

## Audit & Governance Committee Agenda

**Date:** Tuesday October 15<sup>th</sup> at 10.00am

**Venue:** Cavendish House, Teesdale Business Park, Stockton-On-Tees, TS17 6QY

**Membership:**

Councillor Matthew Storey (Middlesbrough Borough Council)  
Councillor Barry Woodhouse (Stockton-On-Tees Borough Council)  
Councillor Paul Crudass (Darlington Borough Council)  
Councillor Brenda Harrison (Hartlepool Borough Council)  
Paul Bury (Independent member)  
Christopher White (Independent member)  
Jonny Munby (Independent member)

**Please Note: Ratification by Redcar & Cleveland Borough Council of their nominated replacement member had not occurred in advance of the publication of this agenda. This agenda will be updated once this process is complete.**

### AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Appointment of Chair and Vice Chair**
4. **Appointment to South Tees Development Corporation Audit & Risk Committee**
5. **Minutes of meeting held on July 24<sup>th</sup> 2019**  
Attached
6. **Action Tracker**  
Attached
7. **Annual Financial Statements**  
*To follow on completion of External Audit*
8. **Corporate Risk Register**  
Attached
9. **Internal Audit Update**  
Attached
10. **Forward Plan and scheduling of future meetings**  
Attached

**11. Date and Time of Next Meeting:**

January 23<sup>rd</sup> 2020

**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: John Hart, 01642 524 413 or [john.hart@teesvalley-ca.gov.uk](mailto:john.hart@teesvalley-ca.gov.uk)

## **Tees Valley Combined Authority Declaration of Interests Procedures**

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

### **Personal Interests**

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

### **Declarations of interest relating to the Councils' commercial role**

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

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

### **Procedures for Declaring Interests**

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

#### **Register of Interests**

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

#### **Declaration of Interests at Meetings**

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

### **Sensitive Information**

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

**AGENDA ITEM 4****REPORT TO THE AUDIT AND  
GOVERNANCE COMMITTEE****15<sup>th</sup> OCTOBER 2019****REPORT OF THE GOVERNANCE MANAGER****SOUTH TEES DEVELOPMENT CORPORATION AUDIT & RISK COMMITTEE:  
NOMINATION OF REPRESENTATIVE****SUMMARY**

This report seeks a nomination from the Tees Valley Combined Authority (TVCA) Audit and Governance Committee for a member to serve on the Audit and Risk Committee of the South Tees Development Corporation (STDC).

**RECOMMENDATIONS**

Members are requested to nominate and approve a member to serve as the committee's representative on the South Tees Development Corporation Audit and Risk Committee.

**DETAIL**

1. The primary purpose of this committee is to assist the STDC board in fulfilling its oversight responsibilities in matters concerning risk. It also considers matters of governance and probity.
2. The Committee's Terms of Reference state that it provides "independent review of governance, risk management and control frameworks and oversees financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place."
3. Article 41 of the Constitution of the South Tees Development Corporation states "The Combined Authority's Audit and Governance Committee shall appoint one of its members to be a member of the Corporation's Audit and Risk Committee".
4. This requirement is reiterated in the Committee's Terms of Reference (Clause 2.1) which states "The A&R Committee shall, as a minimum comprise at least five members, which shall include: The Independent Chair, any 2 other nominated Board members; and a representative of the TVCA Audit and Governance Committee".

**FINANCIAL IMPLICATIONS**

5. None directly from this report

## **LEGAL IMPLICATIONS**

6. The report relates to the Constitution of the South Tees Development Corporation, which sets out the appropriate statutory framework. The Constitution came in to effect on 13<sup>th</sup> June 2017 and is legally binding.

## **RISK ASSESSMENT**

7. None directly from this report

## **CONSULTATION**

8. None

**Name of Contact Officer: Sue Houston**  
**Post Title: Assistant Director of Regeneration**  
**Telephone Number: 01642 408 000**  
**Email Address: sue.houston@southteesdc.com**

**Audit and Governance Committee  
Cavendish House, Stockton-On-Tees  
24<sup>th</sup> July 2019 – 10am**

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

**Attendees**

**Members**

Councillor Matthew Storey (Middlesbrough Borough Council)  
Councillor Stefan Houghton (Stockton Borough Council)  
Councillor Brenda Harrison (Hartlepool Borough Council)  
Councillor Paul Crudass (Darlington Borough Council)  
Christopher White (Independent member)  
Paul Bury (Independent member)

**Apologies for Absence**

Councillor Lynn Pallister (Redcar & Cleveland Borough Council)  
Jonny Munby (Independent member)

**Officers**

Martin Waters (Head of Finance, Resources & Housing, TVCA)  
Neil Cuthbertson (Senior Finance Manager, TVCA)  
Sally Henry (Governance Officer, TVCA)

**Also in Attendance**

Gareth Roberts (Senior Manager, Mazars)  
Rob Barnett (Head of Internal Audit, RSM)  
Philip Church (RSM)

<b>AGC 01/19</b>	<b>APOLOGIES FOR ABSENCE</b>
	Apologies for absence were received from Cllr Lynn Pallister and Independent Member Jonny Munby.  Introductions were made.
<b>AGC 02/19</b>	<b>DECLARATIONS OF INTEREST</b>
	There were no declarations of interest.
<b>AGC 03/19</b>	<b>APPOINTMENT OF CHAIR &amp; VICE CHAIR</b>
	It was agreed that Councillor Matthew Storey is nominated as Chair and

	<p>Councillor Brenda Harrison is nominated as Vice Chair.</p> <p><b>Resolved</b> that the nominations of Cllr Storey as Chair and Cllr Harrison as Vice Chair be taken to TVCA Cabinet for ratification on 26<sup>th</sup> July.</p>
<b>AGC 04/19</b>	<b>APPOINTMENT TO STDC AUDIT &amp; RISK COMMITTEE</b>
	<p>There were no nominations for the appointment to the STDC Audit &amp; Risk Committee.</p> <p>In her absence it was suggested that Councillor Lynn Pallister could fulfil this role and that an officer from TVCA would contact her post-meeting. If Cllr Pallister is in agreement, the nomination would be ratified at TVCA Cabinet on 26<sup>th</sup> July. If not, the appointment would be brought to the next meeting of the Audit &amp; Governance Committee.</p> <p><b>Resolved</b> that Cllr Pallister be contacted post-meeting to discuss her appointment to the STDC Audit &amp; Risk Committee.</p>
<b>AGC 05/19</b>	<b>NOTES OF MEETING HELD 28<sup>TH</sup> FEBRUARY 2019</b>
	<p>Gareth Roberts requested the notes from the meeting held on 28<sup>th</sup> February be amended to reflect the following:-</p> <p>Page 3 – External Audit Progress Report.</p> <ul style="list-style-type: none"> <li>• The Committee were briefed on why it had not been possible to complete the External Audit Plan (not “charter” as stated in the notes).</li> <li>• Failure to submit accounts would have to be reflected in future risk assessment (not “Value for Money Statement” as stated in the notes).</li> </ul> <p><b>Resolved</b> that the notes be noted, with the amendments requested.</p>
<b>AGC 06/19</b>	<b>ACTION TRACKER</b>
	<p>Outstanding Actions were noted:-</p> <ul style="list-style-type: none"> <li>• A briefing on the TVCA Vision &amp; Values will be brought to a future meeting;</li> <li>• A formal introduction to the TVCA Audit &amp; Governance Committee to be incorporated in to the Forward Plan.</li> </ul> <p><b>Resolved</b> that the tracker be noted.</p>
<b>AGC 07/19</b>	<b>INTERNAL AUDIT PLAN</b>
	<p>Rob Barnett from Internal Auditors RSM, provided the Committee with the Internal Audit Strategy for the Combined Authority for 2019/20. He advised the Committee that it is a flexible document and, as things change throughout the course of the year, he will come back to the Committee with an update.</p> <p>Independent members of the Committee who are previous members, were happy that this report addresses concerns which had previously been raised.</p> <p><b>Resolved</b> that the Internal Audit Report be noted.</p>



<b>AGC 08/19</b>	<b>EXTERNAL AUDIT STRATEGY MEMORANDUM</b>
	<p>Gareth Roberts from Mazars advised the Committee that it had been the intention to present this document to the Audit and Governance Committee earlier in the year however due to the complexities surrounding the change in the group structure and no Committee in place, this was not possible</p> <p>He advised the Committee that whilst TVCA is an entity in its own right, it is now part of a Group which includes Goosepool (the airport) and STDC. This unfortunately means that the Audit Strategy is now being presented with the Audit Completion Report instead of months apart. The Committee discussed options for mitigating the risk of this happening again in the future however it was highlighted that the risks of this happening again were negligible.</p> <p>Cllr Storey suggested that the Committee could be more reactive in the future with Committees arranged on an Ad-Hoc basis if the need arose. He would like to meet with officers at TVCA to look at a strategy and discuss a forward plan for the Committee.</p> <p><b>Resolved that:-</b></p> <ul style="list-style-type: none"> <li>• The External Audit Strategy Memorandum be noted;</li> <li>• Cllr Storey will meet with Officers at TVCA to discuss a Strategy/Forward Plan for the Committee.</li> </ul>
<b>AGC 09/19</b>	<b>EXTERNAL AUDIT COMPLETION REPORT</b>
	<p>Gareth Roberts presented the External Audit Completion Report and update letter which illustrated the latest findings of the external audit currently being carried out by Mazars LLP for the financial year ended 31st March 2019.</p> <p>The Committee initially expressed concern that the final accounts would be signed off before they had sight of them however were reassured that upon completion, a revised report of final accounts would be circulated prior to sign-off.</p> <p><b>Resolved:-</b></p> <ul style="list-style-type: none"> <li>• that the contents of the External Auditor report and update letter on the latest position regarding the audit of the statement of group accounts for the Tees Valley Combined Authority, containing a Value for Money Opinion, be noted.</li> <li>• A revised report of final accounts will be circulated prior to sign-off.</li> </ul>
<b>AGC 10/19</b>	<b>ANNUAL ACCOUNTS &amp; FINANCIAL STATEMENT</b>
	<p>The Committee were presented with the latest draft Financial Statements for 2018/19.</p> <p>Due to the late circulation of the accounts, the Committee agreed that, if there were any issues which needed further discussion, these could be discussed via a telecon.</p>

	<b>Resolved</b> that the latest draft of the Annual Accounts Financial Statements are noted.
<b>AGC 11/19</b>	<b>ANTI-FRAUD POLICY</b>
	<p>The Committee were provided with a draft TVCA's Anti-Fraud and Corruption Strategy 2019/20.</p> <p>It was requested that 2 amendments be made to the policy:-</p> <ul style="list-style-type: none"> <li>• Section 1.1 – Should read TVCA is committed to <b>prevent</b> fraud rather than <b>reduce</b> fraud as currently stated;</li> <li>• Section 6.5.1 – Mazars do not have a statutory duty as stated in the strategy.</li> </ul> <p><b>Resolved</b> that with the suggested amendments, the Committee endorse the Policy.</p>
<b>AGC 12/19</b>	<b>CORPORATE RISK REGISTER</b>
	<p>The Committee considered the risk analysis as set out in the risk register. Concern was expressed that it is currently not clear when changes have been made, why they have been made.</p> <p>It was agreed that the commentary should be made clearer.</p> <p>Rob Barnett advised that RSM can advise on what Committee members should be challenging – when risks have decreased as well as increased.</p> <p><b>Resolved</b> that:-</p> <ul style="list-style-type: none"> <li>• The commentary on the corporate risk register to be expanded to give more detail;</li> </ul>
<b>AGC 13/19</b>	<b>FORWARD PLAN AND SCHEDULING OF FUTURE MEETINGS</b>
	<p>The Committee requested a conference call be scheduled before the next meeting to discuss outstanding items from this meeting.</p> <p>The Committee agreed the draft schedule of future meetings.</p>
<b>AGC 14/19</b>	<b>DATE OF NEXT MEETING</b>
	Thursday 26 <sup>th</sup> September 2019 at 10am.

**TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER –2019-20**

<b>Meeting</b>	<b>Item</b>	<b>Action</b>	<b>Owner</b>	<b>Target Date</b>	<b>Update</b>
27 <sup>th</sup> September 2018	Action Tracker	Committee requested that consideration be given of a formal introduction program for committee members, detailing TVCA audit framework.	TVCA		To be actioned following nomination of 2019-20 committee membership at 2019 Annual General Meeting.
27 <sup>th</sup> September 2018	Internal Audit Report	Committee requested a report be presented on TVCA cyber-security arrangements	TVCA		Added to Forward Plan
29 <sup>th</sup> November 2018	Any Other Business	Committee be provided with briefing on TVCA Vision and Values exercise	TVCA		Added to Forward Plan
28 <sup>th</sup> February 2019	Treasury Management Strategy	External advisors Arling Close to be invited to a future meeting of the committee to brief members on methodology used with regards to treasury management.	TVCA		Added to Forward Plan

**AGENDA ITEM 8****REPORT TO THE AUDIT AND  
GOVERNANCE COMMITTEE****15 OCTOBER 2019****REPORT OF THE HEAD OF FINANCE  
AND RESOURCES****CORPORATE RISK REGISTER****SUMMARY**

This report presents the Tees Valley Combined Authority Corporate Risk Register as at October 2019. The risk register is reviewed on a regular basis by senior management and sets out the key corporate risks that have been identified.

**RECOMMENDATIONS**

It is recommended that Audit and Governance Committee consider the risk analysis as set out in Risk Register.

**DETAIL**

1. This report presents the Tees Valley Combined Authority Corporate Risk Register as at October 2019. The risk register is prepared in accordance with the adopted Risk Management Strategy and is reviewed on a regular basis by senior management. The risk register sets out the:
  - key corporate risks that have been identified;
  - type of risk e.g. legal, reputational, financial;
  - consequences if the risk is realised;
  - risk owner;
  - controls in place to manage the risk;
  - net risk score determined by probability and impact;
  - additional controls to be put in place and tracking implementation.

**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. This content of this report is categorised as low to medium risk.

## **CONSULTATION**

5. None required.

**Name of Contact Officer: Gary MacDonald**  
**Post Title: Head of Finance and Resources**  
**Email: [gary.macdonald@teesvalley-ca.gov.uk](mailto:gary.macdonald@teesvalley-ca.gov.uk)**  
**Telephone Number: 01642 527 707**

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C01	Failure to secure agreement on new future investment priorities. <b>(INVESTMENT PLANNING)</b>	<ul style="list-style-type: none"> <li>• Delay in agreeing and approving projects to go into Investment Programme, potentially affecting spend</li> <li>• Impacts TVCA's reporting on progress to Government</li> <li>• Adverse effect on 5 year Government funding conversation and ability to bid successfully for other funding for projects</li> <li>• Failure to achieve SEP targets and outcomes</li> <li>• Reputational damage</li> </ul>	Strategy & Investment Planning Director/ Chief Executive	<ul style="list-style-type: none"> <li>• TVCA Cabinet has overall responsibility for developing &amp; delivery of SEP, investment decisions and allocation of resources.</li> <li>• Proposals developed at early stage with Leaders &amp; Mayor, LEP members, chief officers, partners and Government departments</li> <li>• Agreement to Investment Plan</li> <li>• Investment report on every Cabinet agenda as standing item</li> <li>• Additional EOIs reviewed as received</li> <li>• Oversight by TV Management Group</li> <li>• Quarterly performance reporting being developed</li> <li>• Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19</li> <li>• Assurance Framework agreed by Cabinet and submitted to Government - now adopted</li> <li>• New processes and delegations agreed and implemented</li> <li>• <b>Investment Plan Review to go to Cabinet January 2020</b></li> </ul>	5	2	10			On-going dialogue with Mayor and Leaders on the Investment Plan review		•New Assurance Framework sets out process for dealing with potential new projects.	Jan-20
C02	Impact of Brexit including financial uncertainty and economic instability that affects national policy in relation to devolution and impact on ability to progress TVCA devolution strategy; in particular uncertainty on UK successor regime to ESIF funding (UKSPF) and the loss of Local Growth Funding. <b>(FINANCIAL)</b>	<ul style="list-style-type: none"> <li>• Loss of funding for Tees Valley compared to previous ESIF position</li> <li>• Failure to maximise opportunities for funding for Tees Valley under replacement arrangements</li> <li>• <b>Increased funding to address economic shocks</b></li> <li>• <b>Need to mobilise support to businesses and communities</b></li> <li>• <b>Reduced Inward Investment activity</b></li> <li>• <b>Loss of key businesses</b></li> <li>• <b>Loss of jobs</b></li> <li>• <b>Increased deprivation</b></li> </ul>	Chief Executive/Strategy & Investment Planning Director/ Commercial & Delivery Director	<ul style="list-style-type: none"> <li>• Ongoing engagement with Leaders &amp; Mayor, Chief Officers and Government departments</li> <li>• Continuation of focus on TVCA delivery of objectives and SEP</li> <li>• Secured ESIF guarantee from Government</li> <li>• Engagement with Government on future funding plans post Brexit, including tracking progress with development of proposed UK Shared Prosperity Fund</li> <li>• Action plan agreed for utilising remainder of ESIF funding</li> <li>• Working with partners on proposals for current open call (closing Aug19)</li> <li>• <b>Brexit Action Plan being prepared</b></li> <li>• <b>Funding to support businesses being developed</b></li> <li>• <b>Potential impacts being monitored</b></li> <li>• <b>Joint LA and partner Brexit group established</b></li> <li>• <b>LEP/Growth Hub business intelligence gathering and business engagement being undertaken</b></li> <li>• <b>Use of the Get Ready campaign</b></li> </ul>	5	4	20	↑8		• Liaison with other CAs/LEPs	Ongoing	Regular liaison with Government on progress with UK Shared Prosperity Fund.	Jan-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C03	Failure to secure sufficient additional resources to fund proposed activity. (FINANCIAL)	<ul style="list-style-type: none"> <li>Impacts ability to deliver SEP targets and outcomes</li> <li>Reputational damage</li> </ul>	Strategic & Investment Planning Director/ Finance & Resources Director/Chief Executive	<ul style="list-style-type: none"> <li>Robust Medium Term Financial Plan, Treasury Management Strategy and Investment Plan agreed by TVCA Cabinet</li> <li>Submission of high calibre bids for external funding</li> <li>Identifying opportunities for efficiency and greater impact</li> <li>Ongoing review of EZ income potential</li> <li>Ongoing review of commercial potential of individual projects and TVCA borrowing potential/limits</li> <li>Ten Year Investment Plan 2019-29 agreed (including funding plan)</li> <li>Regular meetings between Mayor and Government Ministers</li> <li>Progress with external funding bids reported quarterly to TVMG</li> </ul>	4	3	12			<ul style="list-style-type: none"> <li>Investments identified in Local Industrial Strategy need to feed into Investment Plan and other external sources</li> <li>Tightening up bidding process - approval to bid and actual bid sign off</li> </ul>		TVCA bids submitted to ERDF Open Calls	Jan-20
C04	Transport specific funding secured from government is not sufficient to meet TVCA programme aspirations eg significant local contributions sought that are not affordable and/or TCF not awarded on ongoing annual basis. (FINANCIAL)	<ul style="list-style-type: none"> <li>Not all planned transport projects can be delivered</li> <li>Harder to leverage other funding</li> <li>Reputational damage</li> </ul>	Commercial & Delivery Director/ Head of Transport	<ul style="list-style-type: none"> <li>Transport programme going to Cabinet <b>January 2020</b></li> <li>Programme shared with DfT</li> <li>Reporting to DfT on progress with TCF spending/delivery</li> <li>Ongoing liaison with DfT re specific projects eg New Tees Crossing, Darlington Northern Link Road, Darlington Station, Middlesbrough Station</li> <li>Ongoing discussions with key partners eg Northern Rail, Train Operators, TfN &amp; <b>Highways England</b></li> <li>Annual conversation with government</li> <li><b>Briefing The Mayor to lobby Government</b></li> </ul>	4	3	12	-					Jan-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C05	Failure to secure appropriate funding from Government for the operation of the South Tees Development Corporation. (FINANCIAL)	<ul style="list-style-type: none"> <li>• Delay to delivery of STDC planned development</li> <li>• Potential effect on TVCA's other funding priorities</li> <li>• TVCA cannot itself meet funding requirements</li> <li>• Loss of potential inward investment into Tees Valley, and other opportunities to meet SEP objectives</li> <li>• Reputational damage</li> </ul>	Chief Executive/ Director of Finance & Resources	<ul style="list-style-type: none"> <li>• STDC established as legal entity 1st Aug 2017</li> <li>• Official launch 23rd August 2017</li> <li>• STDC Constitution requires significant financial matters to be referred to TVCA Cabinet</li> <li>• TVCA FD is also FD of STDC</li> <li>• STDC Board meeting regularly</li> <li>• Continued dialogue with Government</li> <li>• £123m funding secured in 2017 Budget</li> <li>• £14m in 2018 budget</li> <li>• CSR Business Case to HMG 2019</li> <li>• New Chief Exec of STDC recruited</li> <li>• New STDC structure proposals to enhance operational capacity/capability</li> </ul>	4	4	16					Budget expected late October/early November and allocation expected to be announced	Jan-20
C06	Obligations undertaken by STDC have potential financial impact on TVCA	<ul style="list-style-type: none"> <li>• Strain on TVCA funding availability</li> <li>• Potential effect on other TVCA funding programmes</li> <li>• Reputational damage</li> </ul>	Director of Finance & Resources	<ul style="list-style-type: none"> <li>• STDC Constitution requires significant financial matters to be referred to TVCA Cabinet</li> <li>• TVCA FD is also FD of STDC</li> <li>• Development of a STDC programme management structures</li> <li>• Aligning STDC reporting updates with TVCA</li> <li>• New STDC structure proposals to enhance operational capacity/capability</li> </ul>	4	2	8						Jan-20
C07	Failure to provide sufficient capacity to deliver TVCA functions. (DELIVERY)	<ul style="list-style-type: none"> <li>• Delays in terms of TVCA business being transacted, decisions being made and funding being defrayed</li> <li>• Potential loss of investment into Tees Valley</li> <li>• Delays in achieving SEP and Investment Plan outputs and outcomes</li> <li>• Potential effect on ability to bid credibly for additional funding</li> <li>• Key staff may decide to leave organisation</li> <li>• Reputational damage</li> </ul>	Chief Executive	<ul style="list-style-type: none"> <li>• Oversight by Senior Management Team</li> <li>• Reviews being implemented</li> <li>• Recruitment under way in key areas (eg AEB devolution)</li> <li>• Further reviews as part of annual medium term financial plan to go to January Cabinet</li> </ul>	4	3	12	-					Jan-20



TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C09	Failure to build and maintain relationships with key partners. (REPUTATIONAL)	<ul style="list-style-type: none"> <li>• Potential impact on LEP and its operation</li> <li>• More difficult to maximise opportunities to access significant external funding which requires a partnering approach</li> <li>• Delays to agreement and delivery of Investment Programme</li> <li>• Risk to achievement of SEP targets and outcomes</li> <li>• Reputational damage</li> </ul>	Chief Executive/ Senior Leadership Team	<ul style="list-style-type: none"> <li>• Regular Cabinet meetings (including LEP Board members)</li> <li>• Regular portfolio holders meetings and briefings</li> <li>• Directors/Heads meeting LA officers regularly</li> <li>• MOU agreed with Teesside University</li> <li>• Regular liaison with other key partners eg. CPI, MPI, TWI, Digital City</li> <li>• Regular liaison with other key government agencies (and others) eg. Homes England, Highways England, HLF, Arts Council, BLF, TfN etc</li> <li>• Perception study undertaken</li> <li>• Revised Assurance Framework sets out role for Management Group - consultee in Chief Exec's delegation</li> </ul>	4	2	8	-					Jan-20
C10	Uncertainty within the economy and/or the political environment (DELIVERY)	<ul style="list-style-type: none"> <li>• Potential delay to agreement of TVCA priorities and approval of any additional funding</li> <li>• Potential delay in delivering SEP targets and outcomes</li> <li>• Reputational damage</li> </ul>	Chief Executive	<ul style="list-style-type: none"> <li>• Engagement with local MPs</li> <li>• Engagement with local authorities</li> </ul>	4	3	12	-		• Engagement with national parties	Ongoing		Jan-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C11	Failure to pass the first Gateway Review. (FINANCIAL) See sub risks A & B below	<ul style="list-style-type: none"> <li>Inability to deliver Ten Year Investment Plan and strategic investments and achieve SEP outcomes</li> <li>Increased workload/resources required to address issues</li> <li>Risk to future funding of organisation</li> <li>Significant reputational damage</li> </ul>	Strategy & Investment Planning Director/Finance & Resources Director	<ul style="list-style-type: none"> <li>Bi-monthly meeting with Government officials and on-going dialogue</li> <li>Assurance framework (monthly conversation with BEIS)</li> <li>Internal Audit arrangements</li> <li>Annual conversations with Government</li> <li>Mayor meets with Government Ministers</li> <li>Funding cannot progress to final approval unless it meets the Assurance Framework process.</li> <li>Staff trained on the Assurance Framework to ensure it is being adhered to</li> <li>Tees Valley baseline prepared by SQW</li> <li>Evaluation plan agreed between SQW, Tees Valley &amp; government</li> </ul>	5	2	10	↓5	Progress made with SQW	<ul style="list-style-type: none"> <li>Quarterly reporting to Cabinet on Investment outputs and outcomes to be introduced</li> <li>Annual Review to be undertaken</li> </ul>	Oct-19  Mar-20		Jan-20
C11-A	• Failure to deliver the existing pipeline of funding commitments and achieve targeted spend. (DELIVERY)	<ul style="list-style-type: none"> <li>Impacts TVCA's reporting on progress to Government</li> <li>Adverse effect on 5 year Government conversation &amp; ability to bid successfully for other funding</li> <li>Failure to achieve SEP targets and outcomes</li> <li>Reputational damage</li> </ul>	Strategic Investment Planning Director/Commercial & Delivery Director/Finance & Resources Director	<ul style="list-style-type: none"> <li>Creation and utilisation of Advanced Funding to provide upfront investment in feasibility work</li> <li>Programme monitoring and review</li> <li>Assurance Process in place</li> <li>Investment Plan Risk Register operational</li> <li>Regular Investment Panel meetings</li> <li>Regular liaison with BEIS</li> <li>Monthly spend reviews in place</li> <li>Ten Year Investment Plan 2019-29 agreed by Cabinet Jan19</li> <li>Revised Assurance Framework in place</li> <li>Quarterly review of progress against internal business plan targets</li> <li>Investment Plan delivery progress reported to Cabinet quarterly</li> <li>Investment Plan Review to go to Cabinet January 2010</li> </ul>	5	2	10	-					Jan-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C11-B	Failure to manage funding in order to deliver maximum value for money. (FINANCIAL)		Strategic Investment Planning Director/ Director of Finance & Resources	<ul style="list-style-type: none"> <li>Revised Assurance Framework approved by Cabinet on 15th March and submitted to Government</li> </ul>	4	2	8	-		<ul style="list-style-type: none"> <li>Review to ensure appropriate development, appraisal and assurance processes are operating effectively and efficiently</li> <li>Staff briefing sessions on the whole process</li> </ul>	Sep-19		Oct-19
C12	Failure to detect fraud. (FINANCIAL)	<ul style="list-style-type: none"> <li>Loss of funds that cannot be recovered and applied to required spend objectives</li> <li>Staff resources required to manage any instances</li> <li>Reputational damage</li> </ul>	Director of Finance & Resources	<ul style="list-style-type: none"> <li>Internal audit arrangements</li> <li>External audit arrangements</li> <li>Internal expenditure approvals process</li> <li>Assurance Framework for Investment</li> <li>Review of internal expenditure process undertaken</li> <li>Staff induction process</li> </ul>	5	2	10	-		<ul style="list-style-type: none"> <li>Review need for particular controls on specific new funding programmes</li> <li>Investment Plan shared and developed with Directors</li> </ul>	Ongoing		Oct-19
C13	Failure to properly manage AEB Budger	<ul style="list-style-type: none"> <li>Reduction in availability of skills training in the region.</li> <li>Financial impact on FE priorities</li> </ul>	Head of Education, Employment & Skills	<ul style="list-style-type: none"> <li>TVCA Cabinet approves annual allocation</li> <li>Monthly submissions by providers are monitored</li> <li>Regular meetings with providers</li> <li>Regular update to directors, Management Group &amp; Cabinet</li> </ul>	4	2	8	-	New Risk		Ongoing		Jan-20
C14	Failure to adequately communicate and explain the TVCA and Mayor functions and role may mean expectations are not managed. (REPUTATIONAL)	<ul style="list-style-type: none"> <li>Confusion is possible in terms of relations with partners, businesses and residents</li> <li>Reputational damage</li> </ul>	Head of Communication	<ul style="list-style-type: none"> <li>Head of Communication &amp; Marketing appointed</li> <li>Communications plan in place</li> <li>Regular liaison with Mayor's office on Comms issues &amp; opportunities</li> <li>Communications Strategy agreed</li> </ul>	3	3	9	-					Jan-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C15	Senior Officers leave the organisation. (DELIVERY)	<ul style="list-style-type: none"> <li>Insufficient senior resource to lead and manage the workload over a critical period</li> <li>Delays to delivery of Investment Programme</li> <li>Risk of not delivering against SEP targets and outcomes</li> <li>Loss of confidence by Government funding departments</li> <li>Resource not available to lead on funding bids</li> <li>Reputational damage</li> <li>Reduction in TVCA team morale</li> </ul>	Chief Executive	<ul style="list-style-type: none"> <li>Regular SLT meetings</li> <li>Regular management one to ones</li> <li>Director of Finance &amp; Resources appointed</li> <li>Director Business &amp; Skills appointed</li> </ul>	2	4	8	-					Jan-20
C16	Failure to agree a Local Industrial Strategy with Government. (REPUTATIONAL)	<ul style="list-style-type: none"> <li>Failure or delay causes reputational damage</li> <li>Potential impact on ability to bid for national funding</li> <li>Potential impact on regeneration of STDC site</li> <li>Potential impact on SEP delivery as a consequence</li> </ul>	Strategy & Investment Planning Director	<ul style="list-style-type: none"> <li>Detailed timetable in place for the Local Industrial Strategy is being undertaken</li> <li>Partners to support development of Local Industrial Strategy identified</li> <li>Engagement events held with key sectors in Jan19</li> <li>Thematic engagement events Feb19</li> <li>Workshops with LEP and Leaders May19</li> <li>Publication put on hold but ongoing dialogue re: Government commitments to continue</li> </ul>	4	3	12	↑4	<ul style="list-style-type: none"> <li>Publication delayed due to Brexit/no urgency re: British Steel/lack of Government commitments in the document</li> </ul>	<ul style="list-style-type: none"> <li>Comms engagement to be planned</li> </ul>			Jan-20
C17	Failure to operate within TVCA constitution. (LEGAL)	<ul style="list-style-type: none"> <li>TVCA decisions are ultra vires</li> <li>Risk of legal challenge, leading to delay of delivery of TVCA programme(s) and costs</li> <li>Reputational damage</li> </ul>	Chief Executive/ Monitoring Officer	<ul style="list-style-type: none"> <li>Updates and reports to TVCA Cabinet</li> <li>Briefing and engagement with Constituent Authorities' members</li> <li>Public Consultation undertaken</li> <li>A&amp;G Committee in place and meeting regularly</li> <li>O&amp;S Committee in place and meeting regularly</li> <li>Additional independent members recruited to A&amp;G Committee</li> <li>Involvement of Monitoring Officer at Cabinet and in review of papers/decisions</li> <li>Legal &amp; Commercial Manager in post</li> </ul>	5	1	5	-					Jan-20

TVCA Corporate Risk 2019/20 - Q1

Ref	Risk description/ Category	Consequences	Owner	Current Controls	Net Risk Score			Change since last Q	Reasons for change since last quarter	Further Controls Required	Deadline	Comments	Review Date
					Impact (1-5)	Probability (1-5)	Score (1-25)						
C18	Failure to maximise influence at regional/national level. (REPUTATIONAL)	<ul style="list-style-type: none"> <li>• Missed opportunities to influence national and regional agendas to benefit Tees Valley</li> <li>• Potential impact on ability to bid for and get additional funding</li> <li>• Potential impact on delivery of SEP</li> </ul>	Chief Executive/ Strategy & Investment Planning Director	<ul style="list-style-type: none"> <li>• LEP Meetings</li> <li>• LEP Network representation</li> <li>• Mayoral role</li> <li>• Membership of Transport for the North</li> <li>• Membership of NP11</li> <li>• Maintaining key relationships (see C09 above)</li> <li>• <b>MCA network influencing Government</b></li> </ul>	2	2	4	-					Jan-20
C19	Failure to operate DTVA successfully and turn around operation. (DELIVERY)	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Increased financial liabilities (see C17)</li> <li>• Impact on economic growth potential</li> </ul>	Chief Executive/Commercial & Delivery Planning Director	<ul style="list-style-type: none"> <li>• Strategic partnership joint venture with Stobart Aviation</li> <li>• 5 year Business Plan agreed annually</li> <li>• Agreed governance arrangements</li> <li>• Monitoring &amp; reporting to DTVAL &amp; Goosepool Ltd Boards</li> <li>• TVCA oversight and Scrutiny via Cabinet and Overview &amp; Scrutiny</li> <li>• Goosepool Executive Director overseeing TVCA investment</li> </ul>	4	2	8	-					Jan-20
C20	More TVCA investment required for DTVAL than is foreseen in Business Plan. (FINANCIAL)	<ul style="list-style-type: none"> <li>• Increased financial liabilities</li> <li>• Impact on other projects/programmes</li> </ul>	Chief Executive/ Finance Director	<ul style="list-style-type: none"> <li>• Strategic partnership joint venture with Stobart Aviation</li> <li>• 5 year Business Plan agreed annually</li> <li>• Agreed governance arrangements including Executive Meetings</li> <li>• Monitoring &amp; reporting to DTVAL &amp; Goosepool Ltd Boards</li> <li>• TVCA oversight and Scrutiny via Cabinet and Overview &amp; Scrutiny</li> <li>• Goosepool Executive Director overseeing TVCA investment</li> </ul>	4	2	8	-					Jan-20



# TEES VALLEY COMBINED AUTHORITY

## Internal Audit Progress Report

### Audit and Governance Committee

**15 October 2019**

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

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





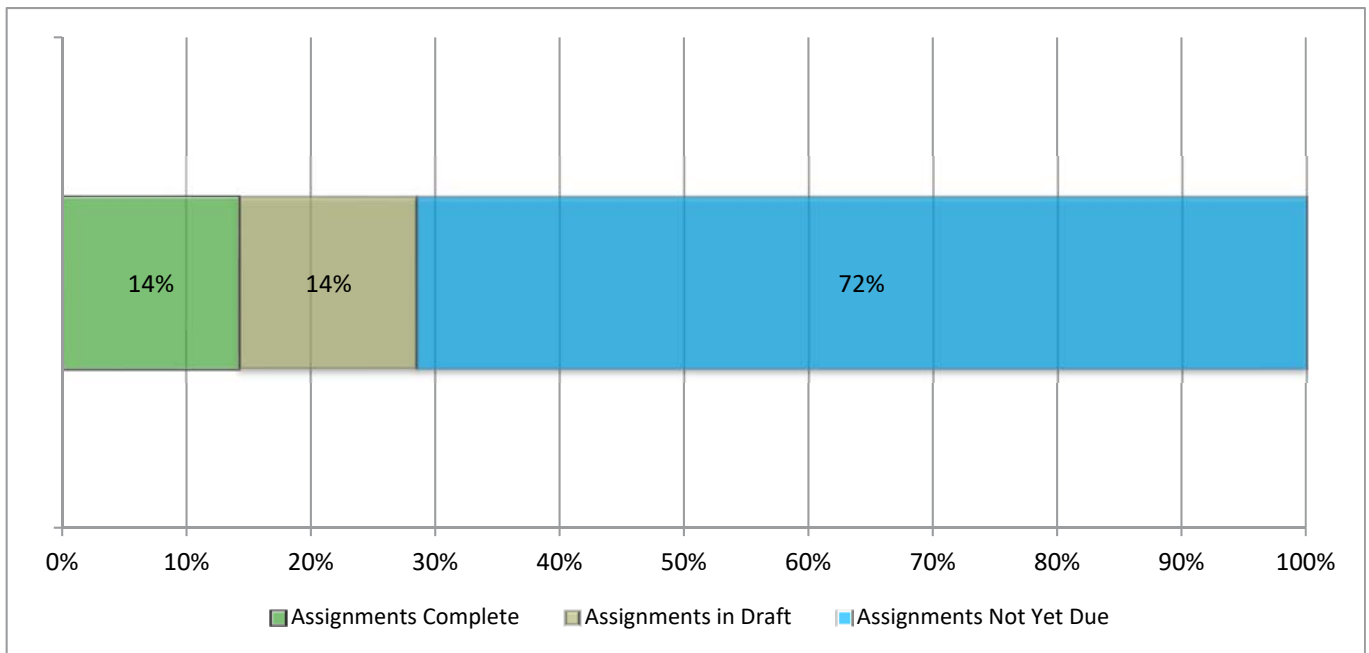
# CONTENTS

1	Introduction.....	2
2	Reports considered at this Audit and Governance Committee.....	3
3	Looking ahead.....	4
4	Other matters .....	5
	For further information contact .....	6

# 1 INTRODUCTION

The internal audit plan for 2019 / 2020 was approved by the Audit and Governance on 24 July 2019.

The graphic below provides a summary update on progress against the 2019 / 2020 plan.

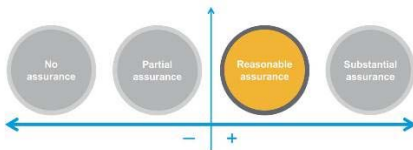




## 2 REPORTS CONSIDERED AT THIS AUDIT AND GOVERNANCE COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit and Governance Committee held.

We have finalised one report since the previous meeting and these are detailed in the table below:

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Risk Management	Final		5	3	0

### 2.1 Impact of findings to date

The Audit and Governance Committee should note that the assurances given in our audit assignments are included within our Annual Assurance Report. In particular, the Audit and Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

### 3 LOOKING AHEAD

Assignment area	Status	Target Audit and Governance Committee meeting
General Data Protection Regulations (GDPR)	Draft report issued on 24 September 2019	November 2019
Key Financial Controls	Fieldwork scheduled to take place week commencing 7 October 2019	November 2019
Programme / Project Delivery	Fieldwork scheduled to take place week commencing 21 October 2019	November 2019
Cyber Security	Fieldwork scheduled to take place week commencing 28 October 2019	February 2020
Declaration of Interests	Fieldwork scheduled to take place week commencing 6 January 2020	February 2020
Follow Up of Previous Internal Audit Recommendations	Fieldwork scheduled to take place week commencing 6 January 2020	February 2020

## 4 OTHER MATTERS

### 4.1 Key performance indicators (KPIs)

Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 working days of debrief meeting	10 working days	5 working days	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
Final report issued within 3 working days of management response	3 working days	1 working day	% of staff with CCAB/CMIIA qualifications	>50%	100% ytd
Follow up of internal audit recommendations	Yes	Planned for January 2020	Response time for all general enquiries for assistance	2 working days	1 working days
			Response for emergencies and potential fraud	1 working days	N/A

# FOR FURTHER INFORMATION CONTACT

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

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

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

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

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

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

**Forward Plan 2019/20**

**Standing Items**

Minutes from the Previous Meeting/Action Tracker  
Feedback from Cabinet  
Forward Plan  
Date and Venue of the Next Meeting

<b>Date</b>	<b>Venue</b>	<b>Item / Responsible Officer</b>
Thursday January 23 <sup>rd</sup>	Cavendish House	Internal Audit Plan External Audit Plan Corporate Risk Register Internal Audit Progress Report External Audit Progress Report
Thursday May 21 <sup>st</sup>	Cavendish House	Annual Financial Statements (incl. Annual Governance Statement) Corporate Risk Register Internal Audit Annual Report Internal Audit Opinion External Audit Progress Report
Thursday July 16 <sup>th</sup>	Cavendish House	Audited Annual Financial Statements (incl. Annual Governance Statement) External Audit Completion Report and Value for Money Statement Corporate Risk Register Internal Audit Progress Report
Thursday November 19 <sup>th</sup>	Cavendish House	Internal Controls and Annual Governance Statement Annual Financial Statements Mid-Year Review Treasury Management Strategy Corporate Risk Register Internal Audit Progress Report External Audit Annual Audit Letter

To be arranged	Treasury Management Strategy – Meeting with external advisors Cyber Security Report
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