

**Tees Valley Combined Authority (TVCA) Audit and Governance
Committee**

Wednesday 24th August 2022 at 10.00am

**Teesside Airport Business Suite, Teesside International Airport,
Darlington DL2 1NJ**

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

PRESENT

Members

Councillor Matt Storey – Chair (Middlesbrough Borough Council)
Councillor Anne Watts – Vice Chair (Redcar and Cleveland Borough Council)
Councillor Scott Durham, (Darlington Borough Council)
Councillor Barry Woodhouse (Stockton-on-Tees Borough Council)
Councillor Kevin Tiplady (Hartlepool Borough Council)
James Stuart (Independent Member)
Jonny Munby (Independent Member)

Apologies for Absence

Angus Kidd (Independent Member)

IN ATTENDANCE

Officers

Gary Macdonald (Group Director of Finance & Resources, TVCA)
Peter Judge (Group Chief Legal Officer, TVCA)
Victoria Smith (Group Financial Controller, TVCA)
Natalie Robinson (Group Risk Manager, TVCA)

Nicola Dean (Governance & Scrutiny Officer, TVCA)
Eve Pritchard Governance Support Officer, TVCA)

Also in Attendance

Cameron Waddell (Mazars – External Auditors)
Gareth Alexander (Senior Media Relations Officer)

**AGC
21/22**

WELCOME & INTRODUCTIONS

The Chair welcomed the Committee and thanked them for their attendance at short notice. It was noted that there the minutes of the previous meeting would be reviewed as the next meeting as as this was an extraordinary meeting to look at the financial statements.

<p>AGC 22/22</p>	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were submitted as detailed above.</p>
<p>AGC 23/22</p>	<p>DECLARATIONS OF INTEREST</p> <p>No declarations of interest were received.</p>
<p>AGC 24/22</p>	<p>EXTERNAL AUDIT COMPLETION REPORT</p> <p>Members were provided with the External Audit Completion report in advance of the meeting.</p> <p>Issues that were raised at the last meeting were highlighted and Cameron Waddell (CW), Partner at Mazars, advised the Committee that their work was now nearly complete, and the instruction from Azets needed to be reviewed, making sure there were no follow up questions and to check final consolidation. The completion of the TVCA accounts required the sign off for South Tees Development Company (STDC) accounts to take place first. The Committee was advised the hope was to sign STDC today, subject to everything having been done that needed to be and it was proposed that the usual unmodified opinion be applied. The Committee were reminded in accounting terms, STDC is a subsidiary of TVCA.</p> <p>It was agreed the STDC Audit Completion report was to be circulated to the Committee following the meeting, as it highlights the issues encountered.</p> <p>CW summarised the main findings of the Completion Report including the following areas that are identified before any audit commences for review during the audit:</p> <ul style="list-style-type: none"> • Management Override of Controls - not identified any material issues to bring to the Committee's attention • Pensions – identified to be a complicated model managed by MBC but looking at value of the liability concludes nothing significant to bring to the Committee's attention • Property, land and equipment – worked with Azets on this and nothing significant to raise currently. • Good Will – work done on the airport which supports a good will calculation, and the valuation of the airport needs to match goodwill. Mazars spent lots of time with Azets and there is a benefit to getting this to Azets earlier in the year. This was also concluded and confirmed that there was nothing to bring to the committee's attention other than the points raised here around timing of information. <p>CW identified the quality of the draft accounts and the timeliness needed to be improved upon since there were too many changes through the process. It was confirmed that there had been no questions or objections from members of the public in relation to the accounts. It was noted that in relation to 21-22 audit there had been a query from a member of the public who was directed to TVCA for a response. GM informed the Committee that an enquiry had been received and had been responded to fully by Officers who had also met with a member of the public, providing answers to their questions. VS gave context and assurance on the query that all Declarations of Interest were up to date and published and procurement processes followed.</p>

	<p>VFM was considered and it was explained that Mazars have 3 months to complete on this but have concluded no significant issues other than the volume of changes between draft and final accounts as set out above, and a conclusion will be brought to the next meeting.</p> <p>The Committee was informed that can't certify the completion of STDC and TVCA at the moment because these need to be consolidated into Whole of Government Accounts (WGA) which are subject to the National Audit Office (NAO) who then issue Group Instruction to Auditors. These were advised to have been issued a month ago and so can't complete until NAO complete their national work and identify any WGA transactions that require consolidation checks between public bodies but it is hoped this will happen soon. GM explained their materiality thresholds are high and depend on the transactions between public bodies, and these can be random sample selections.</p> <p>The Committee asked if this has an implication leaving the accounts open until the certification process. CW advised that it shouldn't, as the Audit has been undertaken thoroughly and properly so the chances of an inconsistency between the Accounts and the pack you have to compile is unlikely. It was emphasized that this doesn't stop finalisation; it just stops the certification. Members were assured that all similar organisations were in the same situation.</p> <p>The management response was noted by the Committee in how TVCA/STDC have responded to reflect the requirements. CW agreed on this point, noting that due to the nature of what TVCA/STDC does, as well as the joint ventures/subsidiaries and complicated structures, it is likely to make the accounts/group more complicated. It was agreed that learning had been identified that there needs to be sufficient capacity/expertise in place and that this has been already acknowledged and acted upon leading to improvements for 21/22. GM re-assured the Committee on the team being fully focused, wanting to minimise errors and there had already been improvements to 2021-22 accounts production processes.</p> <p>RESOLVED THAT: Members noted the External Audit Completion Report</p>
<p>AGC 25/22</p>	<p>STDC EXTERNAL AUDIT FOLLOW UP LETTER</p> <p>VS updated Committee that there is a timetable in place for external audits and this will be shared with the Committee at the next meeting with the hope to have subsidiary audits signed off by the end of September. Members were advised that Azets are to be invited to the closest meeting to those being signed off and it was felt that there isn't a need for them to come to every Committee with the focus on meetings where we sign the Accounts they will be invited. The Committee were assured Audits were noted to be going significantly better than before and the Airport one was nearly complete. CW explained that when Azets are finished they will issue group instructions and give expectations so will look to get those done asap. CW recognised Azets for being incredibly engaged and receptive to requests.</p> <p>RESOLVED THAT: Members noted the External Audit Follow Up Letter</p>
<p>AGC 26/22</p>	<p>REVIEW & APPROVAL OF THE TVCA FINANCIAL STATEMENTS 2020/21 and ANNUAL GOVERNANCE STATEMENT</p> <p>The Committee were provided with the TVCA financial statements for 2020/21 and were asked to review and approve the Group Director of Finance and Resources to sign the financial statements.</p>

	<p>Members asked for assurance that the adjustments would not have an impact on the running of the Combined Authority. GM agreed that the changes are treatments, categorisations and practical points but the net bottom line is not materially impacted and the changes do not affect the working of the Group.</p> <p>GM informed the Committee that as well as investments made in systems and processes, there was additional resource brought into the team as well as finance systems and monthly management of accounts introduced and brought DC group onto the same system.</p> <p>JS highlighted the importance of considering the journey and the outcome and the Committee agreed they understood the internal and external issues of getting to this point but felt assured lessons had been learnt with changes already being implemented to improve for 21/22. Outcomes in terms of recommendations/risk and the outcome as reported, was agreed to reflect the diligence applied and gave assurance that the organisation is functioning as it should.</p> <p>The Committee agreed they were happy to approve the recommendation to sign the financial statements.</p> <p>RESOLVED THAT: The Committee approve the Financial Statements and Annual Governance Statement.</p>
<p>AGC 27/22</p>	<p>DATE & TIME OF NEXT MEETING</p> <p>Dates will be agreed, along with a draft of the Forward Plan with indicative standard and bespoke agenda items which will be shared with the External and Internal Auditors to ensure correct, before circulating to the Committee before the next meeting.</p>