the update.</p> | <p>Policy to be reviewed in line with comments raised.</p> | <p>ES</p> |
| <p>STDC-A&G 55/2023</p> | <p>Oversight of Governance Toolkit</p> | <p>The Committee were provided with a report and updated policy in respect of the Governance Toolkit.</p> <p>It recommended that the committee:</p> <ul style="list-style-type: none"> i. Notes the Governance Toolkit. <p>ES explained that this is an internal document that was being brought to committee for information purposes. She noted that historically this had been a much broader and wider focused document, which had now been rationalised to be more focused on what Governance do.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • GW felt that it was a good document, and asked whose responsibility it is to update it, and how it is used. ES noted that it belongs to the Governance Team who update it, it is a self-serve tool which will again need communicating to staff. GW noted that the big element with self-serve is that you need to want to use it and noted the need to keep this front of mind. • GM explained that the operations team meet regularly to look at processes and how we modify them. The point around self-serve was noted, and the need to be orientating people coming in to the Authority to it. GW noted the key risk is when you hit an intersection it could fall down. ES explained that it is not fully self-serve as the governance team is readily available to advise. | | |

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| | | RESOLVED THAT: Members noted the update. | | |
| STDC-A&G 56/2023 | Forward Programme | The Committee received a forward programme detailing the proposed programme for 2024/2025. Diary dates are to be agreed for 2024/2025. GM asked members if there was anything further that they would like to see on the programme going forward. | | |
| IT WAS PROPOSED AND AGREED TO PASS A RESOLUTION TO EXCLUDE THE PRESS & PUBLIC FROM THE FOLLOWING CONFIDENTIAL ITEMS | | | | |
| STDC-A&G 56/2023 | Utilities Installation Update | The Committee were provided with a presentation in respect of the Utilities Installation Update. RESOLVED THAT: members noted the update. | | |
| STDC-A&G 57/2023 | Update on Environmental, Health and Safety (EHS) Report | The Committee were provided with an updated report in respect of Environment, Health & Safety. RESOLVED THAT: members noted the report. | | |
| STDC-A&G 58/2023 | Risk Management Report | The Committee were provided with a report and in respect of risk management. RESOLVED THAT: the Committee noted the content of the report. | | |
| STDC-A&G 59/2023 | Date & Time of Next Meeting | RESOLVED THAT: Members agreed that subject to no material changes the 2021/2022 accounts could be signed off. | | |

**SOUTH TEES
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