

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: 25 February 2025

Time: 10:00

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

Attendees:		Apologies:
Mike Sharp (MS) (Chair)	Independent Member	
Geoff Westmoreland (GW)	Independent Member	
Councillor Peter Grogan (PG)	TVCA Audit and Governance representative	
Gerry Stapleton (GS)	Independent Member	
Gary Macdonald (GM)	Group Director of Finance and Resources, TVCA	
Ian Craven (IC)	Head of Finance and Commercial (STDC Head of Finance and Resources), STDC	
Victoria Pescod (VP)	Legal Manager, TVCA	
Angela Hart (AH)	Head of Performance, Risk and Assurance, TVCA	
Elaine Braham (EB)	Governance Officer, TVCA	
Claire Mellons (CM)	Ernst & Young	
Mark Rutter (MR)	Ernst & Young	
Andrew McCulloch (AM)	TIAA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC-A&G 31/2024	Apologies for Absence	The Chair of the Committee welcomed members, press and public. There were no apologies for absence.		
STDC-A&G 32/2024	Declarations of Interest	Gary Macdonald, Group Director of Finance and Resources, declared a none-pecuniary interest as a Director of South Tees Site Company and a member of their Board.		
STDC-A&G 33/2024	Public Questions	The Chair advised members that a number of public questions had been received. In accordance with the Public Participation Protocol, these would not be responded to as part of the meeting, but a response would be published on the TVCA website.		
STDC-A&G 34/2024	Minutes of Previous Meeting and Action Tracker	RESOLVED: the minutes of the meeting held on the 6 December 2025 were agreed as a true and accurate record.		
STDC - A&G 35/2024	Executive Update	The Committee received a report providing an activity update since the last meeting. GM provided members with an update, and the Committee were invited to ask questions: <ul style="list-style-type: none"> • Since the report was written work had commenced on the Park and Ride site, this is ongoing with the enabling work designed to help the flow of traffic and access and egress to the site. 		

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		<ul style="list-style-type: none"> • SeAH recently received a visit from His Majesty the King who met with apprentices. SeAH are receiving steel plate on to the site, with a roll out of monopiles expected to be later this year. • The quay is now operational with the operating building due for completion over the coming months. • The Energy Recovery Facility proposed scheme at Dorman Point includes the five constituent local authorities within the Tees Valley, alongside Durham and Newcastle. The Chair asked for clarification as to what was meant by 'H2', and was advised that it meant the second half of the year. • Net Zero Teesside, BP have now had the final investment decision and are moving to implementation with the teams on site. <p><u>Site Maintenance</u></p> <ul style="list-style-type: none"> • The Group Director of Finance and Resources explained that in line with the recommendation made in the Tees Valley Review (TVR) Ian Craven (Head of Finance and Commercial at STDC) would fulfil the role of STDC Head of Finance and Resources as set out in the constitution. • An Independent Member noted the assessment of all on-site bridges and asked about the high-risk score. The Group Director of Finance and Resources advised as part of the assessment process they are prioritising the work that needs to take place. Discussions are ongoing with the contractors and specialists surveying the bridges, and there will be a built-in element to the service charges for the maintenance of these going forward. • The Independent Member noted this work has a residual score of 15 against a maximum threshold of 5, the Group Director of Finance and Resources explained that mitigation is in place, is monitored and work is prioritised as required. The Independent Member asked when the survey work will be completed, and was advised that the timeline is to complete by Summer '25, and appropriate diversions are in place where required. • The Group Director of Finance and Resources reported that in terms of JV Power, the associated risks had significantly reduced. Any future clients coming 		

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		<p>on to site with significant power needs will liaise directly with Steel River Power for new connection proposals to ensure that this is in place.</p> <ul style="list-style-type: none"> • Water, currently working through requirements and commercial arrangements to support tenants coming on to site on a case-by-case basis. • An Independent Member felt it would be helpful to have a table extracting the information from the paragraphs so that it is easy to see them against each other. • The Chair asked if tenders had been received in respect of the A66/Tees Dock Road roundabout junction improvements, including the new access to the Lackenby development zone, and the Group Director of Finance and Resources advised that he would need to check with the operational team on this matter and feedback. • The Chair asked if the security contract had been renewed, and the Group Director of Finance and Resources confirmed that following the procurement process NE Security won the tender. <p>RESOLVED: the Committee noted the update.</p>	<p>Response to be provided</p>	<p>GM/JBa</p>
<p>STDC- A&G 36/2024</p>	<p>Ernst and Young External Audit Update</p>	<p>The Committee received a report from the Group Director of Finance and Resources and supporting documentation from Ernst and Young (EY), External Auditors, reporting for the year ended 31 March 2024. Covering 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 ended 31 March 2024.</p> <p>It recommended that the STDC Audit and Governance Committee:</p> <ol style="list-style-type: none"> 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. 		

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		<p>Ernst and Young explained that the Audit Completion Report had been set out in the context of bringing timescales in line with national deadlines. The previous Auditors, Mazars, had disclaimed the 2021/2022 and 2022/2023 audits in December 2024. EY advised of their decision to disclaim the 2023/2024 as the accounts for this year were not published until 29 September 2024, due to workload pressures in the Finance Team who were working on three years concurrently.</p> <p>Section 3 of the report sets out the findings. EY were awaiting a response from TVCA in respect of a couple of queries, once completed they would be asking management to sign off the opinion. EY explained that before they can issue an opinion the accounts need to be available for an inspection period and should be published with the Annual Governance Statement (AGS). However, the AGS was not published alongside the accounts but was available elsewhere on the website, and discussions were ongoing with management to determine whether this complied with the legislation.</p> <p>The Chair asked EY to put the backstop arrangements into context. EY explained that this programme was put in place by government and is designed to alleviate the national backlog of audits, bringing audits back in line, and the South Tees Development Corporation (STDC) is not alone in this situation.</p> <p>EY explained that the Value for Money Commentary identified two weaknesses. The first pertains to the Tees Valley Review (TVR), given that the report was not received until January 2024, it left little time for management to respond during the reporting period April 2023 - March 2024, with most of the work regarding the Action Plan being carried out in the 2024/2025 reporting period. The second pertains to capacity within the Performance, Risk & Assurance and Finance Teams. EY acknowledged that it was an unusual year, due to the significant work involved in responding to inspectors in terms of the TVR and the Finance team needing to work on three audits concurrently. The Group Director of Finance and Resources advised that they had recently recruited two members of staff to the Finance team, interim cover was in place and a full handover would be given.</p>		

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		<p>EY explained that whilst they are not issuing an opinion, they are obliged to highlight any adjustments that might be required, page 17 sets out some findings in respect of the AGS which had been shared with management prior to approval of the final version, page 18 looks at compliance with the legislation and the identified significant weaknesses in terms of the Value for Money Commentary. Discussions are ongoing and EY who were still to determine if they needed to make any statutory recommendations under the Local Audit and Accountability Act.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> An Independent Member noted that the media had reported that EY might be consulting with the Deputy Prime Minister. EY clarified that their responsibility is to the Corporation, and they would address any concerns with the Corporation. They are however required to copy these to the Secretary of State, but they are for the Corporation themselves. <p>RESOLVED: the Committee noted the Completion Report, Draft Audit Report and Draft Value for Money reporting for the year ended 31 March 2024.</p>		
STDC-A&G 37/2024	Internal Audit Actions Update	<p>The Committee received a report from the Group Director of Finance and Resources presenting the position of current internal audit action plan progress as of February 2025.</p> <p>It recommended that the STDC Audit and Governance Committee:</p> <ol style="list-style-type: none"> Consider the analysis and audit progress set out in this paper. Acknowledge the annual audit schedule. <p>The Group Director of Finance and Resources advised that this pertained to the 2023/2024 plan, the items that were in progress or were due to complete had now</p>		

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		<p>been completed. There had been one outstanding item pertaining to the effectiveness of the committee, numerous training sessions had been facilitated recently and therefore this had now been closed off. The team are working actively to close off those that remain.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> An Independent Member asked about the scope of the Governance - Strategic Control Audit. It was explained that a decision had been taken to defer this until after the actions arising from the TVR have been concluded. Part of the work for the forth coming year will be to look at governance processes taking in to account elements from the TVR. TIAA explained it will look at how the various boards and committees interact with each other and will look at TVCA and the three Development Corporations independently. The Group Director of Finance and Resources explained that the authority had wanted to do this review as part of the internal control processes but had deferred it in light of the TVR. <p>RESOLVED: the Committee considered the analysis and audit progress as set out in the paper and acknowledged the annual audit schedule.</p>		
STDC- A&G 38/2024	Summary of Internal Controls Assurance Update and Internal Audit Reports	<p>The Committee received a report from the Group Director of Finance and Resources introducing the TIAA Summary of Internal Controls Assurance Update detailing the emerging governance, risk and internal control related issues and the progress of TIAA's work at South Tees Development Corporation (STDC) Group as at January 2025.</p> <p>It recommended that the STDC Audit and Governance Committee:</p> <ol style="list-style-type: none"> Notes the content on the findings within the SICA report. Notes the content of the TIAA Assurance Review of Disaster Recover 2023/2024. 		

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		<p>iii. Notes the content of the TIAA Follow Up 2023/2024 Review.</p> <p>iv. Notes the Internal Audit Opinion 2023/2024.</p> <p>TIAA explained that the reports pertained to the Internal Audit Plan for 2023/2024, this was a group wide plan which was why it was being shared with the STDC Audit & Governance committee. Moving forward STDC will have its own plan, and this would be brought to the next meeting in line with the recommendations from the CIPFA Review of Internal Audit arrangements.</p> <p>TIAA explained that their company is investing in their future, they took on 16 apprentices this year, all of whom are progressing well and will increase the organisations resilience moving forward.</p> <p>TIAA advised that no priority ones had been issued, and the 2024/2025 plan shows that all reviews had now been booked with the aim of publishing the plan by April 2025. They thanked the staff at the Authority who had accommodated a lot of work.</p> <p>The Group Director of Finance and Resources thanked TIAA for the work they had completed in a short period of time. He noted that the authority was now working to timeframes. Numerous recommendations from the CIPFA report had been worked through as part of the work that had been completed, and the increase in capacity within the Finance Team will help moving forward.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> The representative from the TVCA Audit & Governance committee, welcomed the update that STDC would have its own report moving forward. 		

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		<p><u>ICT Disaster Recovery</u></p> <ul style="list-style-type: none"> The Chair noted that questions will have been asked of ICT Providers who at times can be difficult to interpret. TIAA advised that they have a specific ICT audit team who understand the terminology used by IT professionals. <p><u>Follow Up Report</u></p> <p>TIAA explained that this pertained to recommendations made by the Authority's former audit providers. It showed the reviews that TIAA picked up on, 10 had been signed off, 3 had been superseded and 15 were ongoing. TIAA will continue to review these, and had been advised by the Authority that a number had closed in the last couple of months and TIAA would be report on this shortly.</p> <p>The Group Director of Finance and Resources explained that when management confirm an action is closed, TIAA work on the Follow-up audit is to verify that the work performed to close the action has been implemented.</p> <p><u>Internal Audit Annual Report</u></p> <p>TIAA advised that the plan covers all entities within the group. The Governance – Strategic Control audit has been included for all entities in the 2024/2025 plan.</p> <p>TIAA carried out five reviews 2 received substantial assurance and 3 reasonable assurance and Annex A details the work completed. TIAA are satisfied that for the areas reviewed during the year, TVCA had reasonable and effective risk management, control and governance processes in place.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> An Independent Member stated that looking at the areas that remained outstanding, and assuming that this is a resource piece, and governance can be 		

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		<p>resource hungry, has the authority looked at whether they have the right number of people in place to get the work done, alongside identifying what actually needs to be done. He further asked, what are the three most important things out of the outstanding fifteen that should be focused on, therefore allowing resources to be deployed appropriately. He felt that there was then a further piece of work that needed to happen with EY to identify resource needs.</p> <ul style="list-style-type: none"> • TIAA explained that this was their first review of the recommendations made by the previous auditor, and the team would be looking deeper in to these. • The Chair noted that some could probably come off straight away e.g. Covid 19 response. • The Independent Member noted the impact of these and felt it would be helpful to have some context to help guide the teams. <p>RESOLVED: the Committee noted the content on the findings within the SICA report, the TIAA Assurance Review of Disaster Recovery 2023/2024, the TIAA Follow Up 2023/2024 Review and the Internal Audit Opinion 2023/2024.</p>		
STDC-A&G 39/2024	Review of Complaints Policy	<p>The Committee received a report from the Group Chief Legal Officer presenting the STDC Complaints Policy to the Committee.</p> <p>It recommended that the STDC Audit and Governance Committee:</p> <ol style="list-style-type: none"> i. Recommends that STDC Board approves the Complaints Policy as detailed in Appendix to this Report. ii. Notes that the policy shall be brought back to this Committee for an annual review in early 2026. <p>The Group Director of Finance and Resources presented the paper and explained that if approved a recommendation from this committee would go the next STDC Board to approve the Policy. He explained that the Group Chief Legal Officer is</p>		

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		<p>working on a number of policies across the group and the intention is that this draft policy makes the process easier to understand and signposts appropriately.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • The Chair noted the need for consistency across the group. • The representative from the TVCA Audit and Governance committee asked about progress of the Managing Unreasonable Behaviour Policy and Management confirmed this was progressing following feedback. <p>RECOMMENDS: the Committee recommended that the STDC Board approves the Complaints Policy as detailed in the appendix to the report, and noted that it will be brought back to the Committee for annual review in early 2026.</p>		
STDC-A&G 40/2024	Regulatory Update Report	<p>The Committee received a report from the Group Chief Legal Officer, providing an update on a number of regulatory matters for STDC.</p> <p>It recommended that the STDC Audit and Governance Committee:</p> <ol style="list-style-type: none"> i. Notes the content of the report. <p>The Group Director of Finance and Resources presented the report which provided an update in respect of Freedom of Information (FoI) requests, Complaints and Data Protection. He noted that the statistics had also been published on the TVCA website for the period October – December 2024. There had been no written complaints during this timeframe, no data breaches and no subject access requests.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • The Chair noted that the Information Commissioner upheld one complaint in the authority’s favour and one in the complainant’s favour, and asked for more 		

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		<p>information. He further asked if this information was published and suggested that for transparency it should be. Management agreed to review the next steps in response to this and respond accordingly.</p> <p>RESOLVED: the Committee noted the content of the report.</p>	Management to update Committee	
STDC-A&G 41/2024	Work Programme	The Group Director of Finance and Resources explained that the draft work programme for 2024/2025 was in the process of being developed. Internal and External Auditors will be consulted to ensure that timings of the meetings meet their requirements, and this will be brought to the next meeting for approval.		
STDC-A&G 42/2024	Review of Risk Management Policy and Framework	<p>The Committee received a report from the Group Director of Finance and Resources presenting the updated Risk Management Policy and Framework for approval.</p> <p>It recommended that the STDC Audit and Governance Committee:</p> <ol style="list-style-type: none"> 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. <p>The Group Director of Finance and Resources explained that the policy complies with ISO standards and sets out in detail how this is achieved. If approved it will be adopted as the latest published policy and will be communicated to managers and the wider teams.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • An Independent Member asked what sits behind this policy, for him it was what happens within the teams, what people are doing, what is the escalation process, how do we take in to account views from the organisation. It was explained that the Group Financial Controller is facilitating learning and 		

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<p>The Group Director of Finance and Resources advised members of the public that with regards to the confidential items, the authority is looking to ensure that as much information is placed in the public domain as possible.</p>				
STDC A&G 43/2024	Risk Management Report	The Committee received a report from the Group Director of Finance and Resources, presenting the STDC Corporation's Risk Portfolio as of February 2025.		
STDC- A&G 44/2024	Environmental Health and Safety Update Report	The Committee received a report from the Environmental, Health, Safety and Security Director, providing an update on key EHS activities in relation to works currently being undertaken on the Teesworks site.		
STDC- A&G 45/2024	Date and Time of Next Meeting	15 May 2025 @ 10:00		