

SOUTH TEES DEVELOPMENT CORPORATION

Date: Tuesday 25 February 2025 @ 10:00

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

Membership: Mike Sharp Independent Member (Chair)
Geoff Westmoreland Independent Member (Vice Chair)
Gerry Stapleton Independent Member
Cllr Peter Grogan TVCA Audit and Governance Committee
Representative

AGENDA

- 1. Apologies for Absence**
To receive apologies for absence.
- 2. Declarations of Interest**
To receive any declarations of interest.
- 3. Minutes and Action Tracker**
To approve as a correct record the minutes of the meeting held on 6 December 2024.

The Committee is invited to review progress made against previously identified actions.

- 4. Executive Update**
To receive a report from the Group Chief Executive providing an update on key matters in relation to STDC since the last Committee meeting.
- 5. Ernst and Young External Audit Update**
To receive a report from the Group Director of Finance and Resources presenting Ernst and Young, external auditors, South Tees Development Corporation External Audit Strategy, Audit Completion Report, Draft Audit Opinion and Draft Value for Money Commentary for 2023/2024.

TO FOLLOW – Reports from Ernst and Young

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6. Internal Audit Actions Update

To receive a report from the Group Director of Finance and Resources presenting an update on internal audit actions.

7. Summary Internal Controls Assurance Update and Internal Audit Reports

To receive an update from the Group Director of Finance and Resources presenting TIAA update Summary Internal Control report, Assurance Review of Disaster Recovery 2023/2024 report, TIAA Follow up 2023/2024 report and Internal Audit Opinion 2023/2024.

8. Review of Complaints Policy

To receive a report from the Group Chief Legal Officer seeking approval of the Complaints Policy.

9. Regulatory Update Report

To receive an update report from the Group Chief Legal Officer in respect of Data Protection, Information Governance, Governance and Appointments and Freedom of Information.

10. Work Programme

To review the committees work programme for 2024/2025.

11. Review of Risk Management Policy and Framework

To receive a report from the Group Director of Finance and Resources presenting the Updated Risk Management Policy and Framework.

12. Risk Management Report

To receive a report from the Head of Performance, Risk and Assurance presenting the South Tees Development Corporation's Risk Portfolio as of February 2025.

(This item is exempt under the terms of paragraph 3 of schedule 12a Local Government Act 1972, (information relating to the financial or business affairs of any particular person (including the authority holding that information))).

13. Environmental, Health & Safety Update Report

To receive a report from the Environmental, Health, Safety and Security Director providing an activity update since the last meeting.

(This item is exempt under the terms of paragraph 3 of schedule 12a Local

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Government Act 1972, (information relating to the financial or business affairs of any particular person (including the authority holding that information))).

14. Date and Time of Next Meeting

Thursday 15 May 2025 at 10.00

Members of the Public – Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: tvagovernance@teesvalley-ca.gov.uk

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SOUTH TEES DEVELOPMENT CORPORATION (STDC) AUDIT AND GOVERNANCE COMMITTEE

These minutes are in draft form until approved at the next Board meeting and are therefore subject to amendment

Date: Friday, 6 December 2024

Time: 3:30pm

Venue: Teesside Airport Business Suite, Teesside International Airport, Darlington

Attendees:		Apologies:
Mike Sharp (MS) (Chair)	Independent Member	
Allan Armstrong (AA)	Independent Member	
Geoff Westmoreland (GW)	Independent Member	
Councillor Peter Grogan (PG)	TVCA Audit and Governance representative	
John Barnes	Chief Operating Officer of STDC (via MS Teams)	
Ian Craven	Head of Finance and Commercial, STDC (via MS Teams)	
Gary Macdonald (GM)	Group Director of Finance and Resources, TVCA	
Victoria Smith (VS)	Group Financial Controller, TVCA (via MS Teams)	
Guy Close (GC)	Governance and Scrutiny Manager, TVCA	
Kate Smith (KS)	Governance Officer, TVCA	
Mark Rutter (CM)	Ernst & Young (External Audit) (via MS Teams)	
Suresh Patel (SP)	Mazars (External Audit) (via MS Teams)	
Andrew McCulloch (AM)	TIAA (Internal Audit)	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC- A&G 23/2024	Chair's Opening Remarks	Mike Sharp (MS), Independent Member and Chair of the Committee, welcomed all in attendance.		
STDC- A&G 24/2024	Apologies for Absence	There were no apologies for absence.		
STDC- A&G 25/2024	Declarations of Interest	Allan Armstrong (AA) declared a non-pecuniary interest as a member of South Tees Development Corporation (STDC) Board. Gary Macdonald, TVCA (GM) declared a non-pecuniary interest as a Director of the South Tees Site Company (STSC) and as a member of their Board.		
STDC- A&G 26/2024	Public Questions	The Chair reported that a number of public questions had been received. In accordance with the Public Participation Protocol, the questions were to be answered and published on the TVCA website within 10 clear working days of the meeting. The Committee noted that the public questions were not to be addressed at this meeting.		
STDC - A&G 27/2024	Minutes of Previous	The following was highlighted:		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
	Meeting / Action Tracker	<ul style="list-style-type: none"> • Minute reference STDC-A&G 13/2024 – backstop date for the 2023/24 accounts should read 28 February 2025, not 28 February 2024. • Minute reference STDC-A&G 20/2024 – Should be ISO14001 not ISO1401 <p>RESOLVED: That subject to the above amendments the minutes of the meeting held on 18 November 2024 were approved as a correct record.</p>		
STDC- A&G 28/2024	Mazars External Audit completion Reports 2021/2022 and 2022/2023	<p>The Committee received a report from Victoria Smith, Group Financial Controller, (VS), in respect of Mazars, External Auditors reporting for the years ended 31 March 2022 and 31 March 2023. This covered the Audit Strategy and Completion report including the draft audit report for the year ending 31 March 2023 and the value for money reporting for the years ending 31 March 2022 and 2023.</p> <p>The key areas of discussion were as follows:</p> <ul style="list-style-type: none"> • In response to a request for timescales in relation to completion of 2021/22 accounts, Suresh Patel (SP) advised that the final version of accounts was to be provided by 9 December 2024, ahead of 13 December 2024 deadline. Victoria Smith (VS) confirmed that publication was to follow as soon as they had been received. • Members expressed concerns about the use of the term ‘significant areas of weakness’ and asked for clarification as to whether Mazars shared this value for money assessment. SP outlined that this was in line with the National Audit Office (NAO) Code of Practice that auditors were obliged to consider. • Gary Macdonald (GM) stated that an action plan was to be considered at the February Committee meeting. This was to include a detailed update of progress made against the recommendations arising from the Independent Review and to outline what processes had been put in place. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • Members expressed concern that previous year audits had not identified issues, and requested clarity on what has changed, other than the Independent Review. The high level of public and press interest was also noted. • Several Members commented about the perceived value for money received from Mazars by the STDC, suggesting that although audit work had not been completed, payment was still to be made to the external auditors. Concerns were noted by Members that this differed from their experiences in the private sector, however it was understood that within the public sector, Mazars were to receive payment for the contract. • SP confirmed that Mazars was happy to provide a Value for Money commentary by way of a final update to the Committee. <p>RESOLVED:</p> <ul style="list-style-type: none"> i. That the Audit Strategy and Completion report for the year ended 31 March 2023, be noted. ii. That the draft audit reports for years ended 31 March 2022 and 31 March 2023, be noted iii. That the Value for Money reporting for the years ended 31 March 2022 and 31 March 2023, be noted. iv. That Mazars provides a Value for Money commentary by way of a final update to the Committee. 	<p>Value for money commentary to be provided to the Committee</p>	<p>Mazars</p>
STDC-A&G 29/2024	STDC Internal Audit Plan 2024/25	The Committee received a report from Victoria Smith, Group Financial Controller, covering the TIAA indicative Audit Strategy for 2024-2027 and the Annual Audit Plan for 2024/2025 for STDC.		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>The plan allowed for sufficient coverage for a robust annual Head of Internal Audit Opinion to be provided. Summary controls assurance reports were to be provided to the STDC Audit and Governance Committee by TIAA covering Governance, Risk and Internal Control.</p> <p>The key areas of discussion were as follows:</p> <ul style="list-style-type: none"> • Andrew McCulloch (AM) representing TIAA outlined that TIAA had reviewed the STDC plan, which had been separated from the TVCA Group. A 3-year strategic overview was to occur in January/February 2025. • A governance review was due to take place in March 2025 to consider aspects such as cyber security and follow up on the CIPFA review. • One member queried who was liable for the costs of any potential National Audit Office (NAO) investigation and requested clarification on the process following the submission of TVCA Independent Review response to Government. Officers explained that there was no definitive answer in relation to costs as there had been no NAO investigation and outlined that a significant amount of work had been undertaken on the Independent Review by Mazars and the Review Panel. This was submitted to Government and was to be tracked by the Local Government Association (LGA). The next step was the response from Government, which was pending, and Members were assured that commitments had been made, and officers were to report back to the February Committee meeting. <p>RESOLVED: That the Committee approved the TIAA indicative Audit Strategy 2024/2027 and Annual Audit Plan 2024/2026 for South Tees Development Corporation.</p>		

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No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC- A&G 30/2024	Date and Time of Next Meeting	Thursday, 13 February 2025 at 2.00pm. (Meeting concluded at 4.00pm)		

ACTION TRACKER

Meeting	Item	Action	Owner	Target Date	Update
20-Apr-23	Members Briefing	Devise a standard list of questions members should have at the forefront of their mind to ensure aligning to standards expected in their remit - to be included in Agenda at Future Away Day.	NR	TBC	NR has compiled a list of questions
		A future meeting to be held at Teesworks as an away day.	Governance	TBC	
	Annual Review of Committee Terms of Reference	To be included in Agenda at future Away Day	Governance	TBC	
	Review & Analysis of Committee Effectiveness Survey & Skills Audit	To be included in Agenda at future Away Day	Governance	TBC	
23-Feb-24	Minutes of Previous Meeting & Action Tracker	A date in June to be confirmed for the Away Day	Governance	TBC	Moved to later in year due to availability
	Health and Safety	NR/RJ to provide an update to the next meeting in respect of the insurance premiums for the Teesworks	AH		Feb '25
		Update to be provided to committee in relation to enduring risks once STSC is wound up.	AH		Feb '25
17-Jun-24	Internal Audit Update	AA asked TIAA if there was anything the committee needed to be assured about. TIAA to respond outside of the meeting	AM/JB		Complete

Meeting	Item	Action	Owner	Target Date	Update
		VS to speak to HR re a Risk Management Training Module.	VS		Complete
	Whistleblowing Policy	In line with comments made ES to review how complaints are raised, and provide further assurances around the potential for recrimination.	ES		
06-Dec-24	Mazars External Audit Completion Reports 21/22 and 22/23	Value for Money Commentary to be provided to the Committee	Mazars/VS		

Completed actions archived

EXECUTIVE UPDATE

SUMMARY

The purpose of this report is to provide the South Tees Development Corporation (STDC) Audit and Governance Committee with an activity update since the last meeting.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. Notes the contents of this report.

DETAIL

FREEPORT

1. The Freeport boundary has been outlined in the South Bank area to include the SeAH operational site and the wider storage area. These plans have been submitted to HMRC for review and approval.

We are working closely with SeAH to support their internal processes in advance of the full completion of the South Bank entrance works. Caspers, the appointed Customs Site Operator (CSO), is collaborating directly with SeAH to facilitate interim security arrangements, ensuring that operations can proceed smoothly while the broader entrance infrastructure is being finalised.

In parallel, design work is underway for a security gatehouse and the implementation of necessary security procedures to support the expansion of the Customs Zone from its current primary location 3-acre size to approximately 150 acres, subject to tenant requirements.

2. All demolition works on the site within Tax Zone East have been completed. In addition, remediation works have been completed across 18 acres of land, located adjacent to Steel House. This area is identified for the development of the proposed Park and Ride facility that is due to commence in December 2024.

TENANT UPDATE

Major tenant updates are provided below: -

3. South Bank:
 - SeAH – Construction, due for completion in Q1-2025.
 - Land adjacent to SeAH – Discussion's ongoing with a number of potential tenants linked to off shore wind projects.
 - Freeport 'Entrance/ Zone' – planning submitted and determined.
 - Quay Building – Private Sector Steel River Quay Office; construction due to complete December 2024.
 - South Bank Spec Scheme – Outline planning submitted for circa 100,000 sq.ft flexible space, ranging from 3,500sq.ft to 13,000 sq.ft.
4. Dorman Point:
 - ERF – progressing final Legal points, awaiting Bidder selection, construction due to start in H2-2025.
5. Lackenby:
 - British Steel – Electric Arc Furnace progressing with various plans, Planning approved.
 - Ashcourt – Completed.
 - Green Hydrogen Scheme – In advanced talks with a provider, subject to their Board sign off to progress a deal.
 - Planning has been submitted and now approved for the new Tees Dock Roundabout entrance and the HGV Park.
6. Long Acres:
 - NatPower – Planning application due to submission in November and progressing with legal negotiations.
7. NZT:
 - NZT – Remediation is now fully complete. With Government sign-off in place and BP final investment decision anticipated November / December 2024, we remain in good position to deliver the scheme.
8. The Foundry:
 - H2 Teesside – Progressing with legal negotiations and providing commentary on the DCO process.

Commercial negotiations are led by Teesworks Ltd and are ongoing across several areas of the site, with tenant interest remaining strong. The details of these opportunities will be delivered to the Board when they are able to do so. However, some negotiations are commercially sensitive, particularly at this early stage, and are subject to due diligence. As such, certain information may remain confidential until the appropriate time for disclosure.

SITE MAINTENANCE

9. An assessment of all on-site bridge structures is currently underway to identify necessary maintenance works. Initial reviews indicate that some structures will require intervention. Officers are reviewing the updated assessments to develop a comprehensive plan for addressing these needs in the medium to long term.

The maintenance plan for the bridges will be managed within the financial forecast and budget control, ensuring that costs are effectively monitored and aligned with available resources. A detailed project plan will be established to manage associated risks, with progress and recommendations to be reported to the Board in due course.

10. Following approval by the TVCA Cabinet, South Tees Development Corporation is in the process of establishing Teesworks Estate Management Company Limited (TEMCo) to manage the Estate on behalf of the owners. TEMCo will oversee the following key services:

- Communal Estate Management Services and Service Charge Administration
- Management and maintenance of the STDL's retained non-communal estate (voids).
- Commercial Services Management and Charges Administration

Officers are working to a structured plan to establish the operational base for TEMCo by December 2024. It is anticipated that TEMCo will be fully operational, with commercial and financial management systems in place, by February 2025.

The work to establish the management company is ongoing, and once the process is completed, an update will be provided to the Board through the Delegated Decision Process.

JV POWER

11. Since the last report, officers have been working closely with our JV Partners, and we are pleased to confirm that the sale of the Private Wire Network (PWN) has now been completed. The PWN was sold to Steel River Power Limited (SRP), a 50/50 joint venture between Steel River Energy Limited and North West Electricity Networks (UK) Limited (NWEN). As part of the agreement, Steel River Power accepted the existing HV and LV staff of STSC via TUPE transfer, and they will invest upwards of £100 million. The newly established JVCo SRP is committed to supporting the future development plans of the Teesworks site, with a focus on upgrading and expanding the existing network to accommodate both the current and future needs of tenants. The Delegated Decision Record is presented later within the agenda.

12. We previously confirmed that the sale of the Private Water Network (PWN) to Steel River Power (SRP) addresses the divestment of the electricity network, with the

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electricity supply remaining the responsibility of South Tees Site Company (STSC). Since the last update, officers have been working closely with our JV Partners to mitigate any potential financial and commercial exposure for STSC related to the ongoing supply obligations.

13. As part of this, supply agreements have now been drafted and issued to tenants, which include credit checks for both existing and future off-takers. These agreements ensure that any credit risk associated with electricity supply is appropriately managed.
14. In parallel, discussions are ongoing with Drax, Ofgem, and our JV Partner, SRP, to explore ways to accelerate the installation of market-facing meters. This initiative will help fully eliminate STSC's responsibility for supply arrangements with both existing and new tenants in the long term.

UTILITIES

15. As previously reported, we had procured the upgrade of the Redcar High Voltage system to support the Park & Ride Scheme. These works have now commenced and are well progressed, being managed closely. Once completed, the HV system will automatically be adopted by the Power JV, eliminating any ongoing maintenance liability for STDC.
16. Officers are currently reviewing the existing Private Water Network to assess its capacity in relation to incoming tenant requirements. The aim is to develop and implement a site-wide water strategy that will optimise the use of existing water assets and ensure the ability to supply temporary construction potable water, permanent potable water, and raw water for major users, such as NZT.
17. Officers will focus on the long-term development planning for the expansion of the Private Water Network, ensuring alignment with tenant requirements and compliance with NWL and Ofwat guidance. It is anticipated that any capital investment needed to support incoming tenant requirements will be fully funded by the private sector.
18. Officers are exploring potential options for the future divestment of the private water network. This exploration is at an early stage and will be heavily dependent on the type of tenants and the timing of their establishment on the site. Interest in divestment will largely be tenant-driven, based on anticipated water volumes and the long-term stability of an operational business model. A further update on this matter will be provided at a future STDC Board Meeting.

PROGRAMME DEVELOPMENT

19. Dorman Point
 - The status on remediation of land is unchanged, with 60% of the site complete.
 - Planning permission has been granted for the construction of the highway and

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site security entrance adjacent to the Skills Academy. The works will include the installation of a vehicle turnaround loop, security barriers, and fencing to enhance site security and accessibility. The project is scheduled to commence in January 2025, with completion expected by April 2025.

20. South Bank

South Bank Quay Phase 1 has been completed. The installation of onshore utilities is progressing as scheduled. The construction of the Quay operations building is well advanced and remains on track for completion by December 2024.

Groundworks to prepare the 20 acres of hinterland behind the Quay for port use were successfully completed earlier in the summer. The Quay marked a significant milestone with its first shipment received in late October 2024, which involved the import of steel test plate for SeAH Wind.

- South Bank Link Road: Work has now commenced on the construction of a 350-meter extension to the South Bank Link Road, which will provide essential access to South Bank Quay and the new port operations building.
- South Bank Watercourse: The construction of the final phase (Phase 2B) of the South Bank Watercourse is nearing completion, with works expected to conclude in November 2024. The remaining works are focused on the intertidal section of the watercourse, where the Marine Management Organisation (MMO) has recently granted consent to break through to the river. This marks the final step in the 1.9 km project.
- HV power: As previously reported, all primary HV works at South Bank, including the construction of substations/transformers and cable laying, have been completed. This has enabled the energised power supply for the operational phase of SeAH's facility. For the time being, SeAH has opted to continue sourcing its power from the original construction supply. This arrangement is expected to remain in place through the first quarter of 2025.
- The construction of South Bank Quay Phase 1, the primary phase of the South Bank Link Road, the Hinterland works, and the HV Power Supplies represent all the physical works that were a contractual obligation of South Tees Development Corporation (STDC) to deliver for SeAH. We are pleased to report that all these works have been completed ahead of the operational start of SeAH's facility.

21. Demolition Works Programme

- The demolition programme is now 99% complete. The remaining ancillary demolition works at the Redcar Power Station and Blast Furnace sites are expected to be finished by the end of November 2024, while pipeline removal works continue at Lackenby. Project delivery team staff have now vacated

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TMO, and demolition works on these offices, as well as neighbouring plant and buildings, are progressing smoothly. These works are scheduled for completion by the end of the year, December 2024.

22. Net Zero Teesside

- Ground remediation works are now complete.

23. Teesworks Park and Ride Facility

- Advance earthworks to prepare the site for construction of the Park and Ride project are now complete, and the site is ready for construction of the facility.
- Tenders for the Phases 1 and 2 contract, which includes the construction of a new signalised junction on the A1085 Trunk Road and 700 meters of internal access road, have been received and evaluated. The contract award is expected in December 2024, with contractor mobilisation to begin shortly thereafter.
- Tenders for the Phase 3 contract, which includes the construction of a 1,500-space car park and supporting operational facilities, have been returned and are currently under review. A contract award is expected by the end of November 2024. The project will be delivered in two phases, the first phase involves the construction of 850 new car parking spaces and the refurbishment of 650 existing spaces (Car Parks 1 to 4 at Steel House), and the second phase will focus on the construction of the remaining 650 new car parking spaces, scheduled for completion in 2026/2027.
- The current programme anticipates the initial completion of the Park and Ride facility, including the use of the Steel House car parks, by August 2025. This timeline aligns with STDC's obligations to BP for the construction phase of the NZT project.

24. Offsite Highway Improvement Works

- Consultant SYSTRA continues to work on the design of various highway improvement projects required at the Greystones, Wilton West Gate/Trunk Road, and A66/Tees Dock Road roundabout junctions. These improvements are being developed in response to conditions attached to the outline planning permissions secured for developments across the Teesworks site.
- Tender documents for the A66/Tees Dock Road roundabout junction improvements, including the new access to the Lackenby development zone, are currently being prepared. Tenders are expected to be issued by the end of November 2024.

25. BP Hydrogen

- BP has recently put on hold its plans for the delivery of the HyGreen 1 (HG1)

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green hydrogen project on the Foundry site. However, BP is continuing to move forward with their Development Consent Order (DCO) submission for the H2Teesside (H2T) blue hydrogen project, which will be located across a larger 90-acre area on the Foundry site.

- Negotiations are at an advanced stage on the drafting and conclusion to the Option Agreement for H2T, and the expectation is that remediation works to prepare this site for development will commence by July 2025.
- Planning permission has been secured for the remediation works, and efforts are ongoing to secure the necessary environmental permits required for the project.

RISK ASSESSMENT

26. As previously noted, STDC is managing several significant projects, all of which carry inherent delivery risks. These risks are being actively mitigated through a comprehensive project management approach and robust project controls processes, implemented by our appointed consultants.

27. Each project has a detailed plan in place, with regular progress reviews being held. Where necessary, intervention actions are being taken to address potential impacts on cost and schedule, ensuring that projects remain on track for timely delivery.

EQUALITY AND DIVERSITY

28. No specific impacts on groups of people with protected characteristics have been identified.

Name of Contact Officer:

Julie Gilhespie

Post Title:

Group Chief Executive Officer

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ERNST AND YOUNG EXTERNAL AUDIT UPDATE

SUMMARY

This report provides South Tees Development Corporation (STDC) Audit and Governance committee members with Ernst and Young's (EY) External Audit reporting for the year ended 31 March 2024. This reporting covers the Completion Report, including the draft audit report for the year ended 31 March 2024 and the draft Value for Money reporting for the year ending 31 March 2024.

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance :

- i. **NOTES** the Completion Report for the year ended 31 March 2024.
- ii. **NOTES** the Draft Audit Report for year ended 31 March 2024.
- iii. **NOTES** the Draft Value for Money reporting for the year ended 31 March 2024.

DETAIL

1. As reported and discussed at previous STDC Audit and Governance committees, there is a significant backlog of outstanding external audits across the public sector. Last year, just one per cent of council and other local bodies published audited accounts on time.
2. The government is committed to overhauling the local audit system to enable taxpayers to get better value for money. A growing backlog will severely hamper necessary fundamental reforms to repair the system and will continue to undermine local accountability and governance.

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3. The Government, together with the Financial Report Council (FRC), the National Audit Office (NAO), and organisations in the wider system has taken a number of actions, which are designed to address the backlog and put local audit on a sustainable footing.
4. The term “audit backstop” refers to a deadline set by authorities to ensure that all outstanding local government audits in England are completed by a specific date.
5. For financial year 2023/2024 the back stop date has been set as 28 February 2025.
6. It has been confirmed with Claire Mellons, EY External Audit Partner, that the STDC Single Entity Statement of Accounts for the year 2023/2024 would be impacted by the audit back stop date.
7. EY has determined that there is insufficient time to complete its audit procedures to obtain sufficient appropriate evidence, and, in its view, the effects of the resulting lack of evidence is pervasive to the financial statements as a whole. As a result, it intends to issue a disclaimer of opinion on the corporation’s financial statements.
8. Appended to this report is the Completion Report including the draft audit report for the year ended 31 March 2024 and the draft value for money reporting for the year ending 31 March 2024.

FINANCIAL IMPLICATIONS

9. The financial implications are covered in the body of this report.
10. Further delays in publishing audited accounts hinder transparency and accountability, which can affect public trust.

LEGAL IMPLICATIONS

11. The Statutory Instrument, laid alongside revised Code of Audit Practice from the National Audit Office (NAO), will introduce back stop dates for local bodies and their auditors to publish audited accounts, starting the process of repairing the foundations of local audit. This is led by the Government, together with the Financial Reporting Council (FRC), the National Audit Office (NAO).

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RISK ASSESSMENT

12. This document is categorised as medium risk.

CONSULTATION & COMMUNICATION

13. Consultation has taken place by relevant government departments.

EQUALITY & DIVERSITY

14. There are no equality and diversity implications arising from the subject matter of this document.

Name of Contact Officer:	Victoria Smith
Post Title:	Group Financial Controller
Telephone Number:	01325 792600
Email Address:	victoria.smith@teesvalley-ca.gov.uk

INTERNAL AUDIT ACTIONS UPDATE

SUMMARY

This report presents the position of current Internal Audit action plan progress as of February 2025.

RECOMMENDATIONS

It is recommended that the STDC Board:

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

DETAIL

1. This report presents STDC audit actions and their progress as of October 2024.

Process

Using a risk-based approach, the internal audit schedule is agreed with the Senior Leadership Team and the Audit and Risk Committee. This ensures STDC is 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 facilitates reporting of internal audit actions and provides support to Risk Owners to drive delivery performance.

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Annual Audit Plan

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across TIAA’s 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.

Further to this full internal controls assurance report a full audit will be carried out by TIAA and be available for the Committee once completed, we are in the process of collating the previous outstanding issues and planning for the year ahead.

2023-24 Plan - progress update

Audit Area	Status
Governance - Strategic Control	Deferred to 2024/5
Data Protection (GDPR)	Final Report Issued - Reasonable Assurance
Key Financial Controls (Rolling Programme)	Final report issued - substantial assurance
Control of Major Accident Hazard (COMAH)	Final report issued - substantial assurance
ICT Disaster Recovery	Field work complete
Follow up	In progress

Past audits with existing actions

The below audits still have outstanding actions, these can be found below. The delivery date of these actions has been revised to October 2024 due to the change in Head of Performance Risk and Assurance.

Action progress for these remaining audits can also be found below.

Audit Title	Action Plan Status
Effectiveness of AGC 22/23	In Progress
Logic models 22/23	Complete
Follow up 22/23	Complete

Closed Actions

Effectiveness of AGC 22/23 - *A training plan will be developed for the members which details the training to be undertaken during the year, this will also include any gaps identified through the skills and experience assessment.* - Skills assessment complete. Induction days



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are more tailored to gaps in skills identified. Deep dives are now included in sessions where requested.

Logic models 22/23 - STDC will ensure that the delayed electricity supply upgrade works are dealt with in a timely manner, and will ensure appropriate mitigating actions are taken to reduce the risk of subsequent delays. – This responsibility has been transferred to Steel River Power.

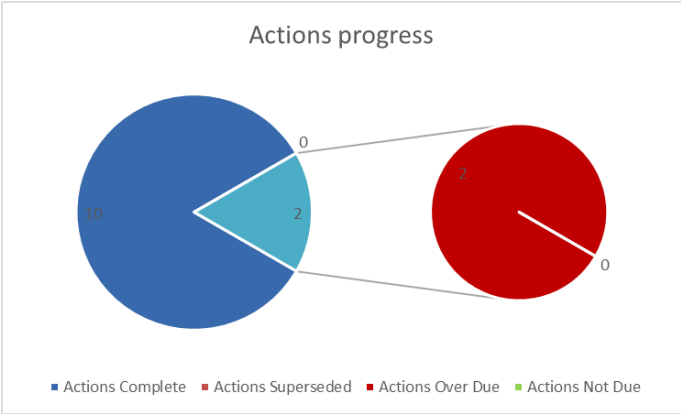
Logic models 22/23 - The STDC Assurance Framework has been updated and a final draft has been produced, this is to be reviewed over the coming weeks. – This is now complete

Follow up 22/23 - Management will conduct an exercise to identify the assurances the Corporation has in place over identified risk-mitigating controls, which can be used to drive future assurance activities. - TVCA leadership have reviewed the internal audit annual plan and ensured it is aligned with a risk-based approach with key risks and projects for the upcoming year.

Action progress

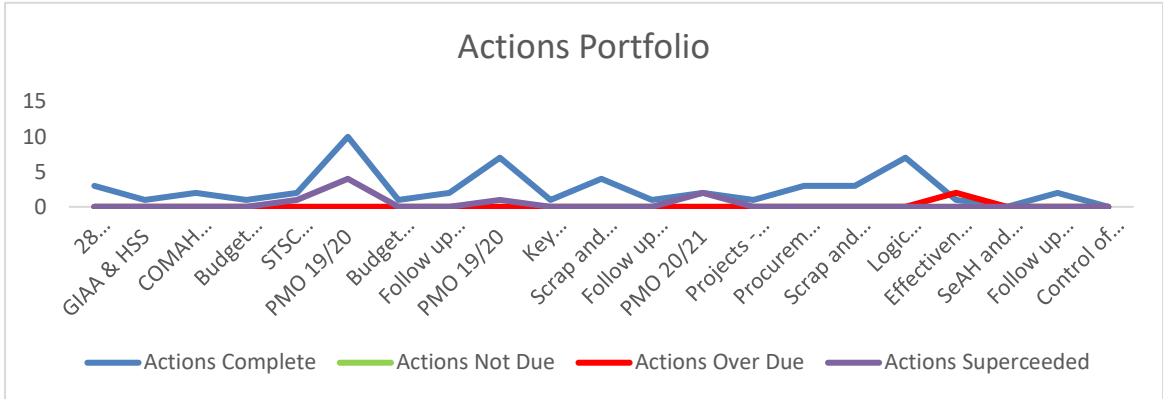
Of the 3 action plans tracked in period: 2 actions are overdue (as per table below).

- 1 medium priority.
- 1 low priority.



Overall portfolio progress

As of February 2025, 97% of actions have been implemented/superseded (action plans 2019 – date), with 3% currently overdue.



**SOUTH TEES
DEVELOPMENT
CORPORATION**

Remaining Actions

Audit	Original Delivery Date	Revised Delivery Date	Status	Action
Effectiveness of AGC	30/09/2023	31/10/2024	In Progress	A succession plan will be produced detailing potential successors and how they are to be developed and mentored. Due date has been revised and changed to October.
Effectiveness of AGC	30/09/2023	31/10/2024	Overdue	A reporting line from the AGC to the Board will be established to help promote transparency and oversight over the duties discharged to the AGC by the Board.

**SOUTH TEES
DEVELOPMENT
CORPORATION**

FINANCIAL IMPLICATIONS

2. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

3. There are no direct legal implications arising from this report.

RISK ASSESSMENT

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

CONSULTATION & COMMUNICATION

5. None required.

EQUALITY & DIVERSITY

6. No impacts.

Name of Contact Officer: Angela Hart
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TEESWORKS

The UK's largest
industrial zone

SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) UPDATE AND INTERNAL AUDIT REPORT

SUMMARY

The TIAA summary controls assurance report provides the South Tees Development Corporation (STDC) Audit and Governance Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of TIAA's work at South Tees Development Corporation Group as at January 2025.

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee:

- i. **NOTES** the content on the findings within the SICA report.
- ii. **NOTES** the content of the TIAA Assurance Review of Disaster Recovery 2023/2024
- iii. **NOTES** the content of the TIAA Follow up 2023/2024 Review
- iv. **NOTES** the Internal Audit Opinion 2023/2024

DETAIL

1. The SICA report sets out details of audits finalised since the previous meeting of the STDC Audit and Governance Committee.
2. The report covers progress against the Annual Plan for 2023/2024 and progress against the annual Plan for 2024/2025.

**SOUTH TEES
DEVELOPMENT
CORPORATION**

3. The report covers the internal audit opinion for 2023/24, with reasonable assurance being issued.

FINANCIAL IMPLICATIONS

4. Financial implications are included in the body of the report.

LEGAL IMPLICATIONS

5. There are no legal implications in this report.

RISK ASSESSMENT

6. This document is categorised as low risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

7. No further consultation required. Consultation is with the Audit Committee.

EQUALITY & DIVERSITY

8. There are no equality or diversity implications arising from the subject matter in this document.

Name of Contact Officer:	Victoria Smith
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South Tees Development Corporation

Summary Internal Controls Assurance (SICA) Report

January 2025

Final



Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Audit and Governance Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at South Tees Development Corporation as at 17th January 2025..

Investing in the Future of TIAA

2. TIAA welcomed our largest intake of talented and enthusiastic trainees in the summer across the UK. This initiative is a testament to our dedication to nurturing the next generation of professionals and ensuring that we continue to deliver the highest standards of service to you. This builds on past successes where staff who joined TIAA as trainees have obtained professional qualifications and progressed to audit management roles.

We believe that investing in their development is crucial not only for their personal growth but also for the continued success of TIAA. To this end, we are sponsoring their professional qualifications, providing them with the necessary resources and support to excel in the internal audit profession and any relevant specialism they may choose.

With each trainee mentored by an experienced Director of Audit, we have re-designed a comprehensive training programme that covers a wide range of skills and knowledge areas. All trainees have been guided by experienced audit staff and management, shadowing on audits to get to know our client base, following a high standard already set by our experienced team.

By investing in our trainees, we are investing in the future of our company. We are confident that this initiative will enhance our capabilities. Our commitment to the quality of our services remains unwavering, and we are excited about the positive impact our new trainees will have on our work with you.

Audits completed since the last SICA report to the Audit Committee

3. The table below sets out details of audits finalised since the previous meeting of the Audit and Governance Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
23/24 ICT Disaster Recovery	Reasonable	22/11/2024	06/01/2025	06/01/2025	0	3	3	0
23/24 Follow Up	N/A	08/01/2025	08/01/2025	08/01/2025	-	-	-	-

4. The Executive Summaries for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2024/2025 Annual Plan

5. Our progress against the Annual Plan for 2024/25 is set out in Appendix B.

Changes to the Annual Plan 2024/25

6. There are no proposed changes to the 2024/25 Annual Plan.

Progress in actioning priority 1 & 2 recommendations

7. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA.

Frauds/Irregularities

8. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

9. We have issued a number of briefing notes and fraud digests, shown in Appendix C, since the previous SICA report.

Responsibility/Disclaimer

10. 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. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. 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.

Appendix A: Executive Summaries

The following Executive Summaries are included in this Appendix. Full copies of the reports are provided to the Audit Committee.

Review	Key Findings
ICT Disaster recovery	<p>The TVCA Group has documented a Disaster Recovery Plan, however, it is in draft format and has not been formally approved and adopted.</p> <p>A Business Continuity Plan for the TVCA Group is not currently in place.</p> <p>An Incident Reporting Procedure was confirmed as being in place.</p> <p>Once the DR Plan is approved, a regular testing schedule will need to be implemented.</p> <p>There is a third party IT supplier Xentrall. Xentrall conducts backups and restores as required and where appropriate for the systems they host (e.g., Agresso, MyHR).</p> <p>A major incidents team is responsible for the recovery process.</p>

Appendix B: Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Governance – Strategic Control	4	To commence 17 th February 2025	
Cyber Security	4	To commence 3 rd March 2025	
Project Management	4	To commence 13 th March 2025	
Key Financial Controls - Payroll	4	To commence 25 th March 2025	
CIPFA Review Implementation	4	To commence 10 th March 2025	

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued
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Appendix C: Briefings on Developments in Governance, Risk and Control

TIAA produce regular briefing notes to summarise new developments in Governance, Risk, Control, Counter Fraud and Security Management which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those briefings issued in the last three months which may be of relevance to the Corporation is given below:

Summary of recent Client Briefings and Alerts

Date Issued	Sector	Briefing Type	Subject	Web Link	TIAA Comments
20th December 2024	ALL	Security Alert	Company Sanctioned for Deploying Staff with Fraudulent SIA Licences	Company Sanctioned for Deploying Staff with Fraudulent SIA Licences - TIAA	A security company has been sanctioned for deploying 26 untrained staff with fraudulent SIA licences across the capital on 832 separate shifts. Our alert has the full story and advice.
12th December 2024	Education	Data Protection Alert	Government Updates to Data Protection in Schools	Government Updates to Data Protection in Schools - TIAA	Good data protection practices are essential for building trust in how personal data is collected, stored, and used. This is especially crucial when it comes to minors' data. The UK Government has recently updated guidelines on: Record Keeping and Management and Generative AI and Data Protection in Schools. Our alert has the full details.
12th December 2024	ALL	Security Alert	Increase in People Sheltering in Waste Containers	Increase in People Sheltering in Waste Containers - TIAA	With the rise in homelessness, the waste management industry is encountering an increasing number of rough sleepers seeking shelter in waste containers, which poses significant risks when waste is collected.
12 th December 2024	Healthcare	Anti-Crime Alert	Covid Corruption Commissioner Appointed	Covid Corruption Commissioner Appointed - TIAA	This briefing covers the appointment of Tom Hayhoe as the new Covid Corruption Commissioner to investigate PPE fraud. His first task is to review the £8.7bn worth of PPE purchased during the pandemic that was written off. Our alert has all the details.
10 th December 2024	Charities	Briefing	Charity Commission Refreshes Anti-Fraud Guidance	Charity Commission Refreshes Anti-Fraud Guidance - TIAA	The Charity Commission recently published updated guidance to help trustees protect their charities from fraud and cybercrime.
10 th December 2024	ALL	TIAA Article	Festive Fraud	Festive Fraud - TIAA	The holiday season is a peak time for scams. Our article on festive fraud covers essential tips to safeguard yourself from online shopping scams, fake delivery notifications, and more.

Date Issued	Sector	Briefing Type	Subject	Web Link	TIAA Comments
6 th December 2024	ALL	Publication	Security Industry Authority (SIA) Annual Report 2024 Summary	Security Industry Authority (SIA) Annual Report 2024 Summary - TIAA	TIAA's summary of the Security Industry Authority (SIA) Annual Report 2024. Dive into the figures, key points and developments that are shaping the security industry.
29 th November 2024	ALL	Security Alert	Winter Vigilance Counter Terrorism Policing Campaign	Winter Vigilance Counter Terrorism Policing Campaign - TIAA	Counter Terrorism Policing's (CTP) winter campaign has been launched to keep the public safe this winter.
27 th November 2024	ALL	Briefing	Failure to Prevent Fraud guidance published	Failure to Prevent Fraud guidance published - TIAA	On 6 November 2024, gov.uk published guidance to provide organisations with important advice on the new corporate criminal offence of 'failure to prevent fraud'. Introduced last year as part of the Economic Crime and Corporate Transparency Act, the offence is intended to hold large organisations to account if they profit from fraud.
27 th November 2024	ALL	Briefing	The Economic Crime and Corporate Transparency Act Update	The Economic Crime and Corporate Transparency Act Update - TIAA	An update on The Economic Crime and Corporate Transparency, On 16 October 2024, gov.uk published their latest policy paper on the Economic Crime and Corporate Transparency Act, outlining the transition plan for Companies House.
12 th November 2024	ALL	TIAA Article	Are you Scam Savvy?	Are you Scam Savvy? - TIAA	In today's digital age, scams are becoming increasingly sophisticated and prevalent. To help you stay informed and protected, we've compiled a series of articles that delve into some of the most common types of fraud.
12 th November 2024	ALL	Campaign	International Fraud Awareness Week 2024	International Fraud Awareness Week 2024 - TIAA	International Fraud Awareness Week (IFAW) (17 th – 23 rd November 2024) raises awareness of fraud risks and key reporting lines. The campaign aims to start discussions amongst peers, co-workers, executives and stakeholders in the community about how important fraud prevention is to society as a whole. Our dedicated page has a range of information and resources.
1 st November 2024	All	Newsletter	Fraud Stop All Sectors – Winter 2024	Fraud Stop All Sectors – Winter 2024 - TIAA	The Winter 2024 edition of our Fraud Stop All Sectors publication is now available. Our Fraud Stop publication features emerging fraud trends identified at organisations, case studies that our specialists have been involved in and methods of fraud prevention.



Tees Valley Combined Authority

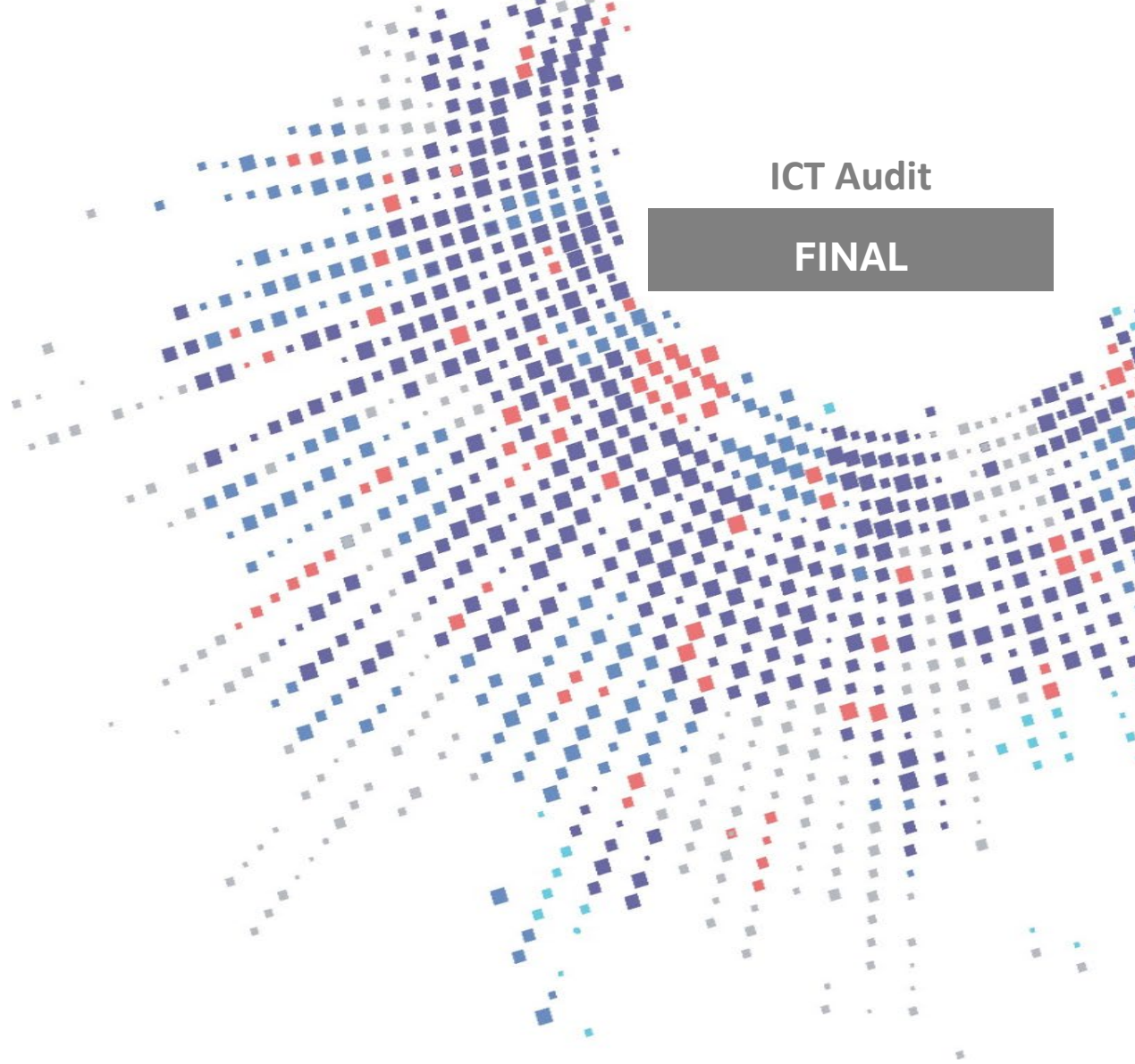
Assurance Review of Disaster Recovery

2023/24

January 2025

ICT Audit

FINAL



Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The risks relating to IT disaster recovery are not currently recorded in the Register.

SCOPE

The review considered 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.

KEY STRATEGIC FINDINGS

- The TVCA Group has documented a Disaster Recovery Plan, however, it is in draft format and has not been formally approved and adopted.
- A Business Continuity Plan for the TVCA Group is not currently in place.
- An Incident Reporting Procedure was confirmed as being in place.
- Once the DR Plan is approved, a regular testing schedule will need to be implemented.

GOOD PRACTICE IDENTIFIED

- There is a third party IT supplier Xentrall. Xentrall conducts backups and restores as required and where appropriate for the systems they host (e.g., Agresso, MyHR).
- A major incidents team is responsible for the recovery process.

ACTION POINTS

Urgent	Important	Routine	Operational
0	3	3	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)
1	Directed	To complement the Business Continuity Plan (BCP), action cards or a flow chart on a page would be helpful at a quick glance to advise staff what to do.	Action cards and flow charts to inform staff at a glance of the process to invoke the Disaster Recovery Plan be utilised once the plan is agreed.	2	<i>Management will produce flow charts and action cards to aid staff understanding.</i>	31 March 2025	Pete Wilson IT Systems Service Delivery Manager
2	Directed	There is no Business Continuity Plan (BCP) in place. The aim is to have an overall BCP to cover the whole organisation with specific requirements for individual departments where appropriate.	An organisation-wide Business Continuity Plan be agreed, documented and introduced.	2	<i>A working group has been established and a new business continuity plan is underway. This will be shared with the committee upon completion.</i>	30 June 2025	Angela Hart Head of Performance, Risk and Assurance
4	Directed	There is currently no awareness training for disaster recovery or business continuity. The IT Service Manager is liaising with the HR department to address this.	Disaster recovery and business continuity training be provided to all staff.	2	<i>Training will be rolled out via IHASCO.</i>	31 March 2025	Pete Wilson IT Systems Service Delivery Manager and Clare Winter Head of People
3	Directed	Once the DR Plan is approved, a regular testing schedule will need to be implemented to ensure staff are aware of their responsibilities and to confirm the plan remains fit for purpose.	Regular testing schedules (e.g. annually), including various test scenarios (such as hardware failures and cyber incidents) be established, with test results being documented for review and lessons learned.	3	<i>Testing schedules for the new ICT disaster recovery plan, will be implemented.</i>	31 March 2025	Pete Wilson IT Systems Service Delivery Manager

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)
5	Directed	As there is no Business Continuity Plan in place, testing of incidents which would prompt the plan being invoked has not been performed.	Once the Business Continuity Plan is approved, a regular testing schedule using different scenarios be introduced to ensure the plan's effectiveness and identify any improvements.	3	<i>Management agrees with the recommendation and will ensure this is implemented alongside the approval of the new BCP.</i>	30 June 2025	Angela Hart Head of Performance, Risk and Assurance
6	Directed	A Risk Register is in place to reference scenarios and assessments and is hosted in an online system. The risks relating to IT disaster recovery are not currently recorded in the Register.	The risks related to having weak or poor IT disaster recovery arrangements be considered and included as a specific risk in the Group's risk register(s).	3	<i>Management acknowledges the importance and significance of disaster recovery and will add a separate risk to the operational risk register'.</i>	31 March 2025	Sarah Brackenbrough Governance Manager

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.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no Operational Effectiveness Matters 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.	Not in place	1, 2, & 4	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	6	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	3, & 5	-

Other Findings

- There is a Digital Strategy 2022-2032 in place which states "At its core, this strategy has one ambition – to utilise digital infrastructure, digital innovation and digital inclusion to create a world-leading digitally enabled economy that works for every person and every business in Darlington, Hartlepool, Middlesbrough, Stockton and Redcar and Cleveland, attracting talent and making Tees Valley a great place to live, work and visit." Therefore, to ensure continuous IT provision is paramount.
- The Chief Digital Officer and the IT Service Manager are responsible for overseeing the Disaster Recovery (DR) function.
- A Risk Register is in place to reference scenarios and assessments and is hosted in an online system. The risks relating to IT disaster recovery are not currently recorded in the Register.
- The Authority has a Disaster Recovery Plan that is being replaced a new version which is currently in draft and awaiting review and approval. Business Impact Assessments (BIAs) have not been completed. However, the draft DR Plan lists all key business systems along with criticality. This is mirrored in the Xentrall Service Agreement.
- The draft DR Plan review is based on specific triggering events, including changes in system hosting methods, technology updates, regulatory changes, and post-incident evaluations.

Other Findings



The draft Disaster Recovery Plan includes guidance to minimise service disruption in case of hardware or software failures. It defines the scope, objectives, and roles of key personnel while emphasising a collaborative approach to incident management. The plan highlights the use of a zero-trust IT strategy, reliance on third-party providers, and clear recovery objectives for critical systems. It also includes procedures for alerting, invocation, and communication during incidents, along with a commitment to regular reviews and updates.



A Major Incidents Team is responsible for the recovery process. This includes the Incident Co-ordinator, IT Lead, Business Continuity Lead, Communications Lead, Facilities Lead and Xentrall. An Incident Reporting Procedure is documented and in place.



A structured communication process for the DR Plan is in place, involving key personnel such as business leads, IT section leads, and communications leads. The Incident Coordinator is responsible for notifying relevant parties about incidents and invoking the DR Plan. This includes internal and external communication, ensuring that all stakeholders are informed of their roles and the details necessary for effective recovery.

TVCA:

- Chief Executive.
- Financial Director.
- Infrastructure Director.
- Business Support Director.
- Heads of Communications and Marketing.
- The Office of the Tees Valley Mayor.
- Business Board.

IT Service Provider:

- Xentrall Service Desk.
- Principal Solutions Architect.

The Xentrall Service Agreement states "In any DR situation, Xentrall ICT will ensure effective two-way communications with TVCA's nominated representative(s) to facilitate and inform discussions on recovery."



Since all the business systems listed are remotely hosted / SaaS and there is no internal IT infrastructure in the building beyond an internet connection.



Staff are hybrid-working and can therefore relocate to another site or work from home if an office was not available.



The DR plan applies to all TVCA staff and serves as a reference for procedures related to the continuity and recovery of services. Copies of the document are available to help staff familiarise themselves with its content and the necessary processes.



Xentrall conducts backups and restores as required and where appropriate for the systems they host (e.g. Agresso, MyHR). The Authority does not have ongoing visibility into backup success or failure, but this information can be provided upon request. Xentrall will notify TVCA of any concerns in real-time.



Xentrall undertakes data backups of the Office 365 tenancy off-site to cloud storage. The Service Agreement states "TVCA data is mostly contained with the Microsoft 365 environment. Therefore, recovery from those services will be subject to Microsoft and their agreed recovery times stated within their SLA. We do however keep an off-site copy of all data within the Microsoft 365 tenancy in the event of an unforeseen disaster. This would give us a recovery point when the Microsoft core services come back online, in the event of any corrupt data."



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.	In place	-	-

Other Findings



There is a Xentrall ICT Escalation Procedure as follows in the event of concerns with performance: -

- If the service is not meeting the standard set out within this document, contact the ICT Service Desk Co-ordinator.
- If a satisfactory response is not received within a further 48 hours, contact the Head of ICT.
- If a satisfactory response is not received within a further 48 hours, contact the Assistant Director (Xentrall Shared Services).



Resilience is with Xentrall, the third party IT supplier.



It was stated that Xentrall has its own DR Plan which is commercially sensitive as it covers other organisations Xentrall provides IT services for, therefore the document has not been sighted. However, DR arrangements in respect of TVCA is covered in the Service Agreement.

Scope and Limitations of the Review

- 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

- 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

- 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

- 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

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

Release of Report

- The table below sets out the history of this report:

Stage	Issued	Response Received
Audit Planning Memorandum:	24 th September 2024	24 th September 2024
Draft Report:	22 nd November 2024	6 th January 2025
Final Report:	6 th January 2025	
Revised Final Report:	8 th January 2025	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Tees Valley Combined Authority		
Review:	Disaster Recovery		
Type of Review:	Assurance	Audit Lead:	Nour Ben Slimane, ICT Auditor

Outline scope (per Annual Plan):	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.		
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:	None		

Planned Start Date:	6/11/2024	Exit Meeting Date:	20/11/2024	Exit Meeting to be held with:	IT Service Manager and Chief Digital Officer
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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?	N
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



Internal Audit

FINAL

Tees Valley Combined Authority

Follow Up Review

2023/24

January 2025

Executive Summary

Introduction

1. This follow up review by TIAA established the management action that has been taken in respect of the recommendations arising from the internal audit reviews listed below at Tees Valley Combined Authority. The review was carried out in January 2025:

Review	Year
Covid-19 Response	2021/22
Partnership Arrangements	2021/22
Business Continuity Planning	2022/23
Grants Management	2022/23
Management Information	2022/23
Procurement to Pay	2022/23
Risk Management	2022/23

Key Findings & Action Points

2. The follow up review considered whether the management action taken addresses the control issues that gave rise to the recommendations. The implementation of these recommendations can only provide reasonable and not absolute assurance against misstatement or loss. From the work carried out the following evaluations of the progress of the management actions taken to date have been identified:

Evaluation	Number of Recommendations
Implemented	10
Outstanding	15
Superseded	3
Not Implemented	-

Scope and Limitations of the Review

3. The review considered the progress made in implementing the recommendations made in the previous internal audit reports and established the extent to which management has taken the necessary actions to address the control issues that gave rise to the internal audit recommendations.
4. 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.
5. For the purposes of this review reliance was 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.

Disclaimer

6. The matters raised in this report 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.

Release of Report

7. The table below sets out the history of this report:

Date draft report issued:	8 th January 2025
Date management responses rec'd:	8 th January 2025
Date final report issued:	8 th January 2025

Executive Summary

Follow Up

8. Management representations were obtained on the action taken to address the recommendations and limited testing has been carried out to confirm these management representations. The following matters were identified in considering the recommendations that have not been fully implemented:
9. **Covid-19 Response 2021/22**

Audit title	Covid-19 Response	Audit year	2021/22	Priority	Unavailable
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Governance and Scrutiny Manager	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>September 2024</p> <p>Due to capacity limitations with the Governance team development of the Internal Audit Actions has been delayed. This is now being prioritised and will be complete by the end of November.</p>				
New implementation date	30/11/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

10. Partnership Arrangements 2021/22

Audit title	Partnership Arrangements	Audit year	2021/22	Priority	Unavailable
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Governance and Scrutiny Manager	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	September 2024 Due to capacity limitations with the Governance team development of the Internal Audit Actions has been delayed. This is now being prioritised and will be complete by the end of November.				
New implementation date	30/11/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Partnership Arrangements	Audit year	2021/22	Priority	Unavailable
Recommendation	A Terms of Reference will be established by TVCA for the LEP which details its purpose, authority and reporting lines. This will be authorised by the Cabinet and communicated to the LEP members. Terms of Reference for the Transport Advisory Group and EESAG will be approved and communicated to members. This will be captured within meeting minutes. TVCA will ensure that the Terms of References are updated to include a change log to capture when the Terms of Reference was last reviewed and approved.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Business Solutions	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	The LEP no longer exists and has been superseded by formation of the Business Board for which there is now a Terms of Reference.				
New implementation date	N/A	Status	Superseded	The recommendation has been superseded.	

Audit title	Partnership Arrangements	Audit year	2021/22	Priority	Unavailable
Recommendation	See management action 1. TVCA will ensure a Schedule of Business is established for the TAG, Transport Committee, EESAG and LEP meeting which covers what needs to be reported at each meeting.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Business Solutions	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	The LEP no longer exists and has been superseded by formation of the Business Board.				
New implementation date	N/A	Status	Superseded	The recommendation has been superseded.	

Audit title	Partnership Arrangements	Audit year	2021/22	Priority	<i>Unavailable</i>
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Governance and Scrutiny Manager	Original implementation date	<i>Unavailable</i>	Revised implementation date(s)	<i>Unavailable</i>
Latest Update	The LEP no longer exists and has been superseded by formation of the Business Board.				
New implementation date	N/A	Status	Superseded	The recommendation has been superseded.	

11. **Procurement to Pay 2022/23**

Audit title	Procurement to Pay	Audit year	2022/23	Priority	<i>Unavailable</i>
Recommendation	Management will ensure that the reporting of procurement activities within the Procurement team is developed to include key dashboards and related KPI figures which can be directly reported through the governance structure as required (such as but not limited to: supplier performance, expenditure outside of policy).				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Group Procurement and Purchasing Manager	Original implementation date	<i>Unavailable</i>	Revised implementation date(s)	<i>Unavailable</i>
Latest Update	<p>September 2024</p> <p>Procurement pipeline is currently maintained through manual Excel data.</p> <p>There is a dependency on available capacity of the Authority's Bi Technical support. Investment Plan is currently being prioritised for delivery, following this reporting for Procurement will be developed.</p>				
New implementation date	30/03/2025	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

12. **Grants Management 2022/23**

Audit title	Grants Management	Audit year	2022/23	Priority	<i>Unavailable</i>
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	<i>Unavailable</i>	Revised implementation date(s)	<i>Unavailable</i>
Latest Update	Awaiting further update.				
New implementation date	30/11/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

13. Management Information 2022/23

Audit title	Management Information	Audit year	2022/23	Priority	Unavailable
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>June 2024</p> <p>Dependency of heads of service to confirm the type of information that will be valuable. Project plan milestones - all funding sources, allocated out to programmes/ projects, will be loaded into the system. Issue not all information is being processed through Performance and Assurance. The Authority has a dependency on Thematic leads to govern their projects if this is not being processed through. Project plan has been developed by Systems Manager. Deadline has been provided to Trackmetrics to complete by mid-July. Performance System is being prioritised. Collaboration with Finance team to implement effective governance and scrutiny of financial information, sign off funds etc. Awaiting response from Finance for dedication of time. This system cannot be progressed until this control is operated. Process maps will document project from start to completion. This system needs to be utilised by the whole of the combined authority. Project Steering Group is going to be implemented. Incentive has been introduced to dedicate more working hours to ensure the system is uploaded.</p> <p>September 2024</p> <p>Collaboration with Finance is ongoing to ensure robust processes are confirmed to incorporate with the development of the system, this has resulted in recent changes regarding the requirement for project reference numbers to collate in both Agresso and the Investment Plan System. Due to the volume of historic data require to be reconciled to ensure full site of all performance and financial spend the delivery date for the Investment Plan system has been pushed back to December 2024.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Management Information	Audit year	2022/23	Priority	Unavailable
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>June 2024</p> <p>Dependency of heads of service to confirm the type of information that will be valuable. Project plan milestones - all funding sources, allocated out to programmes/ projects, will be loaded into the system. Issue not all information is being processed through Performance and Assurance. The Authority has a dependency on Thematic leads to govern their projects if this is not being processed through. Project plan has been developed by Systems Manager. Deadline has been provided to Trackmetrics to complete by mid-July. Performance System is being prioritised. Collaboration with Finance team to implement effective governance and scrutiny of financial information, sign off funds etc. Awaiting response from Finance for dedication of time. This system cannot be progressed until this control is operated. Process maps will document project from start to completion. This system needs to be utilised by the whole of the combined authority. Project Steering Group is going to be implemented. Incentive has been introduced to dedicate more working hours to ensure the system is uploaded. Consider collaboration with HR PRA to introduce a process for leavers or changes in position, to ensure all systems are updates.</p> <p>September 2024</p> <p>Collaboration with Finance is ongoing to ensure robust processes are confirmed to incorporate with the development of the system, this has resulted in recent changes regarding the requirement for project reference numbers to collate in both Agresso and the Investment Plan System. Due to the volume of historic data require to be reconciled to ensure full site of all performance and financial spend the delivery date for the Investment Plan system has been pushed back to December 2024.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Management Information	Audit year	2022/23	Priority	Unavailable
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>June 2024</p> <p>Dependency on thematic leads to provide confirmation of this and collaborate with Systems Manager. Project Board Steering group to be developed. This forum will allow decisions to be made to ensure appropriate escalation process is agreed.</p> <p>September 2024</p> <p>Collaboration with Finance is ongoing to ensure robust processes are confirmed to incorporate with the development of the system, this has resulted in recent changes regarding the requirement for project reference numbers to collate in both Agresso and the Investment Plan System.</p> <p>Due to the volume of historic data require to be reconciled to ensure full site of all performance and financial spend the delivery date for the Investment Plan system has been pushed back to December 2024.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Management Information	Audit year	2022/23	Priority	Unavailable
Recommendation	Management will ensure that the specification for key performance metrics, targets and thresholds is formally documented and agreed.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>June 2024</p> <p>Dependency of heads of service to confirm the type of information that will be valuable. Project plan milestones - all funding sources, allocated out to programmes/ projects, will be loaded into the system. Issue not all information is being processed through Performance and Assurance. The Authority has a dependency on Thematic leads to govern their projects if this is not being processed through. Project plan has been developed by Systems Manager. Deadline has been provided to Trackmetrics to complete by mid-July. Performance System is being prioritised. Collaboration with Finance team to implement effective governance and scrutiny of financial information, sign off funds etc. Awaiting response from Finance for dedication of time. This system cannot be progressed until this control is operated. Process maps will document project from start to completion. This system needs to be utilised by the whole of the combined authority. Project Steering Group is going to be implemented. Incentive has been introduced to dedicate more working hours to ensure the system is uploaded.</p> <p>September 2024</p> <p>Collaboration with Finance is ongoing to ensure robust processes are confirmed to incorporate with the development of the system, this has resulted in recent changes regarding the requirement for project reference numbers to collate in both Agresso and the Investment Plan System. Due to the volume of historic data require to be reconciled to ensure full site of all performance and financial spend the delivery date for the Investment Plan system has been pushed back to December 2024.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Management Information	Audit year	2022/23	Priority	<i>Unavailable</i>
Recommendation	The procedures for testing, approving and making changes to performance metrics will be formally documented and communicated to all relevant personnel.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	<i>Unavailable</i>	Revised implementation date(s)	<i>Unavailable</i>
Latest Update	<p>June 2024 Process maps will document project from start to completion. Dependency on internal capacity to support the development of the process maps. This is currently being queried with the relevant team.</p> <p>September 2024 Process Maps will be developed in line with system delivery.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Management Information	Audit year	2022/23	Priority	<i>Unavailable</i>
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	<i>Unavailable</i>	Revised implementation date(s)	<i>Unavailable</i>
Latest Update	<p>June 2024 Testing is to be complete to ensure access/ permission requirements are accurate.</p> <p>September 2024 Testing will be complete once data input is finalised.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Management Information	Audit year	2022/23	Priority	Unavailable
Recommendation	Management will ensure that a process of first line checks and second line quality assurance checks is established once the reporting system is implemented.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>June 2024</p> <p>Dependency of heads of service to confirm the type of information that will be valuable. Project plan milestones - all funding sources, allocated out to programmes/ projects, will be loaded into the system. Issue not all information is being processed through Performance and Assurance. The Authority has a dependency on Thematic leads to govern their projects if this is not being processed through. Project plan has been developed by Systems Manager. Deadline has been provided to Trackmetrics to complete by mid-July. Performance System is being prioritised. Collaboration with Finance team to implement effective governance and scrutiny of financial information, sign off funds etc. Awaiting response from Finance for dedication of time. This system cannot be progressed until this control is operated. Process maps will document project from start to completion. This system needs to be utilised by the whole of the combined authority. Project Steering Group is going to be implemented. Incentive has been introduced to dedicate more working hours to ensure the system is uploaded. Operational control of the Performance and Assurance team. System email to be utilised for all queries.</p> <p>September 2024</p> <p>Collaboration with Finance is ongoing to ensure robust processes are confirmed to incorporate with the development of the system, this has resulted in recent changes regarding the requirement for project reference numbers to collate in both Agresso and the Investment Plan System. Due to the volume of historic data require to be reconciled to ensure full site of all performance and financial spend the delivery date for the Investment Plan system has been pushed back to December 2024.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Management Information	Audit year	2022/23	Priority	Unavailable
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>June 2024</p> <p>Dependency of heads of service to confirm the type of information that will be valuable. Project plan milestones - all funding sources, allocated out to programmes/projects, will be loaded into the system. Issue not all information is being processed through Performance and Assurance. The Authority has a dependency on Thematic leads to govern their projects if this is not being processed through. Project plan has been developed by Systems Manager. Deadline has been provided to Trackmetrics to complete by mid-July. Performance System is being prioritised. Collaboration with Finance team to implement effective governance and scrutiny of financial information, sign off funds etc. Awaiting response from Finance for dedication of time. This system cannot be progressed until this control is operated. Process maps will document project from start to completion. This system needs to be utilised by the whole of the combined authority. Project Steering Group is going to be implemented. Incentive has been introduced to dedicate more working hours to ensure the system is uploaded. Operational control of the Performance and Assurance team. System email to be utilised for all queries.</p> <p>September 2024</p> <p>Collaboration with Finance is ongoing to ensure robust processes are confirmed to incorporate with the development of the system, this has resulted in recent changes regarding the requirement for project reference numbers to collate in both Agresso and the Investment Plan System. Due to the volume of historic data require to be reconciled to ensure full site of all performance and financial spend the delivery date for the Investment Plan system has been pushed back to December 2024.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

14. Risk Management 2022/23

Audit title	Risk Management	Audit year	2022/23	Priority	Unavailable
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>March 2024 Themes all have corporate objective/risk.</p> <p>September 2024 Alignment of all risks to Corporate Objective and Operation Objective is approaching completion, due to capacity limitations, volume of risks and expanding workloads, this activity has been delayed.</p>				
New implementation date	30/10/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Risk Management	Audit year	2022/23	Priority	Unavailable
Recommendation	The Risk Management Framework will be updated to reflect the escalation process and the requirement to self-service.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	Unavailable	Revised implementation date(s)	Unavailable
Latest Update	<p>January 2024 Processes have been added to the framework, awaiting review.</p> <p>June 2024 Risk Officers to review amendments submitted and make any further changes required.</p> <p>September 2024 Review and update to the Risk Management Framework has been complete, following a review by the new Head of Performance, Risk and Assurance, this will be submitting for final review to be presented to the board.</p>				
New implementation date	31/12/2024	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

Audit title	Risk Management	Audit year	2022/23	Priority	<i>Unavailable</i>
Recommendation	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.				
Initial management response	<i>Information unavailable as audit was conducted by a different provider.</i>				
Responsible Officer/s	Head of Performance, Risk and Assurance	Original implementation date	<i>Unavailable</i>	Revised implementation date(s)	<i>Unavailable</i>
Latest Update	<p>September 2024</p> <p>As a result of limited capacity within the Risk Team and expanding workloads, control testing has been pushed back to Q1 2025.</p> <p>All live risks have documented controls/ treatment action plans. This is captured as part of the initial identify and assess process of Risk Management.</p>				
New implementation date	31/03/2025	Status	Outstanding	Implementation is in progress but the original target date has not been met.	

15. The following recommendations have been implemented:

Audit Title	Recommendation	Responsible Officer
2021/22 Covid-19 Response	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.	Governance and Scrutiny Manager
2021/22 Covid-19 Response	All relevant stakeholder consultation will be included in Cabinet papers, to provide assurance to the Cabinet that reasonable consultation has taken place.	Governance and Scrutiny Manager
2021/22 Covid-19 Response	The apprenticeship grant will include monitoring of withdrawals from funding after six months, to effectively monitor if apprenticeships are being upheld as part of the scheme.	Head of Business Solutions
2021/22 Covid-19 Response	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.	Performance and Assurance Manager
2022/23 Procurement to Pay	Management will ensure that the Group Procurement Policy is formally approved by the Board and then published on the intranet and cascaded to all relevant staff.	Group Procurement and Purchasing Manager
2022/23 Procurement to Pay	The purchase requisition approval process will be reviewed to determine whether any controls which mitigate or deter duplicate or inappropriate purchase requisitions from being raised can be automated.	Group Procurement and Purchasing Manager
2022/23 Grants Management	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.	Head of Performance, Risk and Assurance
2022/23 Management Information	Management will create and maintain a framework mapping key objectives from the SEP and Investment Plan to a suite of KPIs.	Head of Performance, Risk and Assurance
2022/23 Risk Management	Once the Risk Management Framework is approved, the Authority will ensure that it is communicated to all relevant staff not already covered. In addition, the framework will be published on the appropriate channels to allow staff to access this, where appropriate.	Head of Performance, Risk and Assurance
2022/23 Risk Management	The Authority will ensure that the updated Risk Management Framework is appropriately approved and reviewed in line with the current standard cycle.	Head of Performance, Risk and Assurance



Internal Audit

FINAL

Tees Valley Combined Authority

Internal Audit Annual Report

2023/24

January 2025

Internal Audit Annual Report

Introduction

This is the 2023/24 Annual Report by TIAA on the internal control environment at Tees Valley Combined Authority (TVCA). The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation’s framework of governance, risk management and control.

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. Ongoing quality assurance work was carried out throughout the year, and we continue to comply with ISO 9001:2015 standards.

HEAD OF INTERNAL AUDIT’S ANNUAL OPINION

TIAA is satisfied that, for the areas reviewed during the year, Tees Valley Combined Authority has reasonable and effective risk management, control and governance processes in place.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by TVCA from its various sources of assurance.

Internal Audit Planned Coverage and Output

The 2023/24 Annual Audit Plan approved by the Audit and Governance Committee was for 75 days of internal audit coverage in the year.

During the year there was one change to the Audit Plan, with the Governance Audit being deferred to 2024/25 as a result of the Independent Review. This change was reported to and approved by the Audit and Governance Committee.

The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

No extra work was carried out which was in addition to that set out in the Annual Audit Plan.

Assurance

TIAA carried out five reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve TVCA’s objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below:

Assurance Assessments	Number of Reviews
Substantial Assurance	2
Reasonable Assurance	3
Limited Assurance	0
No Assurance	0

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2023/24:

Urgent	Important	Routine
0	10	13

Audit Summary

Control Weaknesses: There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance.'

Recommendations Made: We have analysed our findings/recommendations by risk area, and these are summarised below:

Risk Area	Urgent	Important	Routine
Directed			
Governance Framework	0	4	5
Risk Mitigation	0	0	2
Compliance	0	4	6
Delivery			
Performance Monitoring	0	1	0
Sustainability	0	0	0
Resilience	0	1	0

Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

Performance and Quality Assurance

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

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	80%*
Compliance with IIA Internal Audit Standards	100%	100%

* One report issued after 12 days.

Release of Report

The table below sets out the history of this Annual Report:

Date Report issued:	8 th January 2025
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Annexes

Annex A

Actual Against Planned Internal Audit Work 2023/24

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Governance - Strategic Control	Assurance	8	-	-	Deferred to 2024/25 plans
Key Financial Controls	Assurance	10	10	Substantial	Final Report issued
ICT Disaster Recovery	ICT	10	10	Reasonable	Final Report issued
Data Protection - GDPR	Assurance	10	10	Reasonable	Final Report issued
Risk - Mitigating Controls	Assurance	8	8	Reasonable	Final Report issued
Control of Major Accident Hazards (COMAH)	Assurance	10	10	Substantial	Final Report issued
Follow Up	Follow Up	4	4	-	Final Report issued
Annual Planning	Management	2	2	-	Annual Plan issued
Annual Report	Management	2	2	-	Annual Report issued
Audit Management	Management	11	11	-	-
	Total Days	75	67		

SOUTH TEES DEVELOPMENT CORPORATION COMPLAINTS POLICY

SUMMARY

The purpose of this report is to present the South Tees Development Corporation (STDC) Complaints Policy to the Committee and to seek a recommendation to the South Tees Development Corporation Board for its approval.

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee:

- i. **RECOMENDS** that STDC Board approves the Complaints Policy as detailed in the Appendix to this Report;
- ii. **NOTES** that the policy shall be brought back to this Committee for an annual review by this Committee in early 2026.

DETAIL

1. The Development Corporation does not have a formally adopted complaints policy.
2. It would be good practice for the Development Corporation to have a Complaints Policy to ensure that any complaints received are dealt with in line with a published policy. This will ensure that all complaints are treated fairly, and complainants know what to expect.
3. As detailed in its Terms of Reference, it is the responsibility of this Committee to oversee the audit, risk and governance matters of the Corporation.

SOUTH TEES DEVELOPMENT CORPORATION

4. Complaints to the Corporation should be reported to and monitored to a Committee to ensure that there is a level of member oversight, tracking areas of complaint, ensuring complaints are managed appropriately and that any patterns are identified and acted addressed.

Complaints Policy

5. It is proposed that the proposed Complaints Policy be included on the website page for South Tees Development Corporation and that, following approval by the STDC Board, the role of the STDC Audit and Governance Committee will be to carry out an annual review of the Corporation's Complaints Policy.
6. It is intended that the draft policy will:
 - a. make the complaints process easier to navigate
 - b. make the complaints process easier to understand by the public
 - c. signpost complainants to the correct place if the Development Corporation is not the correct recipient for the complaint; and

FINANCIAL IMPLICATIONS

7. There are no financial implications arising from the subject matter of this report.

LEGAL IMPLICATIONS

8. There are no direct legal implications arising from the subject matter of this report.

RISK ASSESSMENT

9. The content of this report is categorised as low risk.

CONSULTATION & COMMUNICATION

10. The Complaints Policy is to be published on the STDC webpage and should be reviewed annually and be approved by the STDC Audit and Governance Committee to ensure that they remain fit for purpose.

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EQUALITY & DIVERSITY

11. It is not expected that the content of this report will have an effect on any person with protected characteristics.

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Appendix - Agenda Item 8
Report to the STDC Audit and Governance Committee
25 February 2025
Report of the Group Chief Legal Officer

Complaints Policy

COMPLAINTS POLICY

The South Tees Development Corporation is a Mayoral Development Corporation created pursuant to the Localism Act 2011.

1 How you can make a complaint to the South Tees Development Corporation.

By law, the Development Corporation must designate one of its senior officers as the Monitoring Officer. The Monitoring Officer is responsible for ensuring that the Development Corporation acts and operates within the law. Should you have a complaint regarding the Development Corporation, you should put this complaint in writing to the Monitoring Officer.

You can make a complaint in a number of ways:

- completing our 'complaints form' – here [\[include link\]](#)
- write to Complaints, South Tees Development Corporation c/o, Teesside International Airport Business Suite, Teesside International Airport, DL2 1NJ.

When you contact us, please include your name and address (including your postcode) and your phone number. Without your contact details, we will be unable to contact you in order to address your concerns and deal with your complaint.

If you prefer, you can ask a friend or relative to speak or write to us for you. **We will need your written consent if you would like someone to act on your behalf.**

You will need to include sufficient information to enable us to consider your complaint initially and contact you should we require any further information.

2 What happens next?

The Monitoring Officer will investigate the complaint or ask another officer to do so on their behalf. In any event you will receive confirmation of who will look into your complaint.

If we cannot resolve your complaint immediately, we will write to you within five working days to let you know we have received your complaint. We will give you a reference number and let you know that we are investigating your complaint. This information will make it easier for you to contact the person dealing with your complaint if you need to.

The nominated individual will investigate your complaint, take any necessary action and make sure they send a written reply within 15 working days.

If your complaint needs more investigation, and we cannot send you a written reply within 15 working days, we will write to you and let you know when you will receive a written reply.

If you wish to make an appointment to discuss a complaint, please contact the Monitoring Officer.

3 Aim of the Complaints Policy

Our complaints policy aims to ensure that members of the public:

- know where and how to complain to us
- receive an acknowledgement and information on the progress of their complaint
- receive an appropriate response and action is taken where we have failed to provide a satisfactory service.

We are committed to treating everyone who contacts us fairly and equally.

We will use complaints to review and improve the way in which we conduct business.

4 What is a complaint?

A complaint is an expression of dissatisfaction about the standard of service the Development Corporation provides.

There are some complaints that will not be dealt with under this policy such as:

- Where legal processes are involved – where a legal challenge is being made regarding whether a decision or action is lawful;
- Where there is a more appropriate individual or organisation to deal with your complaint, such as a tribunal, Ombudsman or another local organisation or council;
- We would not normally deal with complaints about something that happened more than a year ago;
- Complaints about members of the Development Corporation – Board Members have a separate complaints process, and the Monitoring Officer can advise you about this.
- Whistleblowing – there is a separate Whistleblowing Policy [\[include link\]](#)
- Complaints about Freedom of Information (FOI) requests. Freedom of Information requests are dealt with by following a statutory process set out in the Freedom of Information Act 2000.

5 Choosing the right organisation

Before raising a complaint to the South Tees Development Corporation, it's important to ensure that you have raised the complaint with the correct organisation. Please ensure that your complaint should not be directed to the Tees Valley Combined Authority or Redcar & Cleveland Borough Council, for example.

REGULATORY UPDATE REPORT

SUMMARY

This report provides the Committee with an update on a number of regulatory matters for the South Tees Development Corporation (STDC).

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee **notes** the content of this report.

DETAIL

1. It is proposed that the Committee receives an update on a number of regulatory matters to ensure member oversight of matters of interest.
2. This report includes an update on the following matters:
 - a. Freedom of Information
 - b. Complaints
 - c. Data Protect Matters

Freedom of Information

3. The Development Corporation publishes Freedom of Information (FOI) statistics on its website. The information can be found here [Freedom of Information Requests - About](#) and the data is updated every quarter.
4. For the period October 2024 to December 2024, STDC can report the following statistics in relation to Freedom of Information Requests:

SOUTH TEES DEVELOPMENT CORPORATION

Freedom of Information Requests Received: 15

Freedom of Information Requests responded to within 20 working days: 7

Freedom of Information extended deadlines: 7

Freedom of Information responses due by the end of January 2025: 1

Internal Review Requests Received: 4

Information Commissioner Complaints Received: 1 (Outstanding)

Information Commissioner Complaints upheld (in the complainant's favour):

Information Commissioner Complaints upheld (in the Authority's favour):

Complaints

5. For the period October 2024 to December 2024, STDC has received no written complaints.
6. It is noted that STDC has not yet formally adopted a Complaints Policy. A draft Complaints Policy is being presented to this Committee, with a proposal that it recommend to STDC Board for approval.

Data Protection

7. Since the Development Corporation was established, there has been no notifications of any personal data breaches.
8. For the period October 2024 to December 2024, STDC has received 0 Subject Access Request (SAR).

FINANCIAL IMPLICATIONS

9. There are no financial implications in respect of the content of this Report.

LEGAL IMPLICATIONS

10. As a public authority, STDC must comply with the requirements of the Data Protection Act 2018 in relation to the protection of personal data and the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.
11. Failure to comply with the above-mentioned legislation can lead to enforcement action by the Information Commissioner. Repeat enforcement by the Information Commissioner may also identify weaknesses within the Development Corporation's approach to Freedom of Information and Data Protection matters.

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12. The data provided in this report does not identify any concerns or consistent weaknesses in the Authority's approach to the legislation referred to in 11 above.

RISK ASSESSMENT

13. The subject matter of this report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

14. No consultation has taken place in respect of the information contained within this report.

EQUALITY & DIVERSITY

15. It is not expected that the content of this report will have an effect on any individual with protected characteristics.

Name of Contact Officer:	Emma Simson
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WORK PROGRAMME

Meeting Date : 15 May 2025

Item
<ul style="list-style-type: none">• Declarations of Interest• Minutes of previous meeting• Action Tracker• Executive Update• Internal Audit Progress Report• External Audit Actions Update - EY• Work Programme 24/25• Risk Management Report• Environmental, Health & Safety Update Report• Summary of Internal Controls Assurance Update• Regulatory Update<ul style="list-style-type: none">▪ Data Protection▪ Complaints▪ Information Governance▪ Freedom of Information▪ Governance and Appointments• Delegated Decision Update Report

UPDATED RISK MANAGEMENT POLICY AND FRAMEWORK

SUMMARY

The purpose of this report is to present to the South Tees Development Corporation (STDC) Audit and Governance Committee the updated Risk Management Policy and Framework for approval.

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee:

- i. **Review** and **Approve** the Risk Management Policy and Framework;
- ii. **Notes** that the policy referred to in (i) above is brought back to this Committee for an annual review by this Committee in early 2026.

DETAIL

1. The Risk Management Policy and Framework is to be reviewed and approved at least annually.
2. The Policy and Framework communicates the Development Corporation's commitment to implementing a comprehensive and proactive Risk Management culture, adopting ISO 31000 best practice and Orange Book guidance in the identification, evaluation and effective management of threats and opportunities.

SOUTH TEES DEVELOPMENT CORPORATION

3. Risk Management is an essential part of good operational and project management. It is the responsibility of all those working across the Corporation that roles and responsibilities are communicated through the Framework to ensure a compliant and collaborative approach.
4. The technical application of the Risk Management Process is established within the Framework to ensure consistent and effective management and reporting of threats and opportunities.

FINANCIAL IMPLICATIONS

5. There are no financial implications arising from the subject matter of this report.

LEGAL IMPLICATIONS

6. There are no legal implications as a result of this report.

RISK ASSESSMENT

7. There has been no additional risk assessment completed as a result of this report.

CONSULTATION & COMMUNICATION

8. There has been no additional consultation and communication completed as part of this report.

EQUALITY & DIVERSITY

9. It is not expected that the content of this report will have an effect on any person with protected characteristics.

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Agenda Item 11

Report to the STDC Audit and Governance Committee

25 February 2025

Report of the Group Director of Finance and Resources

Risk Management Framework

Ref: TVCA-RMF-001

Risk Management Framework Ref: TVCA-RMF-001

Version Control				
Issue No	Version	Date	Responsible	Approved for issue
1	Draft	16-Jul-18		
2	Draft	8-Feb-19		
3	Draft	15-Feb-19		
3.2	Draft	25-Feb-19		
3.3	RMF approved subject to Board approval of Policy	6-Mar-19		
3.4	Draft	12-Mar-19		
3.5	Approved	29-Mar-19		
3.6	Updated to reflect TVCA group applicability	27/10/20	Group RM	
3.7	Further updates to formatting and templates	08/01/21	Group RM	
4.0	Approval of document	24/02/21	Group RM	STDC ARC
4.1	Rebrand to TVCA template Removal of STDC and replacement with TVCA Group	04/05/21	Group RM	
4.2	Annual review of Framework	31/05/22	Group RM	
4.3	Approval of Document	02/08/22	Group RM	TVCA AGC
4.4	Rebrand to new TVCA branding	31/05/23	Head of P,R and A	
4.5	Approval of document	28/07/23	Head of P,R and A	TVCA AGC
4.6	Updates to roles and responsibilities	23/11/23	Head of P, R and A	
5.0	Review and update to framework to include newly established Middlesbrough and Hartlepool Development corporations.	16/12/24	Head of P, R and A	

Risk Management Policy

Purpose

The purpose of Risk Management is the creation and protection of value. It improves performance, encourages innovation, and supports the achievement of our objectives. The purpose of this risk policy is to ensure that Risk Management is an integral, visible, and consistent part of routine management activity across the corporation.

Commitment

Managing risk and opportunity is critical to the successful delivery of The Group regeneration programme. Teesworks is accountable to transform the area into an international scale, world class industrial business park; but it must do so with incomplete knowledge of future events, in a complex environment and within known funding and timing constraints.

The TVCA group are committed to implementing an enterprise-wide Risk Management culture, adopting ISO 31000 best practice in the identification, evaluation and effective management of threats and opportunities. Risk Management is an essential part of good operational and project management and is a central responsibility of all those working within the Corporation.

We are an enterprise that:

- Makes Risk Management a part of strategic and tactical decision making ensuring identified risks that could significantly affect enterprise operations, projects and programmes, resources are deployed proportional to these risks.
- Maintains an attitude for risk appetite and tolerance, communicates this Risk Framework across the enterprise, and makes decisions about operations and projects consistent with this policy.
- Provides clearly defined and documented accountabilities for Risk Management, with risks managed at the lowest level at which the manager has the authority, responsibility, and resources to take effective action.
- Establishes and maintains Group-wide procedures, practices, and processes to ensure compliance with applicable standards and contractual provisions.
- Includes measurement and reporting of risks within the organisation's performance indicators so that decision-making at all levels is informed by an assessment of risk.
- Regularly reviews and updates risks facing the business and how they are escalated.
- Ensures risks are managed in an integrated way across all levels of the organisation.
- Requires the involvement of all managers to ensure that all staff understand their responsibilities in relation to risk management.
- Ensures effective assurance arrangements are in place to monitor the effectiveness of the Risk Management framework on a routine basis.
- Reviews and updates our Risk Management processes to recognised good practices, guidelines and standards and incorporates lessons learnt from inside and outside of the business.

Applicability

This policy applies to all aspects of the TVCA Group, its legal entities and its programmes. Implementation within the organisation through the Assurance Framework while implementation by suppliers and industry partners is achieved through contracts and agreements developed by the TVCA Group in accordance with the Management Policies.

The Chief Executive Officer has the ultimate responsibility and accountability for ensuring that risk is managed across the TVCA Group supported by the team of Directors.

The Chief Executive Officer and the Audit and Governance Committees provide governance leadership, agree the strategic direction, Risk Appetite, and promote the culture 'tone from the top', all to ensure the best outcome.

This policy is to be reviewed at least annually to ensure its continuing relevance to our appetite and tolerance of risk and meeting our objectives.

The Framework will be agreed every year by the Audit and Governance Committees.

Introduction

It is incumbent on The TVCA Group to understand the internal and external risks that may impact the delivery of its organisational goals and have processes in place to identify, mitigate, manage, and monitor those risks to ensure the best outcome for The Group, staff, and the community.

The ISO standard on Risk Management describes **risk** as “*the effect of uncertainty on objectives*”. Risk is the probability of an internal or external situation (an incident) with the potential to impact upon TVCA regeneration programme; preventing The Group from successfully achieving its objectives, delivering its services, or capitalising on its opportunities. Risks are an everyday occurrence that could potentially positively or negatively impact on The Group’s ability to meet its obligations to stakeholders and the community. The Group recognises that while some risks cannot be fully eliminated, they can be identified, controlled, and managed to an acceptable level.

Risk management is defined as “*the coordinated activities to direct and control an organisation with regard to risk*”.

The Group’s Risk Management (‘Framework’) is aligned to the ISO Standard and shall be applied to all activities. The framework will be agreed every year by the Audit & Governance Committee (A&GC). This framework document should be read in conjunction with The Group’s Risk Management Policy. The following are not included in the scope of this Framework: the projects initiated by investors and developers.

Risk needs to be considered and addressed by everyone, including the Governing Board, Executive Staff, Senior Management, Employees, Partners, and related stakeholders. The Group is committed to promoting an organisational culture where risk management is embedded in all activities and business processes.

The Group undertakes proactive risk management because:

- It provides a rigorous decision-making and planning process to understand the strategic, project and operational risks facing The Group in order to make informed decisions and meet organisational and strategic goals.
- It equips the organisation to evaluate and take advantage of opportunities as they arise.
- The Group and its subsidiaries will have service agreements and contractual obligations with government and nongovernment agencies and organisations.
- It equips managers with tools to anticipate changes and threats that face The Group and to allocate appropriate resources.
- It provides assurance to committee members, management, and stakeholders that critical risks are managed appropriately.

The scope of this Risk Management framework is enterprise-wide to provide the architecture for a common platform for all risk management activities undertaken by The Group; from individual function, process, or project-based assessments to whole-of-organisation assessments, with the aim of enabling comparative analysis and prioritisation of those assessments either individually or cumulatively. The framework is directly linked to the achievement of objectives of The Group and delivery of the programme of investment projects.

Risk Management Objectives

The primary objective of the framework is to support the achievement of The Group's strategic objectives and to safeguard the resources, people, finance, property, knowledge, and reputation through:

- Provision of a structured and consistent approach to Risk Management.
- Assist decision makers to make good management decisions within an environment of tolerable strategic and enterprise risk limits, including identifying and leveraging opportunities.
- A Risk Appetite statement which is used to challenge and inform strategic decisions.
- A culture where staff understand and assume responsibility for managing the risks for which they are responsible and the controls to mitigate those risks.
- Provision of relevant, accurate and timely information across clear reporting structures.
- Independent assurance and audit activities to provide feedback to management that quality processes and controls are in place and are effective.
- Provide relevant tools to enable risk owners to track and update risks.

For the framework to be effective it must be integrated into The Group's strategic and business planning cycles.

Roles and Responsibilities

Risk Management within the Group is an integral element of good business practice. The assessment process is integrated with the strategic planning and business planning processes.

It is therefore the responsibility of everyone within the Organisation to manage risk - the accountability for managing any specific risk sits with the person most appropriate to manage that risk. This is reflected in position descriptions (with varying degrees of responsibility at the various levels) and the performance management process.

Notwithstanding our "whole of organisation" approach to risk management responsibility, our Risk Management Framework has specific elements which require defined alignment of roles and responsibilities. The responsibilities for each of the roles identified are as follows:

Cabinet

- Responsible for setting moral standards, the tone and influence of the culture of Risk Management across the business.
- Approve the Risk Management Policy and note the Risk Management Framework.
- Approve the Organisations Risk Appetite Statement and Risk Tolerance measures.
- Appoint the Audit and Governance Committee.
- Be satisfied that the Strategic/Corporate risks are identified, managed and controlled properly.

STDC Board

- Responsible for setting moral standards, the tone and influence of the culture of Risk Management across the business.
- Approve the Risk Management Policy and note the Risk Management Framework.
- Approve the Organisations Risk Appetite Statement and Risk Tolerance measures.
- Appoint the Audit and Governance Committee.
- Be satisfied that the Strategic/Corporate risks are identified, managed and controlled properly.

Group Chief Executive Officer

- The CEO, supported by the Executive Team is accountable to ensure appropriate risk management within The Group.
- Endorse the Risk Management Policy for approval by The Group, approve the Risk Management Framework and monitor implementation.
- Provide executive leadership in the management of strategic, programme and project risk and generally champion risk management within The Group.
- Report expeditiously to Audit and Governance Committee on any fraud and corruption incidents or material risk mitigation failures and actions taken.

Audit and Governance Committee

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the STDC Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- 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.

- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.
- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Audit and Governance Committee Middlesbrough Development Corporation

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the MDC Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- 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.
- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.
- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Audit and Governance Committee TVCA

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the TVCA Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- 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.
- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.

- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Audit and Governance Committee Hartlepool Development Corporation

The A&GC assists the Executive board in fulfilling its responsibilities by providing oversight and input in the identification and evaluation of significant risks inherent in the business and mitigation planning with respect to such risks.

- Ensure that the HDC Board has an adequate framework and policy system in place
- Oversee the Risk Management Policy and review the mechanisms in place to comply with the framework.
- 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.
- Consider the adequacy of actions taken to ensure that the risks have been dealt with in a timely manner to mitigate exposures to The Group.
- Identify and refer specific projects or investigations deemed necessary to assess risk management through the Chief Executive Officer, The Internal Auditor and The Group.
- Oversee any subsequent investigation, including the investigation of any suspected cases of fraud.
- Ensure the integrity of financial reporting and is responsible for making recommendations on the appointment of the external auditor and their scope.

Internal Audit

- Act as the 3rd 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.
- Periodically audit The Group's Risk Management practices and provide recommendations on improvement to Management and the Audit and Governance Committee.

Finance and Resources Director

- Quality assure financial risk management reporting in co-ordination with the Head of Performance, Risk and Assurance.

- Ensure the Financial function has the appropriate culture, capability, processes, and systems to deliver on this policy and the Risk Management Framework.

Operations Director

- Provide assurance in the development, implementation and review of the Risk Management Policy, Risk Management Framework, and general risk management practice across The Group.
- Quality assure risk management reporting in co-ordination with the Head of Performance, Risk and Assurance.
- Ensure operations have the appropriate culture, capability, processes, and systems to deliver on this policy and the Risk Management Framework.

Head of Performance Risk and Assurance

- Assurance checks if the programme complies with the established processes, performance standards and ensures right capability is in place.
- Develop, maintain and quality assure enterprise risk registers and monitor implementation of controls and agreed treatment actions.
- Prepare various risk management reports in accordance with this framework and the Risk Management policy.
- Provide risk management training, advice and support and conduct risk assessments as agreed.
- Liaise with the Internal Auditor and provide Risk support to the Audit and Governance Committee.
- Lead the refinement, implementation, and review of the Risk Management Policy, Risk Management Framework, and supporting processes and systems.
- Develop, maintain and update an automated risk platform to provide a live risk dashboard accessible by risk owners.
- Measure enterprise risk management maturity and report on the implementation of actions to achieve target maturity.

Project Managers

- Ensure that this framework is applied to the projects under their overview.
- 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 Head of Performance, Risk and Assurance.
- Ensure coordination of activities such as risk register, assessments and reporting are completed.
- Liaise with Head of Performance, Risk and Assurance and Risk Officers.
- Identify gaps in areas such as training awareness.
- Provide timely updates on current threats and opportunities in their area.
- Assist with communications and training.

Business Function Managers

- Ownership of risk management within their Function or as delegated by the CEO/Directors 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 complete on a regular basis.
- Liaises with Head of Performance, Risk and Assurance and Risk Officers.
- Identifies gaps in areas such as training awareness.
- Assists with communications and training.

Risk Owners

- Identify, assess and manage risks through the automated risk management platform on a regular basis.
- Responsibility that risk remains within defined tolerances.
- Ensure risks are escalated where appropriate.
- Triggers out-of-cycle review of the risks if material change occurs (e.g., restructuring, new IT systems or process change).
- Ensure personal compliance with risk management policies and procedures in performance of duties/activities.
- Ensure controls mitigating risks are designed and operating effectively to reduce the risk exposure to a level which is acceptable to The Group.
- Responsible for annual attestation of risks with Control Owner.

Control Owner

- In charge of ensuring that controls (which may be outside responsibility of risk owners e.g., IT controls) are identified, documented and effective.
- Understands the importance of the effective operation of the control and potential impact of failure on all areas that rely upon the control activity and,
- Provide appropriate communication when their controls fail or do not operate as expected.

Staff, Contractors, and Service Providers

- Applying risk management practices in their area of work and ensuring that management are aware of risks associated with The Group's operations.
- Recommending or providing suitable plans to manage risks; obtaining appropriate approval prior to action (where required) reporting on risk management practices.
- Awareness of The Group's culture and ethos to report any perceived risks or failures in existing measures to senior management.

Organisational Risk Culture

The Group will actively consider risks during strategic and tactical decision-making processes as will all levels of management and will determine the level of residual risk/appetite they are willing to accept. This will be done on at least an annual basis. The Group will take a risk-based approach to managing internal and external projects, operational and strategic risks: i.e., risks will be managed and monitored according to severity.

Management will conduct at least an annual review of their function or project risks (facilitated by the Head of Performance, Risk and Assurance) with monthly monitoring of priority and high risks. Management will also conduct out-of-cycle reviews of operational, project or strategic risks if material changes occur, if there is a breakdown of controls or if new risks emerge.

The Group will invest the appropriate time and resources into training and awareness for all staff in line with responsibility and involvement this includes but is not exclusive to; managers, and nominated risk and control owners and staff with specified risk and emergency management roles.

Guidelines for a Culture of Risk Management

The Group has finite resources, time, and budget to manage all aspects of its activities. It is therefore vital that The Group apportion resources into the areas of most need, or that will have the greatest impact. The Group will therefore take a risk-based approach to managing operational risks as follows:

- Risks are initially identified and assessed on an inherent basis - the risk that an activity would pose if **no controls** or other mitigating factors were in place. Determining the likelihood and impact of the risk occurring allows TVCA to understand which risks are of greater concern and must therefore be mitigated accordingly.
- The Residual Risk - the risk that remains after the implementation of controls can then be determined by assessing the effectiveness of controls in place to mitigate the likelihood and impact of the risk occurring.
- All risks will be captured in automated risk management system and reported regularly through the various Management and Committee structures.

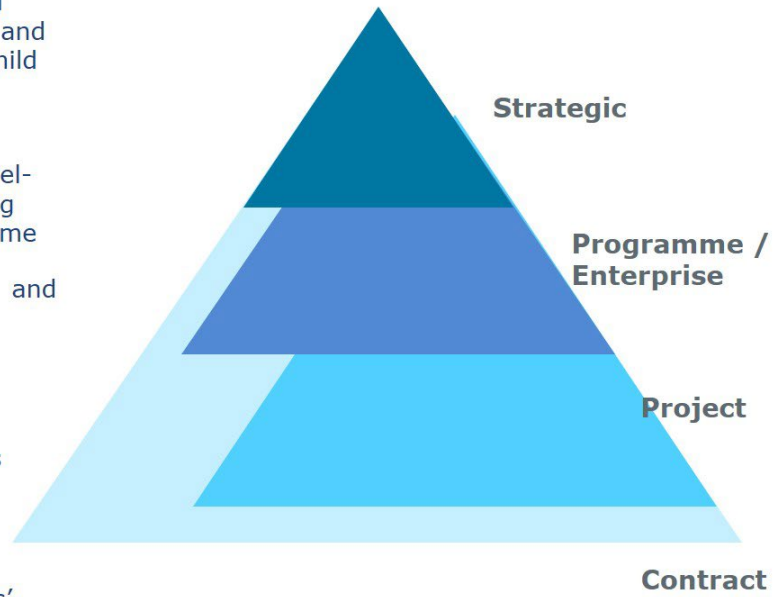
Risk Management Structure

To understand the risks faced by The Group and the resulting implications, risks will be identified and assessed at a hierarchy of three levels:

- **Strategic:** Those Corporate risks that, if realised, could have a significant detrimental/beneficial effect on The Groups Corporation key business processes and activities.
- **Programme & Enterprise:** Those business risks that, if realised, could have a significant detrimental/beneficial effect on the key objectives and activities of The Group's programme.
- **Project:** Those business risks that, if realised, could have a significant detrimental/beneficial effect on the outcome of a project.

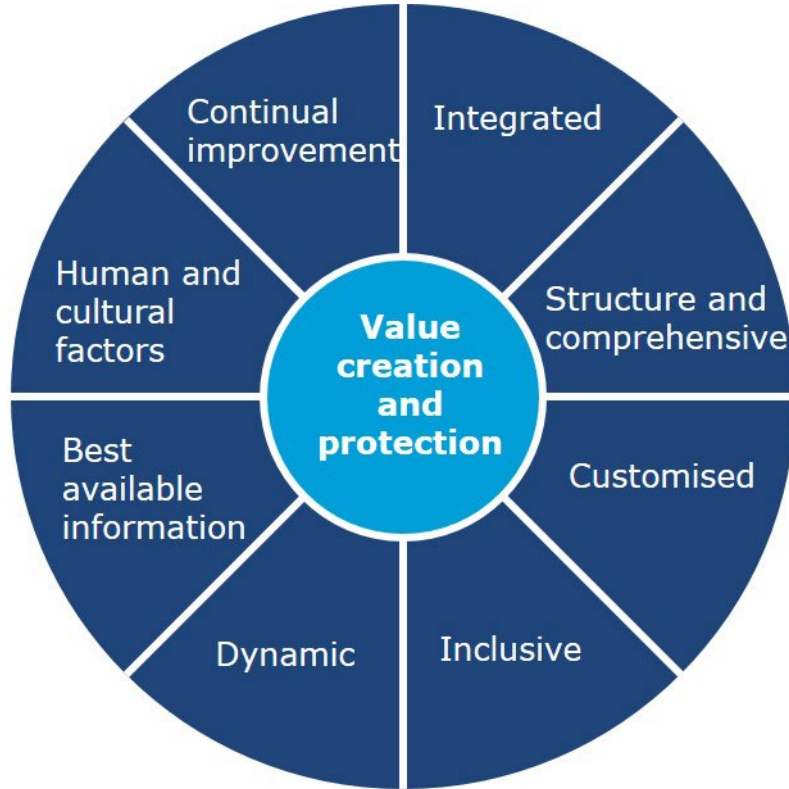
Illustration of hierarchy of risk groups indicating levels outlined below with discrete registers and ownership. Escalation, parent/child connectivity, quantification and tracking protocols

-  Strategic – Board level-owned risks, including external facing/extreme
-  Delivery Programme and Function/Site risk separately logged
-  Project Risk registers
-  Contract – risks transferred for others' management



Risk Management Principles

All levels of the TVCA shall commit to incorporating the following principles from the ISO Standard.



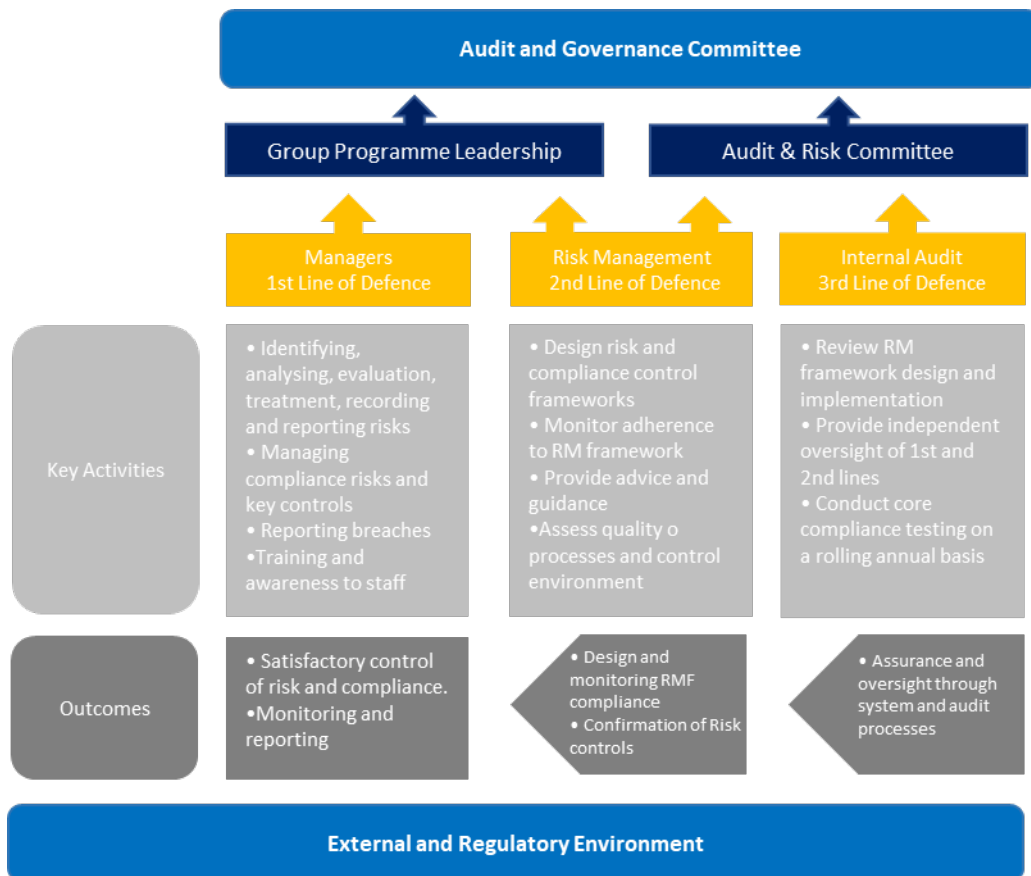
ISO 31000 Risk Management Principles

Principle	
Integrated	Risk management is an integral part of all organizational activities.
Structured and comprehensive	A structured and comprehensive approach to risk management contributes to consistent and comparable results.
Customized	The risk management framework and process are customized and proportionate to the organization’s external and internal context related to its objectives.
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 organization’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.
Human and cultural factors	Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
Continual improvement	Risk management is continually improved through learning and experience.

Three Lines of Defence Model

The Three Lines of Defence model provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties.



1st Line of Defence – Project and Function Managers

Each function or project has primary responsibility for the ownership and day-to-day management of its own risks and is also responsible for implementing corrective actions to address process deficiencies. Each function & project naturally serves as the 1st line of defence as controls are designed into systems and

processes under their guidance, as they bear the consequences of loss through economic risk capital allocation. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, inadequate processes, and unexpected events.

2nd Line of Defence: Programme and Head of Performance, Risk and Assurance.

The Head of Performance, Risk and Assurance provides oversight to ensure that the framework is embedded, operational and to monitor the 1st line controls so that risks are effectively managed. It is a risk management function that facilitates and monitors the implementation of effective risk management practices by management and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organisation. The Head of Performance, Risk and Assurance has a degree of independence from the first line of defence.

3rd Line of Defence: Internal Audit

Internal audit (IA) is outsourced and provides reporting to the Audit & Governance Committee to provide independent assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the 1st and 2nd lines achieve risk management and control objectives. IA provides The Group and Senior Management with comprehensive assurance based on the highest level of independence and objectivity.

Risk Escalation

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).

The accountable Managers, with the assistance of the Head of Performance Risk and Assurance, are to identify 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.

When selecting risks to escalate, these factors should be considered:

- Is any single risk so significant that it should be escalated to the next level?
- Are there any common causes of risk that should be escalated?
- Do any of the identified risks have consequential effects to the wider programme which are significant enough for that risk to be escalated to the next level?
- Do any risks require responses which can only be implemented by the next level of management?

Note that escalating risk does not transfer the ownership of risk, but allows the manager at the higher level to understand the risks within their responsibility.

Risk Appetite

Risk appetite is the amount of risk exposure, or potential adverse impact from an event, that the A&GC is willing to accept in pursuit of its objectives.

Risk Appetite Statement

The Group will maintain a current risk appetite statement.

This statement communicates with sufficient precision that the organisation has a proactive approach on its appetite for risk across all of its objectives.

Once the risk appetite threshold has been breached, risk management controls and actions are required to bring the exposure level back within the accepted range by considering:

- Emerging risks
- Risks that might be outside The Group’s control (i.e., political change)
- Where best to allocate scarce resources
- Where the Group might want to take on additional risk to pursue a strategic objective or expectation of above average returns

Risk appetite should be set for each individual strategic risk and tolerance levels agreed, using relevant performance indicators which are monitored through the monthly enterprise reports.

TVCA’s risk appetite will inform the annual risk process, controls and assurance activities and is generally defined as follows:

Risk Rating	Minimum treatment required	Description
Severe risk	Reject and avoid or mitigate	Immediate action required in consultation with A&GC to either avoid the risk entirely or to reduce the risk to a low, medium, or high rating.
High risk	Accept and mitigate	These risks need to be mitigated with actions as required and managers need to be assigned these risks.
Medium risk	Accept	Manage by specific monitoring or response procedures.
Low risk	Accept	Manage by routine procedures.

Risk Tolerance

Whilst risk appetite is about the pursuit of risk, tolerance is about what the organisation is allowed to deal with. Risk tolerance differs from risk appetite in that it is:

- Derived from risk appetite.
- Looks at risk at a granular level (e.g., on specific risk, at a transactional level);
- Measured in the form of limits (financial risks) and thresholds (non-financial risks)
- Assists in day to day/operational decision making.

Risk tolerance therefore relates to risk appetite but differs in one fundamental way in that it represents the application of risk appetite to specific objectives. Whilst risk appetite is broad, risk tolerance is tactical and operational and must be expressed in such a way that it can be:

- Mapped into the same metrics as the organisation uses to measure success.
- Implemented by staff throughout the Organisation.

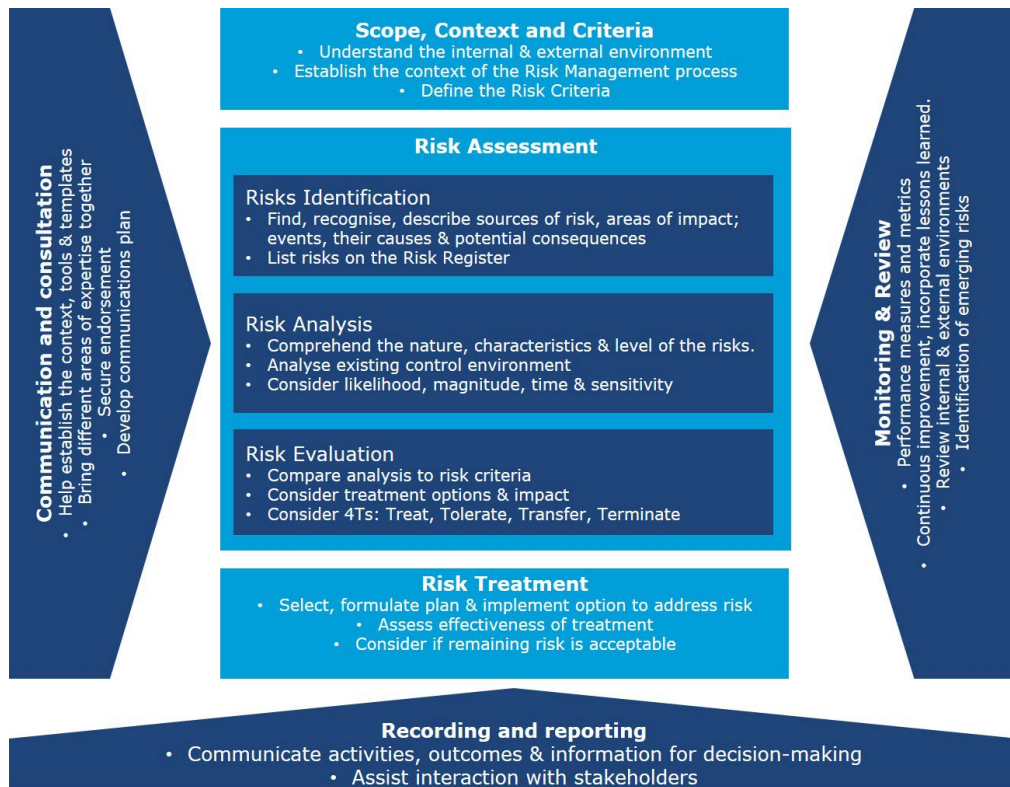
As risk tolerance is defined within the context of objectives and risk appetite, it should be communicated using the metrics in place to measure performance. Risk tolerances guide project and functional areas as they implement the risk appetite within their sphere of activity.

Risk tolerances communicate a degree of flexibility whilst risk appetite sets a limit beyond which additional risk should not be taken. Some tolerances are easy to express in qualitative terms, e.g., an organisation may have a low-risk appetite for non-compliance with laws and regulations and may communicate a similarly low tolerance for violations. Tolerance may also be stated in quantitative terms, e.g., by setting % targets.

Example Risk impact on project cost or time

Risk Management Process

The risk management process is the “how to” element of the Framework and is defined in the ISO Standard as “the systematic application of management policies, procedures and practices to the task of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.”⁴



The Group Risk Management Framework¹

Risk Management Scope

The level of detail that will be entered into during the risk management process must be considered prior to commencement and should be commensurate with the extent and nature of the inherent level of risk. The extent and scope of the risk management process will depend on the goals and objectives of The Group’s activity that is to be addressed, as well as the budget that has been allocated to that activity.

Consideration must also be given to the roles and responsibilities for driving and undertaking the risk management process.

¹ BS ISO 31000:2018 Chapter 6

Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. The Group will conduct risk assessment systematically, iteratively, and collaboratively, drawing on the knowledge and views of involved stakeholders.

Risk identification

The purpose is to identify all risks; what, when, why and how incidents might impact on the achievement of objectives. A Risk can be raised by anyone associated with the enterprise, programme, or project. Comprehensive identification using a well-structured systematic process is critical, as a risk not identified will be excluded from further analysis, so identification should include all risks, whether or not they are under the control of The Group. A comprehensive risk identification process is delivered through consideration of the potential influence of each of the elements on the internal and external operating environment on The Group's objectives.

A systematic process includes working through each goal, objective, or planned implementation action, identifying the things that may inhibit, detract from, or prevent the achievement of the goal or enhance the opportunity to meet the objective. The Group will use a range of tools and approaches to determine potential risks, including:

- Team based brainstorming with experienced and knowledgeable staff.
- Structured techniques (such as SWOT analysis, process mapping, flow charting, systems analysis, or operational modelling)
- Annual strategic, TVCA planning, budget, and risk identification workshops.
- Examination and analysis of past reports and incidents.
- Regular compliance reviews (internally and externally).
- Internal review by the Audit and Risk Committee.
- Reviews by external service providers.
- Automated risk management platform where the risk management approach is integrated. For live risk management as part of operational activity.

A risk event relates to the failure of people, processes, and systems or from external factors (e.g., fire, flood, assault, or damage). In other words, something has gone or may go wrong: a control failed to operate as expected, was not performed, was circumvented or perhaps there was no control in place. Incidents can have multiple and varied impacts

Capturing incidents, investigating them, and understanding their root causes are critical as these provide us with important and timely information on the operation and effectiveness of our controls, threats to our business operation and the extent and nature of The Group risks.

The organisational strategic risks are developed annually by the Senior Leadership Team in conjunction with the Audit and Governance Committee. The Enterprise operating risks are identified in conjunction with

Function Managers on an annual basis as a minimum, at meetings with the Head of Performance, Risk and Assurance which run parallel with The Group's annual business planning cycle.

Recording identified risks occurs through the development of a description of the risk and entry into the appropriate risk register. The risk description should contain a statement of the risk and include those factors which could cause or contribute to the occurrence of the risk event. A risk, by definition, is a potential for something to happen and not the actual occurrence of an event, consequently the language used to describe risks should express this element of possibility.

Risk analysis

Analysis involves developing an understanding of the risk, the likelihood of the risk occurring and the full range of potential impact/consequences. Identification of likelihood and impact is not scientific: it is a qualitative exercise based on perception and history.

The initial analysis provides the inherent likelihood, the inherent impact, and the inherent risk rating. At this stage, the analysis assumes that all controls have failed or there were no effective controls in place. Whilst this is unlikely, this allows The Group to understand which risks have the greatest potential for disrupting the business operation and therefore require strong and effective controls with appropriate and ongoing oversight.

Risk registers

Risk registers provide a mechanism for documenting, managing, monitoring, reviewing, updating, and reporting risk information. Risk register design, use and related processes are developed and maintained by the Head of Performance, Risk and Assurance. The Group has adopted a master risk register template, which is incorporated into the automated risk management platform, all risk owners are to use this system to ensure consistent management of risks

Inherent likelihood

The inherent likelihood of a risk occurring is defined as the probability and frequency of its occurrence. It may be easier to ask: 'How likely is it that the risk event will occur?'

The table below is a commonly used format with five levels of Likelihood from Rare (an event that occurs only in exceptional circumstances) to Almost Certain (occurring frequently within a year). Each criterion is assigned a number from 1 to 5.

Inherent impact

This is defined as the potential impact or consequence of a risk occurring and is generally expressed as a financial loss, non-financial loss (e.g., damage to reputation, client impact, regulatory impact) or occasionally a gain. Asking 'what would be the impact/consequence of risk XYZ occurring?' may elicit a better response.

Accurately determining the possible multiple impacts is to be achieved by utilising the Impact table, which is divided into nine categories and five levels of impact

A risk may fit into a single category or fall across multiple types and similarly the level of impact may fit into more than one row. It is up to management (with assistance from the Head of Performance, Risk and Assurance) to determine the type with the highest consequence for inclusion into the risk register.

The impact table should be reviewed at least every year with business subject matter experts as part of the framework review to ensure that categories and descriptions are relevant and reflective of TVCA's internal and external environments.

Risk Evaluation

The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.

This can lead to a decision to:

- Escalate as you lack the authority to take the necessary actions.
- Maintain existing controls and do nothing further – Tolerate, (ignore opportunity).
- Consider risk treatment control and action options – Treat.
- Undertake further analysis to better understand the risk.
- Reconsider objectives – *potentially* terminate.
- Change owner of the risk – Transfer.
- Try to realize the opportunity – Enhance.
- Ensure that the opportunity is realised – Exploit.
- Involve others in order to realise the opportunity – Share.

Decisions should take account of the wider context and the actual and perceived consequences to external and internal stakeholders.

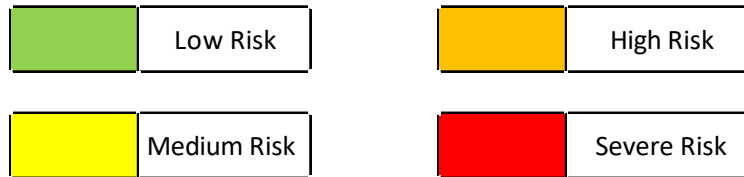
Inherent risk rating

For each of the risks listed from the risk identification process, the likelihood of the risk occurring, and its impacts are to be plotted using the criteria matrices (see below) by multiplying the numbers associated to each criteria of likelihood and impact. For example, the risk of a fraud occurring in the payroll process, *in the absence of effective controls*, could be assessed as follows:

The likelihood is considered as 'Likely' (= 4) with the Impact assessed as 'Major' (= 4).

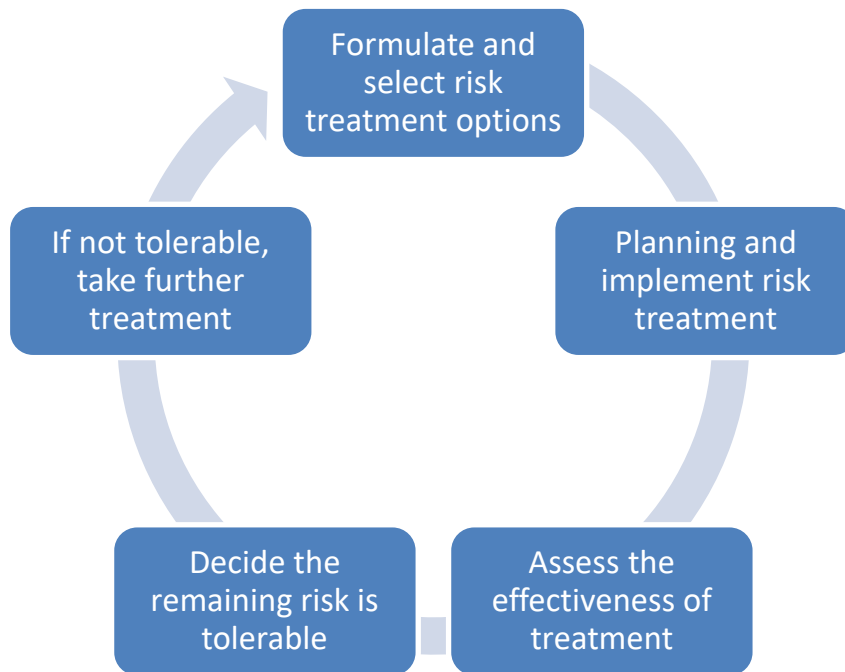
The resulting level of risk will be shown as the intersection of the two dimensions on the Risk likelihood Matrix. This provides the Inherent Risk Rating of 16 = High.

The risk matrix is broken into four shaded areas reflecting the increasing level of risk.



Risk Treatment

Risk mitigation/treatment involves identifying the most appropriate responses to reducing the inherent risk level to a status acceptable within the TVCA’s risk tolerance. Both controls and treatments are designed to mitigate the risk by reducing the likelihood of negative risks occurring and/or reducing the impact of risks should they occur.



Risk treatment cycle

Treat the risk. There are a number of treatment options available, and more than one can be applied to any risk. Typical treatment options include the establishment and operation of controls designed to mitigate, discourage, identify and/or limit the impact and likelihood of a risk from occurring. Most risks will have

multiple different controls in place, some intended to prevent a risk occurrence, and some will detect an occurrence whilst others are designed to respond to an occurrence. Controls are not always performed by the risk owner. For example, project or functions will have a key reliance on technology to manage controls to ensure systems are available and operating as required.

Directive Controls are those designed to establish desired outcomes.

- Setting TVCA policies, project, or functional policy/procedures
- Setting spending limits
- Setting IT configuration standards
- Laws and regulations
- Training seminars
- Job descriptions
- Meetings

Preventive Controls are designed to discourage errors or irregularities from occurring. They are proactive controls that help to ensure project or functional objectives are met.

- Training on applicable policies, project, or function policy/procedures
- Review and approval for purchase requisitions to ensure they are appropriate before purchase.
- IT access authorisations to ensure access is appropriate.
- The use of passwords to stop unauthorised access to systems/applications.
- Segregation of duties (authorisation, record keeping & custody of the related assets should not be performed by the one same individual)
- Physical control over assets
- Locking office door to discourage theft.
- Shredding documents with confidential information

Detective Controls are designed to find errors or irregularities after they have occurred.

- Cash counts; bank reconciliation
- Review of payroll reports
- Compare transactions on reports to source documents.
- Monitor actual expenditures against budget.
- Review logs for evidence of mischief
- Exception reports which list incorrect or invalid entries or transactions
- Reviews and comparisons
- Physical counts of inventories.

Corrective Controls are intended to limit the extent of any damage caused by an incident e.g. by recovering the organisation to normal working status as efficiently as possible.

- Submit corrective journal entries after discovering an error.
- Complete changes to IT access lists if individual's role changes
- Anti-virus
- System upgrades
- Additional training
- Changes to procedures.

Transfer the risk. Risk transfer may be achieved by taking out insurance to facilitate financial recovery against the realisation of a risk:

- Compensating a third party to own the risk because the other party is more able to effectively manage the risk.
- Risk may be wholly transferred, or partly transferred (that is, shared).
- It is important to remember that it is almost impossible to transfer risk completely. In almost all risk sharing arrangement, a degree of the original risk remains and there is inevitably financial or other consideration for the sharing of the risk. In addition, a new risk is inherited; one dependent on a third party to manage the original risk.

Terminate the risk. Some risks may only return to acceptable levels if the activity is terminated. Seek to eliminate the event leading to the risk while staying within the current programme baseline.

Tolerate the risk. Seeks to reduce (or eliminate) the impact, probability, or both, of the risk to some acceptable level. A risk may be accepted because:

- The probability or consequences of the risk is low or minor.
- The cost of treating the risk outweighs any potential benefit.
- The risk falls within the agency's established risk appetite and/or tolerance levels.
- TVCA has limited/no control over the risk. E.g., natural disasters, international financial market impacts, terrorism, and pandemic illnesses. To manage such risks, TVCA should have a business continuity plan in place to provide effective prevention and recovery.

Exploit the opportunity. Take actions to make the opportunity certain or to maximise the effect to improve the programme's ability to meet its objectives.

- Multiple activities are created and tracked in the programme as funded exploitation steps with start/finish dates.

Share the opportunity. Seeks to develop teaming or partnerships that will increase the opportunity's probability.

- Allocate ownership to another stakeholder to maximise the benefit for the stakeholder or to improve the performance of the programme or function.

- Collaborate with suppliers, teammates, or customers on the opportunity to increase the probability and/or benefit.

Enhance the opportunity. Seek to enhance the event or modify the exposure leading to the opportunity while staying within the current programme baseline to increase the probability of an outcome to the benefit of the programme's objectives.

- Early life cycle decision change requirements, to adjust design, acquisition method.
- A possible enhancement identified in the function or during the project that does not require additional task funding.

Ignore the opportunity. The effort (funding, schedule, labour) required for the investment outweighs the return or benefit effect of the opportunity.

- Place on a watch list to monitor.
- The benefit is not greater than the cost at this time given programme funding and resources.

When determining the most appropriate treatment, The Group should consider:

- How will the treatment modify the level of risk or opportunity?
- How do costs balance out against benefits?
- How compatible is the treatment with the overall business objectives?
- Does it comply with legislation?
- Does it introduce new or secondary risks or opportunities?

Often more than one response may be necessary to address an identified risk. In those cases, a combination of responses (controls / mitigations) should be taken into consideration.

Current control environment

To understand the extent to which the likelihood and/or impact of a risk occurring is mitigated, the full suite of controls in place must be documented and assessed for effectiveness of design and operation. The assessment should only assess controls that are currently in operation, not those that are planned.

Where controls are operated by a third party (e.g., Supplier, Technology), discussions with the control owner should take place to ensure there is an appropriate assessment of the control that takes into consideration the views of the control owner and the risk owner.

Control Rating

The table below should be provided to assist in the assessment of the controls in use. The control rating is the subjective view of the risk owner and the control owner(s) and is reflective of the effectiveness of all the controls i.e., controls are not rated individually.

Control Rating	Description
Excellent	Controls are well designed, documented and address the root cause. Controls are effective and reliable at all times Nothing more to be done except review and monitor the existing controls Likely to be automated and regularly performed
Good	Most controls are designed correctly and in place, documented and effective Some work needs to be done to improve operating effectiveness Management has some doubts about operational effectiveness or reliability
Fair	Design of the controls may be largely correct in that they treat most of the causes of the risk, they are currently not effective, or Some controls are not correctly designed - they do not operate effectively May be manually performed and/or infrequent
Poor	Significant control gaps exist. Controls do not treat root causes, do not operate effectively, or are not documented Manual and infrequently performed
Unknown	Controls and status are unknown

Residual risk

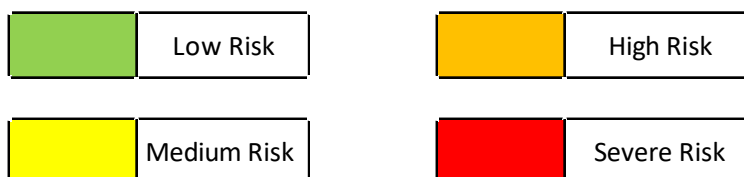
When the controls have been assessed and rated, the residual risk (the amount of risk left over after inherent risks have been reduced by controls) rating is determined.

For each of the risks listed from the risk identification process, the residual likelihood of occurrence and potential impacts is plotted by multiplying the numbers associated to each criteria of likelihood and impact. For example, the risk of a fraud occurring in the payroll process, *taking into consideration the effectiveness of controls in place (considered 'Good')*, could now be reassessed as follows:

The likelihood is rare (= 1) with the impact assessed as now moderate (= 3).

The resulting residual risk (1 x 3 = 3) will be shown as the intersection of the two dimensions on the matrix (see below). This provides the residual risk level of 3 = Low. It is likely that no further actions would be required to further mitigate this risk.

The matrix is broken into four shaded areas reflecting the increasing level of risk.



Alternatively, if controls in place to mitigate a fraud occurring in the payroll process are determined to be 'Poor', the inherent risk could be reassessed as follows:

The likelihood is possible (= 3) with the impact assessed as still major (= 4).

The resulting residual risk ($3 \times 4 = 12$) would be High. In these circumstances, the residual risk would be outside of appetite and would require actions to address the controls gaps or weaknesses to further mitigate the likelihood or impact of the risk occurring.

Target Risk

Each risk will be allocated a target risk score which every endeavour must be made to attain. This gives confidence that the threat/opportunity is being managed at the optimal level.

Action plans

Where control weaknesses are identified and the decision is taken that further mitigation is required (i.e., the residual exposure is not accepted), an action plan must be established.

For project-based risk assessments, the risk treatment action plan provides the project manager with a tool to continuously monitor project improvement through the implementation of the plan. Issues and delivered risks identified through the course of the project must be assessed and included in the project risk register, having gone through the full risk assessment process outlined above. This will ensure the continuing relevance of the risk assessment.

All actions must be:

- Owned: who is responsible for ensuring the action is addressed
- Specific: the exact activities that will be undertaken
- Timely: must be completed within appropriate time frames, commensurate with the significance of the gap/weakness
- Achievable: the action/activities must be realistic to ensure appropriate mitigation
- Measurable: it must be possible to quantify the action or have a means of assessing progress
- Justified: can demonstrate a further reduction in the residual likelihood and/or impact
- Governed: tracked, managed, and reported.

Monitor and review.

The risk assessment process provides a snap shot of The Group risks, controls and action plans at a given point of time as shown in the risk register. An individual risk lifecycle is shown below.



Aggregated programme risk reporting is to be conducted at a 2-monthly interval with project and business functions reporting through the Head of Performance, Risk and Assurance. Monthly reviews of risk occur at the function and project-to-programme level.

The residual risk impact and likelihoods and control effectiveness ratings are to be reflected on a one-page impact matrix with supporting opinion and insight on risks, controls, and actions – the risk profile.

The context in which TVCA operates is fluid, therefore the threats on our objectives continually change. So, assumptions must be reviewed and the response strategies which have been made are to be assessed to ensure they remain adequate. As a result, the risk management process is iterative and should be the subject of a structured monitoring and review process.

Risk Closure, Issue realisation

Risk could be closed in three cases:

- When the period in which a risk event can occur has passed;
- When the scope of a project is amended, and a risk becomes irrelevant (avoided);
- When a risk is addressed well and reduced to acceptable level.

Closed risks become part of a project's legacy information. Otherwise, a risk should stay active.

When a risk is realised it is an **Issue**. Issues require a response with an action plan using the organisation's project management tools. The contingency plan for an issue may be included within the risk register. The contingency plan outlines what to do if the risk is in close proximity and likelihood is increasing or the current controls are not working. Issues are to be owned, actioned, and reported.

Continuous review of risks

Risk and the effectiveness of control measures to manage risk need to be monitored on an ongoing basis to ensure changing circumstances, such as the political environment and the TVCA's strategic objectives and risk appetite do not alter the risk evaluation profiles and adequacy assessments. New risks or deficiencies in existing mitigation strategies may be identified via a number of sources:

- Changes in the strategic objectives
- Regular review of the identified risks and mitigation strategies
- The annual internal audit programme
- Ongoing monitoring by various Committees
- New legislation
- New accounting standards, guidelines, or information from any regulator
- IT outages
- Complaints
- Regulatory / Compliance breaches
- Incidents
- External Audit
- Projects or Change Initiatives

Internal audit will provide particular attention to those controls, mitigation activities or other responses identified through the risk assessment as having significant priority. In addition, the risk assessment process, including the framework, will be monitored, evaluated, and reviewed by the Internal Auditor.

Risks are to be monitored and reviewed by the responsible manager/officer on an ongoing basis and reported to committees on at least a two-monthly interval. The effectiveness of risk responses will be continuously monitored by the responsible manager/officer and reviewed six monthly.

Any material change to the master plan will trigger a review of the risk management framework, most particularly the risk appetite and the risk management process.

Communication and consultation

Communication and consultation with internal and external stakeholders are important elements at each step of the risk management process. Effective communication is essential to ensure that those responsible for implementing risk management and those with a vested interest understand the basis on which risk management decisions are made and why particular actions are required.

Output from the strategic risk assessment and business unit risk assessments are to be used as input to the business planning process. That input will include risk response plans. Internal audit will use the information from the business planning risk assessments, in particular the risk response plans, to assist with development of the internal audit plan.

Risk Framework Performance Monitoring

Risk management performance indicators include:

- Report to Audit & Governance Committee on status High & Severe rated risks, overall distribution and direction of identified risks, % Audit Actions completed on time.
- Reports to Senior Leadership team on status high & severe rated risks, overall distribution, and direction of identified risks, % of high & severe risk control actions on track, risk management maturity improvement targets met.

Risk Training

To ensure the successful implementation of risk management throughout the organisation, it is planned that appropriate training in risk management will be provided to staff and managers. Training should encompass the risk management process, application of risk management tools, assistance with identification and analysis of TVCA's risk exposures, risk profiling and reporting.

In addition, the organisation's Risk Management Team will coordinate with People and HR Function/Business Function Managers and all projects to work towards ensuring:

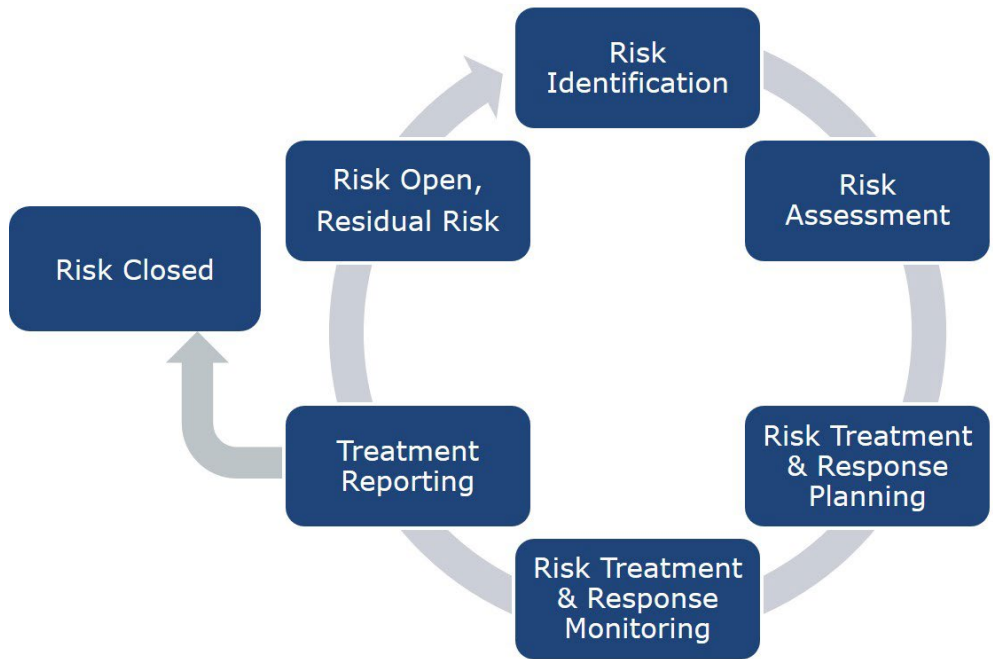
- Induction training will include Risk Management, Fraud awareness and Employee Code of Conduct.
- Employees receive regular Risk Management awareness update training.
- Any updates and changes to the Risk Management Policy, framework related policies, procedures.
- Codes of Conduct, ethics etc. are circulated to all employees via the Intranet or email where deemed necessary.

Appendix 1. Risk Glossary

TVCA has adopted the following Risk Management definitions from the ISO 31000:2018

Terminology	Explanation
Risk	The effect of uncertainty on objective described as the combination of likelihood and impact, including perceived importance.
Risk Appetite	The level of risk that the A&GC is prepared to accept, tolerate, or be exposed to at any point in time.
Risk Assessment	The overall process of risk analysis and risk evaluation.
Risk Analysis	A systematic use of available information to determine what events may occur, the likelihood of occurrence and the magnitude of their consequences.
Likelihood	The possibility of an event happening (probability).
Impact	The outcome of an event expressed either in financial terms or qualitatively, being a loss, injury, disadvantage, or gain (impact).
Inherent Risk	The risk that an activity would pose if no controls or other mitigating factors were in place (the gross risk or risk before controls)
Control	Controls or mitigating actions in place to prevent, detect, minimise the impact of an identified risk.
Residual Risk	The risk level remaining after taking account the effectiveness of current controls or mitigating actions in place.
Target risk	The risk level which is required to ensure the best possible outcome of the organisation is attained.
Risk Treatment / Action Plan	The additional controls / mitigation action required to ensure that the risk appetite level is achieved.
Risk Profile	The residual risk impact and likelihoods and control effectiveness ratings can be reflected on a one-page Heat Map with supporting opinion and insight on risks, controls, and actions – the Risk Profile.
ALARP	As low as is reasonably practicable. That the degree of risk in a particular activity or environment can be balanced against the time, trouble, cost, and physical difficulty of taking measures to avoid the risk.

Appendix 2. Risk Lifecycle



Appendix 3. Opportunity Lifecycle



Appendix 4. Risk Appetite Statement

The HM Orange Book and ISO principles have been considered to ensure these align with standard risk management processes and frameworks. These risk types have also been allocated an approach in how we classify and prioritise responses to manage and mitigate risk; Minimalist, Cautious, Open.

Risk Type	Description	Approach
Strategy	Pursuing a strategy which is poorly defined and/or not aligned to objectives.	Minimalist
Financial	Poor management of finances, assets, and liabilities.	Cautious
Security	Failing to prevent unauthorised/inappropriate access (including cyber).	Minimalist
Governance	Unclear authorities, accountabilities, and oversight.	Minimalist
Commercial	Weak management of commercial partnerships, supply chains and contracts.	Cautious
Project/Programme	Project/Programmes are not aligned with priorities, or fail to deliver on cost, quality, time.	Cautious
Operations	Inadequate internal processes.	Minimalist
People	Poor leadership & engagement, culture, behaviours.	Cautious
Reputation	Ethical violations, poor sustainability, repeated failures, or poor quality.	Cautious
Legal	Defective transactions, claims, failure to meet legal/regulatory requirements.	Minimalist
Technology	technology not delivering the expected services.	Cautious
SHE	Deficiencies/poor management leading to non-compliance or harm.	Minimalist
Information	Failing to produce and exploit data/information to its full potential.	Cautious

Appendix 5. Risk Approach

Risk Approach	Description	Tolerance
Open	Flexible to reasonable risk taking, fully willing to accept uncertain outcomes. Where options exist, will choose the option with highest benefit, and accept possibility of failure. Willing to trade-off this objective against the achievement of other objectives.	Thirteen - Eighteen
Cautious	Accept uncertainty when it can be actively monitored and measured. Limited willingness to accept uncertain outcomes. Where options exist, will accept limited if favourable risk-reward outcome. Prefer to avoid trading off this objective for the achievement of others.	Six - Twelve
Minimalist	Close to zero tolerance for risk, unwilling to accept uncertain outcomes. Where options exist, will select the lowest risk option. Unwilling to trade-off this objective for others.	One to Five