

## Audit & Governance Committee Agenda

**Date:** Wednesday 1<sup>st</sup> December 2021 at 10am

**Venue:** Tees Valley Combined Authority, Cavendish House, Teesdale Business Park,  
Stockton TS17 6QY

**Membership:**

Councillor Paul Crudass (Darlington Borough Council)  
Councillor Barry Woodhouse (Stockton-On-Tees Borough Council)  
Councillor Mike Lockwood (Redcar and Cleveland Borough Council)  
Councillor Tom Feeney (Hartlepool Borough Council)  
TBC (Middlesbrough Borough Council)  
Jonny Munby (Independent Member)  
Angus Kidd (Independent Member)  
James Stewart (Independent Member)

### AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**  
Attached
3. **Appointment of Chair**  
Verbal
4. **Appointment to South Tees Development Corporation Audit & Risk Committee**  
Verbal
5. **Minutes of meeting held on 21<sup>st</sup> September 2021**  
Attached
6. **Action Tracker 2021-2022**  
Attached
7. **Deep Dive – Transport**  
Attached and Presentation
8. **Internal Audit Progress Report**  
Attached
9. **Internal Audit Reports**  
Attached
10. **Internal Audit Follow Up Report**  
Attached

**11. External Audit Progress Report**

Attached

**12. External Audit Annual Letter**

Attached

**13. Proposals for Assurance Updates on STDC & Airport**

Attached

**14. Retender of External Audit Contracts**

*Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report is not for publication.*

**Risk Register Update**

**15. Attached**

*Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, the presentation which will be provided during the meeting is confidential.*

**Forward Plan**

**16. Attached**

**Date and Time of Next Meeting:**

**17. Thursday 20<sup>th</sup> January 2022 at 10am**

**FOR INFORMATION**

**18. Group Governance Structure**

Attached

**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: Nicola Dean by e-mail at

[nicola.dean@teesvalley-ca.gov.uk](mailto:nicola.dean@teesvalley-ca.gov.uk)

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

**Tuesday 21<sup>st</sup> September 2021 at 10.00am**

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

<b><u>PRESENT</u></b>
<b>Members</b> Councillor Chris Gallacher, Chair (Redcar & Cleveland Borough Council) Councillor Paul Crudass, Vice Chair (Darlington Borough Council) Councillor Barry Woodhouse (Stockton-on-Tees Borough Council) Jonny Munby (Independent Member) Angus Kidd (Independent Member) James Stuart (Independent Member)
<b>Apologies for Absence</b> Julie Gilhespie (Group Chief Executive, TVCA)
<b><u>IN ATTENDANCE</u></b>
<b>Officers</b> Gary Macdonald (Group Director of Finance & Resources, TVCA) Neil Cuthbertson (Finance Manager, TVCA) Peter Judge (Group Chief Legal Officer, TVCA) Natalie Robinson (Group Risk Manager, TVCA) Shona Duncan (Head of Education, Employment & Skills, TVCA) Chris Beck (Director of Business & Skills, TVCA) Emma Simson (Legal Manager, TVCA) Ruth Callaghan (Governance Officer, TVCA) Nicola Dean (Governance Support Officer, TVCA)
<b>Also in Attendance</b> Cameron Waddell (Mazars – External Auditors) Michael Gibson (RSM – Internal Auditors)

<b>AGC 14/21</b>	<b>APOLOGIES FOR ABSENCE</b> Apologies for absence were submitted as detailed above.
<b>AGC 15/21</b>	<b>DECLARATIONS OF INTEREST</b> No declarations of interest were received.

<b>AGC 16/21</b>	<p><b>MINUTES OF MEETING HELD ON 27<sup>th</sup> JULY 2021</b></p> <p>The minutes of the previous meeting were agreed as a true record.</p>
<b>AGC 17/21</b>	<p><b>ACTION TRACKER 2021-2022</b></p> <p>Gary Macdonald, Group Director of Finance and Resources, updated Members that the outstanding actions on the Tracker could be closed off as follows:</p> <ul style="list-style-type: none"> <li>• Peter Judge, Chief Legal Officer, to produce a Paper and indicative timetable for consideration at the next Committee meeting on how future updates on STDC/Airport should be communicated to them;</li> <li>• Risk Register top risks included in the Agenda.</li> </ul>
<b>AGC 18/21</b>	<p><b>CEO UPDATE INCLUDING COVID 19 UPDATE</b></p> <p>Gary Macdonald, on behalf of the Group CEO, provided the Committee with an overview of the report, covering the following areas:</p> <ul style="list-style-type: none"> <li>• Covid 19 Response</li> <li>• Teesside International Airport</li> <li>• Teesworks</li> <li>• One Public Estate</li> <li>• Business Investment</li> <li>• Education, Employment and Skills</li> <li>• City Region Sustainable Transport Settlement</li> <li>• Tees Flex</li> <li>• East Coast Main Line May 2022 Timetable Consultation</li> <li>• Billingham Station Access for All Project</li> <li>• Clean Growth and Innovation</li> <li>• Creative Place</li> <li>• Rugby League World Cup</li> <li>• Tees Valley Place Marketing Programme</li> </ul> <p>Members asked:</p> <ul style="list-style-type: none"> <li>• Where are the Combined Authority in terms of getting back to ‘normal’ working arrangements? Gary Macdonald explained that remote working existed in the Combined Authority prior to Covid and engagement with teams and use of technology through this period has been fantastic. Current working arrangements were advised to be a hybrid model operating a booking system for hot desking and collaborative workspaces, whilst retaining the work from home option.</li> <li>• What kind of hybrid model is being followed? Members were advised that Managers and staff have worked that through, leaving it tailored to people’s individual needs while bearing in mind the objectives that need to be achieved in each area. It was noted that performance is monitored to ensure engagement, while support is given to those who may be struggling and adapting ways of working if necessary.</li> <li>• Are we seeing those external relationships coming back despite the residual risk that exists in society? It was explained that relationships are now face to face that can’t be replicated through technology, and the Combined Authority is working and engaging more with communities and businesses by way of site visits/meetings with partners and stakeholders, each with appropriate risk assessments in place.</li> </ul>

- When does the recovery funding run out for Covid? Members were advised that it is difficult to determine a timeframe on this as it is dependent on how Covid recovery develops, but the funds that have come to the Combined Authority have been managed and co-ordinated Tees Valley wide. It was explained that there have been individual funding pots previously which are now moving into shared prosperity and that the Community Renewal Fund is an interim funding solution from Government pre-UK Shared Prosperity Funding.
- How do you see the confidence of businesses in the Airport with the departure of Stobart? Members were informed that Stobart were key in getting the airport to where it established itself but the expertise and work in place now is being driven by management and support services to the airport, so has been a natural transition and the relationship with Ryanair/Loganair remains strong.
- What is situation with Stobart, are they now gone? Yes, and members were advised that the equity they had is in a Trust, managed by independent directors.
- Is 'expertise' not in the Trust? No, they have oversight and a purpose to link in with local community, but the expertise/skill sets in aviation is in the management and operational teams. The Committee agreed it would be helpful to see the Terms of Reference for the Trust and it was agreed this would be provided.
- What's the return-on-investment criteria? Members were advised that this has always been to return the airport to profitability over the 10-year business plan but also for the airport to be seen as a strategic infrastructure asset for the Tees Valley.
- Were the shares sold onto the Trust and if so, how much were they? Yes, they were sold for a nominal value.
- What are the other metrics of success for the Airport, other than return to profitability so we can understand the return-on-investment? The economic metric value is consistently evaluated by TVCA to see how the Tees Valley is performing with the assets at its disposal. The 5-year gateway review by SQW also looked at the initial findings on the airport and bringing it back into use and returned positive feedback on progress to date.
- Has the 10-year plan timeline changed due to the pandemic? No, it was advised that the Business Plan has the same end date.
- Why did the Dorman Long Tower come down during the night? It was explained that this was to ensure no disruption to train services on the nearby railway line.
- Is there sufficient local accommodation available to attract other areas of government into the area when the Treasury comes? Chris Beck, Director of Business and Skills, advised members that there are a lot of good offices available locally and this is reviewed regularly with LAs but potentially do need more, as well as there being a need for offices with good public sector transport links.
- Has residential accommodation been thought about? Members were informed that LAs are responsible for housing needs and have intelligence relating to this. It was explained that TVCA try to assist, engaging on co-ordination of government funding in relation to brownfield housing to deliver affordable housing.
- Are there any plans for electric metro types of transport locally? Members were advised that it would be useful to get a transport update at a future meeting to get a feel where TVCA is going with this so this would be added to the Forward Plan.
- Are there any plans to extend Tees Flex outside of rural areas? Members were advised this would be queried with the Transport team and a response given to the Committee.
- Is Billingham a busy train station for such an investment? It was explained that the principle is to try to get the station onto connected routes.

	<ul style="list-style-type: none"> <li>Is the station going to be open while these improvement works are carried out as there is no disabled access? It was advised that this enquiry would be raised with the Transport team and Members would be advised.</li> </ul> <p><b>RESOLVED that: Members noted the report</b></p>
<p><b>AGC 19/21</b></p>	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p> <p>A summary update of progress against the 2021/22 internal audit plan was given to members.</p> <p>Members asked:</p> <ul style="list-style-type: none"> <li>Is the timeline all on track? Gary Macdonald confirmed that there isn't anything anticipated that would prevent the completion against the proposed deadlines.</li> <li>Is this usual for this 19/20 not to have been completed? No, it was explained that this is not usual, but there have been issues in getting it finalised and there are different issues in 20/21 but working on it so can return to usual timelines.</li> </ul>
<p><b>AGC 20/21</b></p>	<p><b>EXTERNAL AUDIT PROGRESS REPORT</b></p> <p>An update was given on the progress in delivering the external audits for 2019/20 and 2020/21. Members were informed that most of the work had been completed on the 2019/20 audit but that there have been delays in the completion of the audit for the Goosepool Group which has delayed the completion of work on the consolidation. As the 2019/20 Audit is not complete, this has meant being unable to complete plan for 2020/21 but work has continued, and members will be updated at a future meeting.</p> <p>Members asked:</p> <ul style="list-style-type: none"> <li>Would it be useful for the Committee to see the Audit Reports for STDC and for the Airport and Goosepool? It was agreed this would be helpful for Goosepool and STDC and that these will be provided.</li> <li>Is there a timeline we need to operate to, and could this create a problem? No, it won't create a problem but there is a timescale to aim for, but this has now passed, and central government are aware.</li> <li>Is there a reputational risk for relationship with government as a result? Cameron Waddell, Mazars, explained nearly everyone missed the 19/20 audit deadline and there are still several Audits open now for various reasons. Members were informed that it's expected that 20/21 to be complete for November and aim to get 21/22 completed on time.</li> <li>How does appointment of Auditors work? It was explained that TVCA opted into bulk procurement of external auditors and Public Sector Audit Appointments (PSAA) appointed audit firms to this, and Mazars have been the auditor since TVCA inception. The PSAA will be re-procuring for 23-24 and if TVCA 'opt in' to this there will be a new procurement and PSAA will appoint audit firms into that framework to then appoint to individual bodies. Members were advised this could mean a change in audit firm for TVCA and PSAA would decide, in consultation with TVCA.</li> <li>Can we look at more on where we want our targets and social value to be set with net zero? It was confirmed that this can be added to the Forward Plan as a topic introduction, with a view to look at how we track each and the trends after that. It was confirmed that social value is being captured through the Group Procurement Strategy so 20% on social value on those over £100k.</li> </ul>

<b>AGC 21/21</b>	<p><b>TREASURY MANAGEMENT ADVISORS</b></p> <p>A presentation was delivered to members detailing the role of Arlingclose as Treasury Management Advisors.</p> <p>Members asked:</p> <ul style="list-style-type: none"> <li>• Is the decision to borrow significantly ahead of the timeframe in which it is needed? It was explained it is a decision made due to interest rates as money is passported to other recipients.</li> <li>• What role do you expect this Committee to play regarding this? It was advised that this was a previous action from the Forward Plan requested by the Committee to raise awareness in the area.</li> </ul>
<b>AGC 22/21</b>	<p><b>EDUCATION, EMPLOYMENT &amp; SKILLS UPDATE</b></p> <p>A report was provided to the Committee giving an update on the progress of delivery of the current Education, Employment and Skills Strategy, and the work carried out to develop a new strategy for Employment and Skills for 2022-29.</p> <p>Members asked:</p> <ul style="list-style-type: none"> <li>• What kind of organisations were captured to gain the insight on the need for different skills and what are we imagining for industries that aren't here yet? Shona Duncan, Head of Education, Employment &amp; Skills informed members that there had been extensive consultation with a variety of employer groups, various sector groups, business engagement &amp; skills group for different sectors to determine the real skills demand they had and built that on top of national research. It was explained that all sectors were felt to have been captured including start-up businesses/large businesses, SMEs, priority sectors as well as thinking about emerging sectors. Constantly reviewing this work as labour market is changing. Going to work closely with NECC on Local Skills Improvement Plan in coming months to get more evidence on what is needed in skills for the future.</li> <li>• Where do green jobs feature in this? It was explained that this is a work in progress, with work undertaken with BEIS and a local business who helped develop the Clean Growth Report with them. This area is being developed around what the skills and qualifications required are for those jobs to build a routeway while getting anchor businesses identified.</li> <li>• Has this demand been quantified? Members were advised this hadn't been determined yet, but one key piece of work is that with GE and the Apprenticeship Institute on what the needs are and what the supply chain will also require also. When we get a large inward investor, they often manage to fill their own jobs, but supply chain, smaller employers, may be affected by losing staff so need to look at them and start to build a Skills Routeway for those businesses as well as the inward investor. Members were informed that a workshop with partners is planned for October to identify this and influence training providers to fulfil the training required.</li> </ul>



	<ul style="list-style-type: none"> <li>• Are there initiatives that might try to address shortages in the short term, in roles such as mental health workers, lorry drivers, care workers etc.? Yes, it was advised that the devolution of the AEB and the level 3 funding that TVCA holds has given the opportunity to be flexible to such needs. Members were updated on work looking at such shortages and were informed that the potential shortage of HGV drivers appeared to be in the test centre's not having capacity to get the backlog of testing underway. It was explained that a relaxed testing criteria with taking one test rather than 2 was proposed and work had been done with government and training providers to look at that. In care, it was explained that options were considered and looking at setting up an employer engagement meeting with Job Centre Plus to work collectively to provide a better routeway for people to go into the care sector, increasing demand and incentivising people to move into the care sector.</li> <li>• Is higher education being engaged with, to consider designing new courses for the future? Yes, it was advised that TVCA engage with higher education and Teesside University across all sectors but in terms of their offer, that needs to be explored further as work has been done to try and put more flexibility into degree apprenticeships and numbers are increasing.</li> <li>• Do we have the capacity to train and manage businesses needs for the future? Yes, there are pro-active colleges and training providers with a good network between them to develop and define the needs. Members were advised that because of the diversity of the Tees Valley labour market there are a range of different challenges and there isn't a 'one fits all' response so there is a need to work with employers to determine what they want, then work with skills providers to deliver it.</li> </ul> <p><b>RESOLVED that: Members noted the report.</b></p>
<p><b>AGC 23/21</b></p>	<p><b>FORWARD PLAN 2021-2022</b></p> <p>Gary Macdonald confirmed that the deep dive topics - Transport and Clean Growth - would be added to the Forward Plan.</p>
<p><b>AGC 24/21</b></p>	<p><b>CORPORATE RISK REGISTER UPDATE</b></p> <p>An overview was given of the Corporate Risk Register by Natalie Robinson, Group Risk Manager.</p> <p><b>RESOLVED that: Members noted the Risk Register and report.</b></p> <p><i>A resolution was passed to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972 for a presentation to be delivered to the Committee.</i></p>
<p><b>AGC 25/21</b></p>	<p><b>OFFSHORE WIND THEMATIC UPDATE</b></p> <p><i>A resolution was passed to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972.</i></p>

<b>AGC</b> <b>26/21</b>	<b>DATE OF NEXT MEETING</b>  The next meeting is 1 <sup>st</sup> December 2021 at 10am.
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**ITEM 6**

**TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER –2021-22**

<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	Winter 2020/21	<b>COMPLETE</b> Took place w/c 11th Jan 2021
29 <sup>th</sup> November 2018	Any Other Business	Committee be provided with briefing on TVCA Vision and Values exercise	TVCA	Winter 2020/21	<b>COMPLETE</b> Included in induction as above.
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	Summer 2021	<b>COMPLETE</b> Added to Forward Plan for forthcoming year.
15 <sup>th</sup> October 2019	Annual Financial Statements	Members to hold conference call to discuss statements following approval from External Auditors	TVCA		<b>COMPLETE</b>
23 <sup>rd</sup> January 2020	Corporate Risk Register	Members to be provided with briefing note on TVCA ask of government with regards to the UK Shared Prosperity Fund	TVCA		<b>COMPLETE</b>
23 <sup>rd</sup> January 2020	Internal Audit Progress Report	Members to be provided with regular progress report on TVCA response to recommendations made by Internal Auditors	TVCA		<b>COMPLETE</b> Report from auditors to be presented at May meeting. Further updates to be presented by TVCA officers at future meetings of committee.
28 <sup>th</sup> May 2020	Corporate Risk Register	Members to receive update on Impact of COVID-19 on Teesside International Airport and the South Tees Development Corporation	TVCA		<b>COMPLETE</b> Added to Forward Plan as standing item
28 <sup>th</sup> May 2020	Internal Audit Update	Members to receive draft Procurement Strategy for consideration at future committee meeting.	TVCA	28 <sup>th</sup> July 2020	<b>COMPLETE</b>
28 <sup>th</sup> May 2020	Internal Audit Plan	Members to receive draft Internal Audit Plan for forthcoming year for consideration.	TVCA	28 <sup>th</sup> July 2020	<b>COMPLETE</b>

28 <sup>th</sup> May 2020	Draft Risk Framework	Members to make annual review of Risk Management Framework, with recommendation for revision to be submitted to Cabinet.	TVCA	Summer 2021	<b>COMPLETE</b> - Added to Forward Plan for forthcoming year.
21 <sup>st</sup> July 2020	Draft Annual Financial Statements	Details of Officers earning over £50k to be shared with Committee	TVCA	Winter 2020	<b>COMPLETE</b> - Detailed in Annual Financial Statements once complete. On agenda for 28 <sup>th</sup> Jan 2021 meeting.
21 <sup>st</sup> July 2020	Corporate Risk Register	Timetable for Covid Business Survey analysis to be shared	TVCA	Autumn 2020	<b>COMPLETE</b> - Shared with Committee w/c 16 <sup>th</sup> November 2020.
19 <sup>th</sup> November 2020	Appointment of Chair and Vice Chair	Confirmation to be sought of Councillor Harrison's willingness to accept the position of Vice Chair prior to seeking Cabinet approval for this nomination	TVCA	November 2020	<b>COMPLETE</b> - Confirmation received and nomination approved at TVCA Cabinet 27 <sup>th</sup> November.
19 <sup>th</sup> November 2020	Corporate Risk Register	Draft Group Assurance Framework to be brought to future Committee meetings	TVCA	Summer 2021	<b>COMPLETE</b> - Added to Forward Plan for forthcoming year when available
28 <sup>th</sup> January 2021	Action Tracker	Discussion to take place between the Chair and the Monitoring Officer on potential for periodic assurance updates from STDC/Airport Boards	TVCA	Ongoing	<b>COMPLETE</b> - Chair and the Monitoring Officer met to discuss periodic assurance updates. Paper and Indicative Timetable proposed to be produced for Committee endorsement
28 <sup>th</sup> January 2021	CEO UPDATE including COVID 19 UPDATE	Thematic Updates to be scheduled across the forthcoming year,	TVCA	Ongoing	<b>COMPLETE</b> - Added to Forward Plan for forthcoming year.
28 <sup>th</sup> January 2021	Corporate Risk Register	TVCA CSR Submission, Levelling Up Agenda response and UKSPF Consultation response to be shared confidentially with Committee	TVCA	May 2021	<b>COMPLETE</b> - Shared in advance of May Committee meeting

28 <sup>th</sup> January 2021	Corporate Risk Register	Agree mechanism for updating Committee on Brexit impacts	TVCA	May 2021	<b>COMPLETE</b> - To be shared with Members via Corporate Risk Register Updates
28 <sup>th</sup> January 2021	Forward Plan	External Audit Strategy Memorandum 2020/21 to be added to Forward Plan	TVCA	May 2021	<b>COMPLETE</b> – Added to Forward Plan for forthcoming year
25 <sup>th</sup> May 2021	STDC Regeneration Business Case Audit	Include in future meeting packs a visual structure of the Group	TVCA	July 2021	<b>COMPLETE</b> – To be a Standing Item at future meetings
25 <sup>th</sup> May 2021	Action Tracker	Freeports thematic update to be given to Members at July meeting	TVCA	July 2021	<b>COMPLETE</b> – Added to July Agenda
27 <sup>th</sup> July 2021	External Audit Strategy Memorandum	Papers be bookmarked as individual documents for ease of reference for future meetings	TVCA	Ongoing	<b>COMPLETE</b> – To be formatted in future meeting packs
27 <sup>th</sup> July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Draft Group Accounts to be circulated to members when complete	TVCA	2 <sup>nd</sup> August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Analysis of reserves / ear marked reserves to be provided	TVCA	August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Share link to Investment Plan one year on report	TVCA	August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Freeports Thematic Update	Presentation to be circulated to members post meeting	TVCA	30 <sup>th</sup> July 2021	<b>COMPLETE</b>

27 <sup>th</sup> July 2021	Freeports Thematic Update	Update on skills strategy to be added to September meeting agenda – relevant officer to be invited.	TVCA	August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Forward Plan	Offshore Wind Thematic Update to be added to Forward Plan for September meeting	TVCA	August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Forward Plan	Review Risk Register format making top risks more visible and provide update at September meeting	TVCA	August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Forward Plan	Updated Forward Plan to be circulated	TVCA	August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Forward Plan	Provide TVCA Organogram	TVCA	August 2021	<b>COMPLETE</b>
27 <sup>th</sup> July 2021	Forward Plan	Pre-Meetings to be scheduled for Chair/Vice Chair and TVCA	TVCA	30 <sup>th</sup> July 2021	<b>COMPLETE</b>
21 <sup>st</sup> September 2021	Action Tracker	Produce a Paper and Indicative Timetable for the next meeting on how future updates on STDC/TIAL will be communicated in the future	TVCA	December 2021	<b>COMPLETE</b> – added to December Agenda
21 <sup>st</sup> September 2021	CEO Update	Share the Airport Trust Terms of Reference with members	TVCA	December 2021	<b>COMPLETE</b> – circulated to Members
21 <sup>st</sup> September 2021	CEO Update	Add a Transport Update and Clean Growth as deep dive areas to the Forward Plan	TVCA	December 2021	<b>COMPLETE</b> – added to Forward Plan for forthcoming year
21 <sup>st</sup> September 2021	CEO Update	Get update from Transport Team if there are plans to extend the Tees Flex outside of rural areas and share with members	TVCA	December 2021	<b>COMPLETE</b> – responses sent to Members
21 <sup>st</sup> September 2021	CEO Update	Determine if the plan is to keep Billingham Station open while the improvements are undertaken and advise members	TVCA	December 2021	<b>COMPLETE</b> – responses sent to Members
21 <sup>st</sup> September 2021	External Audit Progress Report	Circulate Audit Reports on STDC/Airport & Goosepool to members	TVCA	Ongoing	
21 <sup>st</sup> September 2021	External Audit Progress Report	Add Net Zero to the Forward Plan as a topic introduction		December 2021	<b>COMPLETE</b> – added to Forward Plan
21 <sup>st</sup> September 2021	Corporate Risk Register Update	Review the Group risk environment/systems and processes already in place	TVCA		<b>COMPLETE</b>

1 <sup>st</sup> September 2021	Corporate Risk Register Update	Condense top 10 risks & actions around them – circulate asap get feedback for going forward.	TVCA	December 2021	<b>COMPLETE</b>
21 <sup>st</sup> September 2021	Corporate Risk Register Update	Circulate presentation to members	TVCA	December 2021	<b>COMPLETE</b>
21 <sup>st</sup> September 2021	Offshore Wind Thematic Update	Circulate presentation to members	TVCA	December 2021	<b>COMPLETE</b>

**AGENDA ITEM 7****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY  
AUDIT AND GOVERNANCE  
COMMITTEE****1 DECEMBER 2021****REPORT OF THE  
HEAD OF TRANSPORT****TRANSPORT UPDATE****SUMMARY**

This report provides a progress update on the Strategic Transport Plan and transport investment programme.

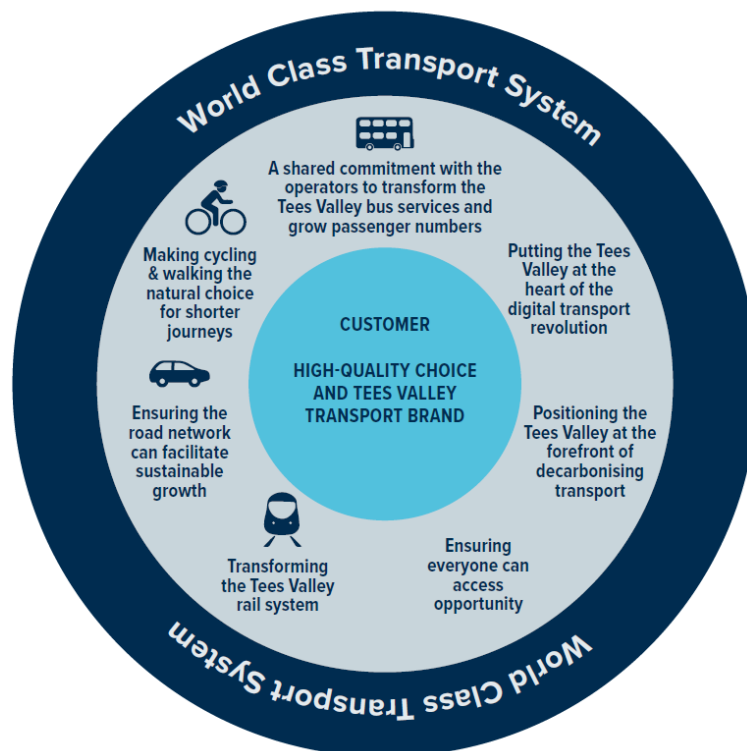
**RECOMMENDATIONS**

It is recommended that the Committee note the details of this report.

**DETAIL****Progress update**

1. The Tees Valley Strategic Transport Plan (STP) 2020 – 2030 sets out how Tees Valley Combined Authority (TVCA) will deliver a world-class transport system and provides the framework for transport investment. This is critical to ensure that:
  - everyone, no matter where they live in the Tees Valley, is connected to opportunity; and
  - existing business can grow, and the Tees Valley is able to continue attracting new businesses and inward investment.
2. The investment programme has the customer at its core and will provide high quality choice across a range of modes. This is something that is commonplace in many combined authority areas, but not yet the Tees Valley. There are seven investment packages, all of which are interrelated and are the building blocks of a world-class integrated transport system. The programme will be brought together under an overarching Tees Valley transport brand that will ensure a single source of accurate and consistent information provision to enable customers to make informed decisions (see diagram overleaf).





3. This table below provides a summary of each investment package and progress update.

Package	Description	Progress
<b><i>Making cycling &amp; walking the natural choice for shorter journeys</i></b>	<p>TVCA has an approved Local Cycling and Walking Infrastructure Plan (LCWIP) setting out a long-term approach to developing a comprehensive Tees Valley cycling and walking network. The LCWIP is entirely consistent with the national ambition and has received positive feedback from Government. The plan is underpinned by analysis, which identifies the priorities for investment, with a focus on those corridors where there is the greatest potential to encourage people to walk or cycle to work, school or to access essential services.</p> <p>The package will be complemented by a programme of activity to encourage cycling and walking, including personalised advice, training, better information and positive incentive programmes.</p>	<p>Delivery of the phase 1 investment package has been split into phases 1a and 1b. Phase 1a includes the two most-advanced schemes (<b>Linthorpe Road in Middlesbrough and Woodland Road in Darlington</b>), which are due to start on site in late 2021, with completion by summer 2022.</p> <p>Phase 1b includes the other three schemes (<b>A689 in Hartlepool, Norton Road in Stockton and Guisborough to Nunthorpe in Redcar &amp; Cleveland</b>). These schemes are progressing through outline design, consultation and detailed design and are on programme for completion by March 2023.</p> <p>The phase 2 investment package is also being developed to ensure a strong pipeline of schemes.</p> <p>The <b>A689 pedestrian and cycling improvements</b>, include:</p> <ul style="list-style-type: none"> <li>a new pedestrian and cyclist bridge over the A689 to connect Wynyard Park and</li> </ul>

		<p>Village, with the delivery programme currently being finalised; and</p> <ul style="list-style-type: none"> <li>• signalisation, incorporating pedestrian connectivity, on the A689 Meadows roundabout, which is now complete.</li> </ul>
<p><b>Transforming the Tees Valley rail system</b></p>	<p>The aspiration is for a modern ‘metro style’ passenger rail system, whilst also enabling more rail freight.</p> <p>The major improvements at Darlington and Middlesbrough Stations represent the first phase of transforming the rail network. The remaining package is focused on two key elements:</p> <ul style="list-style-type: none"> <li>• Interventions to address capacity constraints identified through comprehensive analysis undertaken by Network Rail. The constraints currently prevent a minimum 30-minute passenger service at every station and freight growth.</li> <li>• A package of enhancements to all our 24 stations to improve the passenger experience and interchange with bus, cycling and walking.</li> </ul> <p>The recently published Williams-Shapps Plan, to be followed by the Levelling Up White Paper later this year, proposes a greater role for elected mayors and combined authorities in rail matters affecting their areas, which should increase the influence of TVCA over future rail services.</p>	<p><b>Darlington Station</b> Outline Business Case (OBC) submitted to Government and £8.7m of funding secured to develop detailed design and Full Business Case (FBC). Planning permissions for the station gateways have been approved by Darlington Borough Council and progress is being made on acquiring the land needed to deliver the scheme. There is a need to secure the remaining funding for delivery from the Department for Transport (DfT) in summer 2022, with construction due to commence soon after and the project completing by May 2024.</p> <p><b>Middlesbrough Station</b> funding package has been secured through contributions from TVCA, DfT and the Getting Building Fund. Phase 1 of the project, the extension of platform 2, started on site in December 2020 and completed in May 2021. Development work has progressed on the other phases of the project, including redevelopment of the station undercroft and the new platform 3. Redevelopment of the undercroft is due to start on site in December 2021 with completion by December 2022. The new platform 3 is due to start on site in early 2022 with completion by December 2022.</p> <p>A funding strategy is currently being developed for the <b>rail freight capacity improvements</b> project. The current gauge clearance on the most direct rail line that connects Tees Valley to the East Coast Main Line (ECML) restricts the height and width of freight trains. This means that freight trains with large containers from the Teesside Freeport heading south must use a longer and less efficient route via Darlington Station. This project will enhance the gauge clearance to enable more freight to be moved efficiently by rail and facilitate the projected growth in freight volumes through the Freeport.</p> <p>The <b>Billingham Station</b> project will replace the life-expired footbridge with a new bridge and install lifts to/from the platform, alongside car park and access improvements. The project is due to start on site in early 2022 with completion late in 2022.</p> <p>The <b>Hartlepool Station</b> project will see the reinstatement of a second through platform to</p>

		<p>improve capacity and resilience on the Durham Coast Line facilitating future growth in services. The project is also seeking to provide a second access to the station linking to the marina. To date, Cabinet has only approved development funding to complete the detailed design and an FBC.</p> <p>The <b>Eaglescliffe Station</b> project will provide a new fully accessible pedestrian footbridge. This includes a new connection to the western side and replacement of the existing bridge to the eastern side. The project also includes a new 120 space car park and other highway access improvements on the western side. The programme has a start on site in early 2022 with completion in 2023.</p> <p><b>Teesside International Airport Station</b> is only served by 1 train per week. However, due to rail capacity constraints it is proving difficult to identify opportunities for service enhancement until after completion of the Darlington Station project in 2024. Work is underway to develop a scheme to upgrade the station, which could facilitate a future increase in services.</p> <p>The proposed changes to the <b>East Coast Main Line (ECML) May 2022 timetable</b> have been postponed until at least 2023. This follows a joint response from TVCA and all local authorities making it clear that the proposed reduction in services, particularly at Darlington, was not considered acceptable. The postponement of the ECML timetable does not affect the LNER Middlesbrough to London service, which will commence in December 2021. It is also understood that the proposed extension of the TransPennine Express service from Manchester Airport to Saltburn will still commence from May 2022.</p>
<p><b><i>A shared commitment with the operators to transform Tees Valley bus services and grow passenger numbers</i></b></p>	<p>TVCA and the regional bus operators have a history of collaborative working.</p> <p>The National Bus Strategy, published in March 2021, sets out several requirements that must be met to be eligible for potential future funding to support bus provision:</p> <ul style="list-style-type: none"> <li>• submit a Bus Service Improvement Plan (BSIP) by 31 October 2021. The BSIP should set out a vision for</li> </ul>	<p>TVCA has worked with the bus operators and local authorities to develop the BSIP and a public consultation was undertaken to help inform the ambitions, which are:</p> <ul style="list-style-type: none"> <li>• <b>decarbonisation</b> – one of the first regions in the UK to have an entirely zero emission local bus fleet;</li> <li>• <b>fares</b> – simpler fares and targeted promotions to drive passenger growth;</li> <li>• <b>customer experience</b> – putting the needs of customers at the heart of service delivery and improving information provision with one brand identity;</li> </ul>

	<p>delivering a step-change in bus services;</p> <ul style="list-style-type: none"> <li>• implement an Enhanced Partnership (EP) Scheme by 31 March 2022. The EP plan must contain the detail of how the high-level vision and key interventions set out in the BSIP will be delivered.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>infrastructure</b> – new infrastructure investment to prioritise bus on core corridors and improve passenger experience; and</li> <li>• <b>network</b> – a collaborative approach focused on core corridors and integration with the Tees Flex on-demand bus service.</li> </ul> <p>TVCA has funding to deliver the phase 1 investment package on the infrastructure priority, which is focussing initially on the following corridors:</p> <ul style="list-style-type: none"> <li>• Redcar to Middlesbrough (mainly used by number 63 service);</li> <li>• Middlesbrough to Hartlepool via Stockton (mainly used by number 36 service); and</li> <li>• Branksome to Red Hall, Darlington (mainly used by number 2 service)</li> </ul> <p>These corridors have been prioritised in phase 1 because of overlap with the Key Route Network and cycling and walking packages, and the need to ensure a joined-up approach.</p> <p>The remaining BSIP ambitions will need to be funded by the potential funding allocation from Government, which is dependent on the strength and ambition of the document. It is anticipated that there will be a funding allocation to TVCA from 1 April 2022.</p>
<p><b>Positioning the Tees Valley at the forefront of decarbonising transport</b></p>	<p>TVCA is working alongside the DfT to secure funding to deliver hydrogen refuelling infrastructure, long-term trials and research activity through the hydrogen transport hub.</p> <p>TVCA is also committed to delivering a step-change in the provision of electric vehicle charging infrastructure, which is one of the main deterrents for people considering a transition to electric vehicles. The DfT states that around 80% of all electric car charging happens at home, but for drivers who do not have off-street parking, access to charging points is essential.</p> <p>TVCA would also like to facilitate:</p> <ul style="list-style-type: none"> <li>• electric micro-mobility (range of small, lightweight vehicles) making cleaner modes of</li> </ul>	<p>The DfT recently announced the winners of a £2.5m competition to carry out <b>hydrogen transport pilots</b> in the Tees Valley area starting in 2021/22. The successful trials involve Teesside International Airport, emergency services, supermarkets and delivery companies.</p> <p>The TVCA Expression of Interest for a <b>hydrogen bus trial</b> through the Zero Emission Bus Regional Areas (ZEBRA) Scheme has been shortlisted to progress to the business case development stage. Work is currently on-going to consider options.</p> <p>TVCA has appointed a supplier to install, operate and maintain a network of <b>electric vehicle charging points</b> across Tees Valley. The initial roll-out will focus on publicly accessible car parks with installation scheduled to commence in early 2022.</p> <p>The <b>e-scooter trials</b> continue in Middlesbrough and Hartlepool with strong usage figures (4,028 rides in Middlesbrough &amp; 4,184 rides in Hartlepool</p>

	<p>transport more accessible for all;</p> <ul style="list-style-type: none"> <li>• the uptake of electric vehicles for last mile urban freight delivery;</li> <li>• the decarbonisation of public sector fleets; and</li> <li>• support for business to decarbonise their fleets.</li> </ul>	<p>across June, July &amp; August 2021). The Government has extended the trial period until November 2022.</p>
<p><b>Ensuring the Key Route Network can facilitate sustainable growth</b></p>	<p>The Key Route Network (KRN) is made up of the most important roads for growth and productivity. The KRN accounts for 22% of the total road network in the Tees Valley.</p> <p>There are specific locations that are already at capacity or are forecast to be over capacity by 2025. The consequence of taking no action will be a significant increase in congestion, which will negatively impact upon journey times, reliability and air quality, and threaten the economic transformation of the region.</p> <p>There is a need to deliver a programme of targeted improvements to address these capacity issues and improve the efficiency of the current network.</p>	<p><b>A19 New Tees Crossing</b> OBC submitted to Government. They have requested additional evidence to further emphasise the importance of the scheme to wider priorities, specifically Teesworks and the Freeport. A decision is needed from Government to commit to the development of an FBC for the scheme, which National Highways would complete.</p> <p><b>A689 Corridor improvements</b> OBC submitted to Government. The package consists of junction improvements along the corridor to address congestion and cycleway/footway improvements to create a traffic-free shared use route on the corridor from Sedgfield to Hartlepool. The total scheme cost is £40,782,820 with a £6,411,222 TVCA local contribution. A decision is needed from Government to commit to the development of an FBC for the scheme.</p> <p>There are on-going discussions around a potential funding strategy for the <b>A66 maintenance</b> project given the strategic importance of the route. The project would deliver critically important highway maintenance interventions to improve resilience on the route.</p> <p>An OBC has been developed for <b>Darlington Northern Link Road</b>. However, the DfT has indicated that they are not currently able to consider making a financial commitment to the scheme. There may be a future opportunity to develop a funding package with contributions from across Government and this continues to be explored.</p> <p>Scheme to provide a grade separated junction, <b>Elwick bypass</b> and new Hartlepool western link is being progressed by Hartlepool Borough Council. National Highways is supportive and there is on-going work to acquire the necessary land.</p>
<p><b>Putting Tees Valley at the heart of the digital</b></p>	<p>TVCA is seeking to deliver a wide-ranging package of digital infrastructure and services to accelerate our ambition for a digitally</p>	<p>A project is underway to enhance the capability of the <b>Tees Valley UTMC system</b>. The system can link different applications, including traffic signals, variable message signs, car parks and air quality</p>

<p><b>transport revolution</b></p>	<p>enabled transport system across the region. The package includes:</p> <ul style="list-style-type: none"> <li>• managing and optimising our network using the Urban Traffic Management &amp; Control (UTMC) system;</li> <li>• interventions to encourage, support and incentivise people to use active travel and public transport; and</li> <li>• interventions to collate and provide data on multi-modal journeys, real time movement and occupancy data to enable customers to make informed travel choices.</li> </ul>	<p>monitoring stations, to better manage the road network. This can have a range of positive impacts including:</p> <ul style="list-style-type: none"> <li>• prioritising buses at traffic signals;</li> <li>• air quality monitoring;</li> <li>• real-time public transport &amp; traffic information;</li> <li>• incident detection; and</li> <li>• variable message signs providing route diversions and car parking information.</li> </ul>
<p><b>Ensuring everyone can access opportunity</b></p>	<p>There are circa 36,000 people who live in rural areas across the Tees Valley that are not served by the commercial bus market. There are also deprived urban communities where accessibility is a challenge and there is a need to improve connectivity to jobs, training and essential services.</p>	<p>The <b>Tees Flex</b> service continues to perform well and the 4-week period from 19/09/21 – 16/10/21 saw 5,932 completed rides. Customer feedback remains very high and publicity activity is on-going to promote further take-up of the service. Unlike more standard bus services, where older concessionary pass holders tend to make-up a significant proportion of passengers, Tees Flex is attracting a different demographic. In the same 4-week period 63% of passengers were fare paying adults and around 26% were under 19.</p> <p>A provider has now been appointed to deliver the Tees Valley <b>Wheels 2 Work</b> scheme through to 2024. The scheme provides a subsidised transport solution for those with no access to a private vehicle or public transport. The fleet is now all electric and includes electric motorbikes and electric bikes. The scheme takes referrals from Job Centre Plus and the Let's Go Tees Valley travel advice team and will also be widely publicised to raise awareness.</p>

**Measuring impact**

4. The logic model below clearly articulates the causal link between the respective inputs, outputs, outcomes and ultimate impact. It will be used to monitor and evaluate the impact of the programme.

Transport Need	Transformative Activities (Inputs)	Outputs (Monitor)	Outcomes (Monitor & Evaluate)	Impacts (Evaluate)
Driving growth and productivity through infrastructure investment	<ul style="list-style-type: none"> <li>▶ Transforming the Tees Valley rail system</li> <li>▶ Putting the Tees Valley at the heart of the digital transport revolution</li> <li>▶ Ensuring the road network can facilitate growth</li> <li>▶ A shared commitment with the operators to transform the Tees Valley bus services and grow passenger numbers</li> </ul>	<p><b>CYCLING AND WALKING</b></p> <ul style="list-style-type: none"> <li>▶ Km of new dedicated infrastructure</li> <li>▶ No. of people with access to a dedicated route</li> <li>▶ No. of campaigns</li> <li>▶ Reach of campaigns</li> <li>▶ No. of people receiving cycle training</li> <li>▶ No. of people receiving personalised travel planning support</li> </ul> <p><b>RAIL</b></p> <ul style="list-style-type: none"> <li>▶ No. of capacity constraints addressed</li> <li>▶ No. of stations with improved access</li> <li>▶ No. of stations with improved facilities</li> <li>▶ Km of route W12 gauge cleared</li> </ul> <p><b>BUS</b></p> <ul style="list-style-type: none"> <li>▶ No. of reliability / improvement schemes delivered</li> <li>▶ Improvements delivered through bus partnership</li> </ul> <p><b>DECARBONISING TRANSPORT</b></p> <ul style="list-style-type: none"> <li>▶ No. of hydrogen trial projects</li> <li>▶ Scale of hydrogen trial projects</li> <li>▶ No. of EV charging points</li> </ul> <p><b>ROAD</b></p> <ul style="list-style-type: none"> <li>▶ No. of road corridors improved</li> <li>▶ No. of capacity constraint schemes delivered</li> </ul> <p><b>DIGITAL</b></p> <ul style="list-style-type: none"> <li>▶ No. of innovative smart solutions</li> <li>▶ Development of travel information products</li> <li>▶ No. of UTMIC applications</li> </ul> <p><b>ACCESSING OPPORTUNITY</b></p> <ul style="list-style-type: none"> <li>▶ No. of Tees Flex users</li> <li>▶ No. of Wheels 2 Work users</li> <li>▶ Customer satisfaction</li> <li>▶ Social Value impact from projects</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increased regular use of walking/cycling by the Tees Valley population</li> <li>▶ Satisfaction with the availability and quality of cycling infrastructure</li> <li>▶ Improve safety and reduce the number of cyclists and pedestrians killed or seriously injured</li> <li>▶ Delivery of cycle training – number of individuals trained per year</li> <li>▶ An increase in the number of passengers boarding and alighting at rail stations in the Tees Valley</li> <li>▶ Increase in rail freight tonnages to/from the Tees Valley</li> <li>▶ To return passenger boarding on local bus services in the Tees Valley to pre-pandemic levels and then increase by the end of the first BSIP period (2026)</li> <li>▶ To increase passenger boardings on the Tees Flex on-demand bus service</li> <li>▶ Reduction in CO2 emissions from transport</li> <li>▶ Mode shift from private transport to public transport/active travel by 2027</li> <li>▶ Accelerate local bus fleet decarbonisation to achieve a zero carbon fleet by 2030</li> <li>▶ Increase the number of publicly accessible electric vehicle charging points from a baseline 2021 to target level by 2030</li> <li>▶ Increase in hydrogen vehicle trial activity and demand in line with the hydrogen transport hub masterplan</li> <li>▶ Road outcome based measures will be used including: improved journey times; reduction in journey time variability; improved road traffic speeds; and reduction in delays</li> <li>▶ Ensure mobility information is available to customers and businesses through tailored digital services that meet their needs.</li> <li>▶ More efficient management of our network and its assets through wide application of our UTMIC system.</li> <li>▶ Increase the number of the Tees Valley residents within 60 minutes travel time by bus or rail to a significant employment opportunity from a 2021 baseline to a target level by 2026</li> <li>▶ Increase the number of the Tees Valley residents within 30 minutes travel time by bus or rail to a main urban centre from a 2021 baseline to a target level by 2026</li> </ul>	<p>GVA/ Output gap</p> <p>Future Growth in Revenue for Treasury</p> <p>Jobs</p> <p>Levelling up Communities</p> <p>Reduction in Carbon Emissions</p>
Levelling up services towards the standards of the best	<ul style="list-style-type: none"> <li>▶ Transforming the Tees Valley rail system</li> <li>▶ Ensuring everyone can access opportunity</li> <li>▶ Putting the Tees Valley at the heart of the digital transport revolution</li> <li>▶ Making cycling and walking the natural choice for shorter journeys</li> <li>▶ A shared commitment with the operators to transform the Tees Valley bus services and grow passenger numbers</li> </ul>			
Decarbonising transport, especially promoting modal shift	<ul style="list-style-type: none"> <li>▶ Positioning Tees Valley at the forefront of decarbonising transport</li> <li>▶ A shared commitment with the operators to transform the Tees Valley bus services and grow passenger numbers</li> <li>▶ Transforming the Tees Valley rail system</li> <li>▶ Ensuring everyone can access opportunity</li> <li>▶ Making cycling and walking the natural choice for shorter journeys</li> </ul>			
Encouraging modal shift for logistics				
Encouraging modal shift for passenger journeys				

## FINANCIAL IMPLICATIONS

- The current transport allocation in the Investment Plan to deliver this programme is £171.46m, an element of which is based on a forecast for the period from 2023/24.
- However, earlier this year the Government committed to invest between £4.2 billion and £6.8 billion through City Region Sustainable Transport Settlements (CRSTS) for

eight city regions, including Tees Valley. The funding will cover the five-year period from 2022/23 to 2026/27. The Tees Valley bid was submitted in September 2021 and as part of Spending Review 2021 it was announced that TVCA has been allocated £310m. There is now a requirement to develop a programme business case, which must be submitted by mid-January 2022.

7. The transport allocation in the Investment Plan is being used to try and leverage additional funding currently estimated at £622m. This funding is from a variety of sources including:
  - Rail Network Enhancements Pipeline (RNEP) funding for Darlington and Middlesbrough Stations;
  - Getting Building Fund for Middlesbrough Station;
  - Active Travel Fund for cycling and walking projects; and
  - Major Road Network funding for the A19 New Tees Crossing and the A689 corridor improvements.

## **LEGAL IMPLICATIONS**

8. There are no legal implications associated with the recommendations within this report.

## **RISK ASSESSMENT**

9. There is a rigorous approach to risk management across the transport programme in accordance with TVCA's Risk Management Framework. TVCA is responsible for the programme risks, whilst project risks that sit with delivery partners are transferred through appropriate agreements.

## **CONSULTATION & COMMUNICATION**

10. The Tees Valley Transport Advisory Group, Management Group and Chief Executives Group are regularly updated on transport matters. TVCA also works very closely with key stakeholders including Network Rail, National Highways and Transport for the North.

## **EQUALITY & DIVERSITY**

11. The programme will have a positive impact on the protected characteristic groups through the following high-level impacts:
  - job creation during construction phase;
  - improved access to employment opportunities; and
  - improved accessibility to the transport system.
12. At a project level Equality Impact Assessments are undertaken to ensure all localised impacts are considered as part of the project development

## **LOCAL ENTERPRISE PARTNERSHIP**

13. The Local Enterprise Partnership transport lead is regularly updated on transport matters and the LEP can input into the development of all transport related Cabinet reports.

**Name of Contact Officer:** Tom Bryant



**Post Title:** Head of Transport  
**Telephone No.** 07720601286  
**Email Address:** [tom.bryant@teesvalley.gov.uk](mailto:tom.bryant@teesvalley.gov.uk)



# TEES VALLEY COMBINED AUTHORITY

## Internal Audit Progress Report

1 December 2021

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

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

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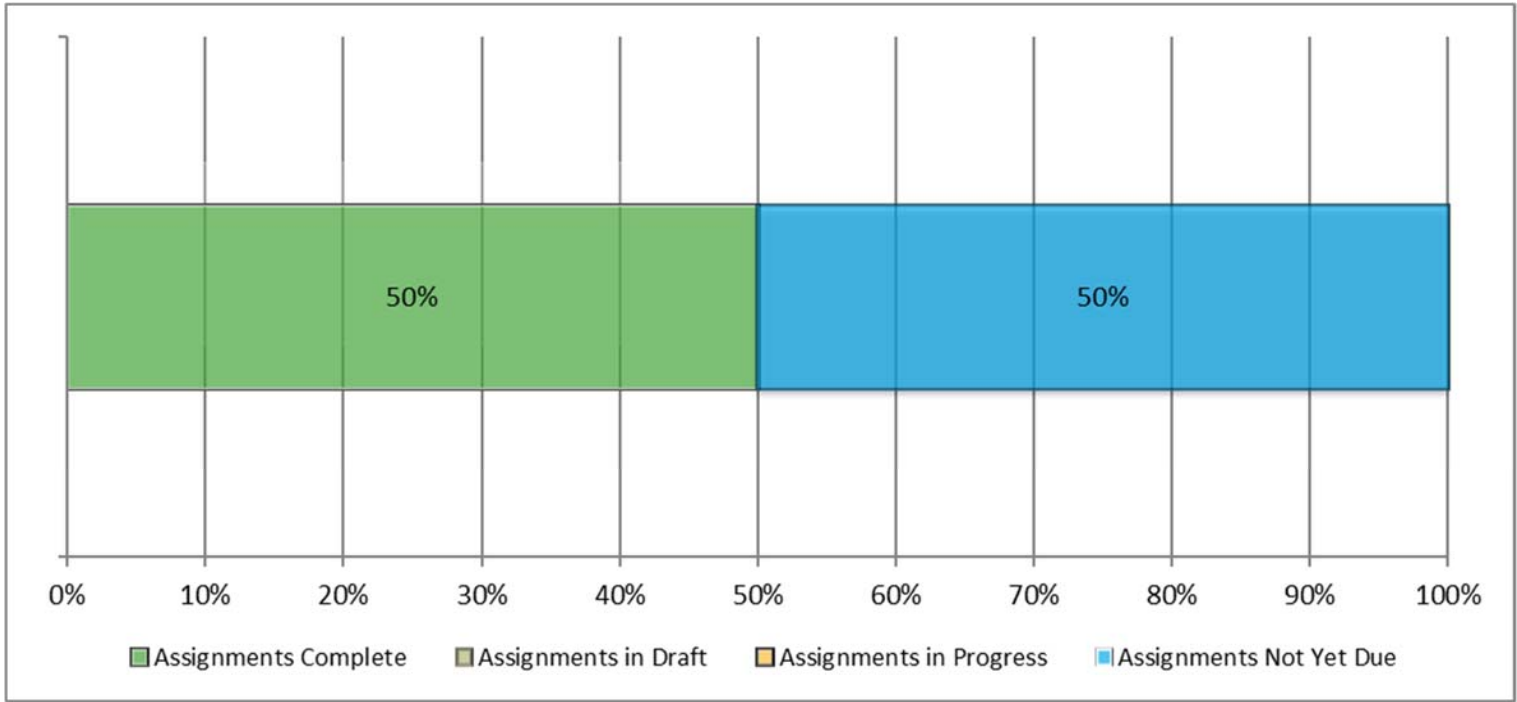
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# 1 Introduction

The internal audit plan for 2021/22 was discussed and approved by the Audit and Governance Committee on 25 May 2021.

The graphic below provides a summary update on progress against the 2021/22 plan.



## 2 Reports

### 2.1 Summary of final reports being presented to this committee

We have finalised the following report since the previous meeting and this is detailed below:

Assignment	Actions agreed		
	L	M	H

**HR: Recruitment and Selection**

5      1      0

Objective of the review:

The Authority has adequate and effective systems and processes in place to manage the recruitment and selection of new staff.

Risk: Failure to provide sufficient capacity to deliver TVCA functions.

Overall assurance rating and management actions:



An overall assurance rating of **reasonable assurance** has been given for this review. We have raised **one medium** and **five low** priority management actions. We have summarised the medium action below:

**Documented process for the use of external recruitment agencies**

Through discussions with the Group HR Manager and the HR Administrator we confirmed that where recruitment has been unsuccessful through advertising the vacancy internally and externally, the Hiring Director will approve the use of a recruitment agency. Where the Hiring Director approves the use of an agency this is evidenced by an approved Purchase Order Request Form.

However, our review of the Recruitment Policy and Framework in place at TVCA and STDC, highlighted that it does not document the process in place for approving the use of an agency to recruit. Without detailing the process there is a risk that vacancies are recruited for through an agency without the appropriate authorisation.

## Assignment

## Actions agreed

L M H

For one out of a sample of four recent new starters we were unable to find evidence that a purchase order was requested and approved in respect of the use of the agency. We also identified that, in three out of four cases where a recruitment agency had been used, the post had not been advertised internally and externally prior to this in accordance with the procedure, although we recognise that, in all three cases, the vacancy arose at short notice.

### Context:

Up until May 2020, recruitment activities in respect of Tees Valley Combined Authority (TVCA, “the Authority”) were outsourced to an external service provider, Xentrall, although some recruitment campaigns were still being progressed by Xentrall after this date. From July 2020 onwards this migration was completed and the TVCA HR team has acted as a shared service centre for all of the Group entities, with the exception of South Tees Site Company (STSC) which was acquired by the Group in October 2020 and continued its own HR activities until April 2021.

Our review focused on the recruitment and selection procedures at TVCA and South Tees Development Corporation (STDC). It was requested by management that our review did not include recruitment activities at Teesside International Airport Limited or South Tees Site Company. 46 new starters joined TVCA and two joined STDC between 1 July 2020 and 2 August 2021.

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## Covid-19 Response

4 1 0

### Objective of the review:

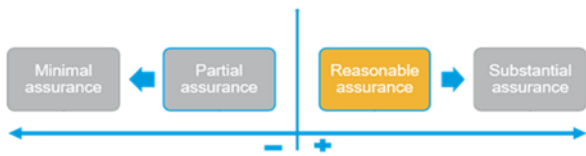
The Authority has adequate and effective systems and processes in place to monitor and assess the impact of Covid-19 on the local economy in order that appropriate and timely decisions can be made regarding support and investment programmes, within the overall framework of its strategic objectives.

Risk: C22: Pandemic Illness Outbreak: Impact on delivery.

Overall assurance rating and management actions:



Assignment	Actions agreed		
	L	M	H



An overall assurance rating of **reasonable assurance** has been given for this review. We have raised **one medium** and **four low** priority management actions. We have summarised the medium action below:

**Monitoring of activities**

Four decisions within our sample of 10 do not have individual monitoring of their effectiveness, and instead are to be assessed as a part of their wider programmes of which

they are a part. This creates a risk that an individual project is not delivering value for money, or is failing to achieve the Authority's goals, but its poor results are hidden by more successful projects within the programme. The Authority may wish to assess the cost effectiveness of monitoring the effectiveness of individual projects, to ensure that the effectiveness of each project is assessed accurately.

Context:

The Covid-19 pandemic had a marked effect on the Teesside economy, and as a result, the Authority undertook early analysis of impact and developed an Economic Recovery Plan (The Plan). At the time of completing the initial Plan, the on-going impact of the pandemic was unknown – including the duration and impact of lockdowns, national support interventions, public health and confidence. The Plan therefore remained a 'live' document. On-going analysis enabled the authority to understand and respond to the impacts on business and communities, and to target interventions accordingly. The Plan and on-going analysis set out the impacts or 'shocks' felt by the Tees Valley economy and identified six key themes for economic recovery.

Due to the nature of the Covid-19 pandemic, and the government response, the Authority had to make reactive, informed decisions, based on a multitude of factors including availability of new funding, allocation of existing resources, and an ever-changing economic outlook and job market. It is therefore essential that the Authority has established decision making processes in place, and that decision makers are provided with a suite of data to allow for informed decision making.

Our review was intended to determine whether there was clear data and local intelligence available to support decision making, that stakeholders had been consulted and considered, that the strategic objectives of the Authority continued to be considered, that decisions were monitored, to ensure that they are effective, and to ensure that all decisions are clearly communicated to all relevant parties.

**Business Growth Hub**

2      0      0

## Assignment

## Actions agreed

L M H

### Objective of the review:

The Authority has adequate and effective systems and process in place to ensure that it complies with national and internal requirements in handling enquiries from businesses seeking support, signposting them towards the most appropriate sources of support, and administering funding in relation to schemes provided in-house.

### Overall assurance rating and management actions:



An overall assurance rating of **substantial assurance** has been given for this review. We have raised **two low** priority management actions. We have summarised the two low actions below:

### **Documented processes**

TVCA has established an Enquiries Process Map, Business Support Lexicon and Business Support Operational Flow document to document the processes in place within the Business Growth team. However, we noted there was no overarching document which outlines key aspects of the business growth activity. This includes the overall objectives, response times for addressing enquiries, structure in place for reporting business growth activity and TVCA's obligations to the National Growth Hub, Combined Authority and Local Enterprise Partnership requirements.

### **Business enquiry response times**

It was noted that the Business Growth team aims to respond to business enquiries within two working days; however, testing a sample of 25 business enquires confirmed that it is not always feasible to respond to enquiries within two working days. Thus, where the internal response times are not attainable there is a risk, the response time for responding to enquiries is neither meaningful nor motivational.



## Assignment

## Actions agreed

L M H

### Context:

The Tees Valley Combined Authority (TVCA) was created in April 2016 with the purpose to drive economic growth and job creation across Teesside in order to improve the local economy. This requires the Authority to deliver a range of projects across development areas including infrastructure, transport and housing. The Authority set out a 10-year Investment Plan, which is reviewed on an annual basis, outlining the projects and investment programmes that the Authority will commit resources to in order to meet its strategic objectives to improve the local economy. In line with the Investment Plan was the establishment, in July 2020, of a new “Business Gateway” service, which provides local businesses with a single point of entry to a range of business support, funding and finance options available to them regardless of business size, sector or nature of need.

The purpose of our review was to provide assurance that the Authority has adequate and effective systems and processes in place to ensure that it complies with national and internal requirements in handling enquiries from businesses seeking support, signposting them towards the most appropriate sources of support, and administering funding in relation to schemes provided by the Authority.

### **Follow Up of Previous Internal Audit Management Actions**

1 1 0

### Objective of the review:

To ensure that management actions have been implemented in accordance with the agreed timetable and that any new controls are operating effectively.

### Overall assurance rating and management actions:

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Tees Valley Combined Authority (TVCA) has demonstrated **reasonable progress** in implementing agreed management actions.

We were provided with satisfactory evidence for five actions confirmed as complete by management with one of the two remaining actions being considered partially but not fully implemented and the other as not having been implemented. The first action relates to clearly assigning owners and implementation dates for action plans as part of the new risk management framework and the action we have raised as a result of this review is considered a **low priority** action. The second action was raised as the Goosepool Board have not yet agreed which KPIs are to be reported to the Board, and which are to be disseminated throughout the Airport’s Governance Structure and is considered a **medium priority** action. There are currently a total of eight medium and 16 low actions which have passed their agreed implementation date but not marked as completed per the 2021 audit tracker.



## Assignment

## Actions agreed

L M H

### Context:

We undertook this review to follow up on progress made to implement the previously agreed management actions in respect of the following internal audit reports:

- Goosepool Financial Governance (2020/21);
- Directorate - Risk Management (2020/21); and
- Follow Up of Previous Internal Audit Management Actions (2020/21).

The focus of this review was to provide assurance that management actions previously reported as complete have been fully implemented. We have considered medium management actions that have been closed since our last follow up review in May 2021. A total of seven actions from three separate audits were reported as complete by management. All seven actions assessed were medium priority actions. Two of these seven actions were raised as a result of the findings from our previous follow up audit, but it should be noted that they were not present on the action tracker we were provided.

## Appendix A – Progress against the internal audit plan

The current Covid-19 situation means that our clients and internal audit are working differently. We understand and recognise the organisation’s strategic objectives, and that the developments around Covid-19 will continue to impact on all areas of the organisation’s risk profile. We will continue to work closely with management to deliver an internal audit programme which remains flexible and agile to ensure it meets your needs in the current circumstances.

Assignment	Status	Proposed reporting to the Audit and Governance Committee
TIAL Reporting	Fieldwork scheduled for week commencing 13 December 2021	January 2022
HR: Payroll	Fieldwork scheduled for week commencing 24 January 2022	May 2022
Effectiveness of Partnership Arrangements	Fieldwork scheduled for week commencing 14 February 2022	May 2022
Directorate Structure	Fieldwork scheduled for week commencing 21 February 2022	May 2022

## Appendix B – Key performance indicators (KPIs)

Delivery			Quality		
	Target	Actual		Target	Actual
Draft reports issued within 10 days of debrief meeting	10 days	4.5 days (average)	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 days of management response	3 days	1 day (average)	Response time for all general enquiries for assistance	2 working days	2 working days (average)
			Response for emergencies and potential fraud	1 working day	-

## Appendix C – Other matters

### Changes to the audit plan

Detailed below is the change to the audit plan:

Note	Auditable area	Reason for change
1.	Directorate Structure	As part of the internal audit plan this review was scheduled to take place in week commencing 1 November 2021 but this review will now take place in week commencing 21 February 2022.

Changes discussed at the previous Audit and Governance Committee:

Note	Auditable area	Reason for change
1	TIAL Reporting	As part of the internal audit plan this review was scheduled to take place in week commencing 27 September 2021 but, at the request of management, this review has been swapped with the Follow-Up audit and will now take place in week commencing 13 December 2021. This is to allow for more time for KPI reporting to become established.
2	Follow-Up	As part of the internal audit plan this review was scheduled to take place in week commencing 13 December 2021 but, as noted above, this review will now take place in week commencing 27 September 2021.



## For more information contact

**Rob Barnett, Head of Internal Audit**

RSM

1 St. James' Gate

Newcastle upon Tyne

NE1 4AD

M: 07809 560103

[Robert.Barnett@rsmuk.com](mailto:Robert.Barnett@rsmuk.com)

**rsmuk.com**

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 UK 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 UK 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 UK 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

HR: Recruitment and Selection

Internal audit report 1.21/22

FINAL

25 October 2021

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.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING



# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, or undertake full population testing using data analytics tools, to complete the work in line with the agreed scope

## Why we completed this audit

Up until May 2020, recruitment activities in respect of Tees Valley Combined Authority (TVCA, “the Authority”) were outsourced to an external service provider, Xentrall, although some recruitment campaigns were still being progressed by Xentrall after this date. From July 2020 onwards this migration was completed and the TVCA HR team has acted as a shared service centre for all of the Group entities, with the exception of South Tees Site Company (STSC) which was acquired by the Group in October 2020 and continued its own HR activities until April 2021. Our review has focused on the recruitment and selection procedures at TVCA and South Tees Development Corporation (STDC). It was requested by management that our review did not include recruitment activities at Teesside International Airport Limited or South Tees Site Company.

The purpose of our review is to provide assurance that TVCA and STDC have adequate and effective systems and processes in place to manage the recruitment and selection of new staff. 46 new starters joined TVCA and two joined STDC between 1 July 2020 and 2 August 2021.

## Conclusion

Our testing of 20 new starters from across TVCA and STDC has confirmed that the Group has effective processes in place for shortlisting applicants, interviewing candidates using predetermined questions and undertaking pre-employment checks prior to the start of employment. However, our review did highlight exceptions and as a result we have raised a total of six management actions, which comprised of **one medium** priority and **five low** priority actions. The medium priority action relates to documenting the process for using an agency to recruit within the TVCA and STDC Recruitment Policy and Framework and retaining evidence of approval where an agency is used. Details of the five low priority actions can be found under section two of this report.

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### Internal audit opinion:

Taking account of the issues identified, the Cabinet can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.





## Key findings

### We identified the following findings that have resulted in a medium action being raised:



Our review of the Recruitment Policy and Framework in place at TVCA and STDC, highlighted that it does not document the process in place for approving the use of an agency to recruit. Without detailing the process, there is a risk that vacancies are recruited for through an agency without the appropriate authorisation. Testing four new starters recruited through the use of an agency highlighted two cases where the approval to recruit using an agency sought from the Hiring Director had not been documented and approved. **(Medium)**

For details of the **low** priority management actions, please see section two of this report.

### Our audit review also identified that the following controls are suitably designed, consistently applied and are operating effectively:



Testing a sample of 20 new starters confirmed in 13 cases the post was new. In 12 of these cases, we obtained evidence of the rationale for requesting the recruitment for the new post and the financial implications of this, documented on the Recruitment/Personnel Decision Form. In the remaining one case the Recruitment/Personnel Decision Form was not fully completed to document the rationale for requesting the recruitment for a new post. Thus, we extended our sample to test a further five new starters and confirmed in all cases the rationale for requesting the recruitment for the new post had been documented.



In 13 cases where the post was new, we obtained evidence of an approved Recruitment/Personnel Decision form. In seven cases the form was approved by Group HR Manager, Finance Manager, the Group Director of Finance and Resources and Chief Executive Officer. In the remaining six cases the form predated the introduction of the four-level authorisation process and therefore, was signed by the Chief Executive Officer and the Group Director of Finance and Resources as required at the time.



Testing a sample of 20 new starters confirmed in all cases interviews were conducted for all candidates using pre-determined questions. Our testing also confirmed that candidate responses to these questions were scored and the highest scoring candidate was offered the role.



Testing a sample of 20 new starters confirmed in 19 cases the Pre-Employment Screening Checklist had been completed by the HR Assistant and signed off by the HR Advisor. In the remaining one case the Group HR Manager confirmed that the candidate was internally recruited, and checks undertaken were no longer retained in line with data retention policies. In all cases we obtained evidence of a job offer letter.

## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Risk: HR: Recruitment and Selection		
<b>Control</b>	<p>A Recruitment Policy and Framework is in place at TVCA and STDC which details the recruitment and selection procedures.</p> <p>The Policies are initially approved by the Board and reviewed annually thereafter by the HR team and the Policy Review Working Group.</p> <p>The Recruitment Policy and Framework in place at TVCA and STDC are available to all staff via the Group's intranet.</p>	<p><b>Assessment:</b></p> <p><b>Design</b> ✓</p> <p><b>Compliance</b> ×</p>
<b>Findings / Implications</b>	<p>A Recruitment Policy and Framework is in place at both TVCA and STDC.</p> <p>We obtained evidence to confirm the STDC and TVCA Recruitment Policy and Framework is available to all staff via the Group's intranet.</p> <p>Review of the policies in place confirmed the following is outlined:</p> <ul style="list-style-type: none"> <li>• The process of considering the need to recruit;</li> <li>• Advertising vacancies;</li> <li>• Process for shortlisting candidates;</li> <li>• Interview and assessment process; and</li> <li>• Pre-employment checks (these include obtaining references, completing the pre-medical questionnaire, and Disclosure and Barring Service checks were required).</li> </ul> <p>Our review highlighted that neither policy included the pre-employment check of proof of right to work in the UK. Therefore, there is a risk that new members or less experienced members of the HR team are not fully informed on the pre-employment checks required. This may lead to employing a member of staff who does not have the right to work in the UK. It was noted that the HR team complete a Pre-Employment Screening Checklist which includes checking the candidates right to work. This checklist is completed by the HR Assistant and reviewed by the HR Advisor prior to the first day of employment.</p> <p>Through discussions with the Group HR Manager, we confirmed that the Recruitment Policy and Framework in place at TVCA was adopted from Stockton Borough Council when the Authority was first founded in 2016. For this reason, the Policy was not approved and documented by the Board.</p> <p>The STDC Recruitment Policy and Framework was established and implemented in July 2019. Following a previous RSM audit at STDC, the Recruitment Policy and Framework was formally approved by the Board. It was noted that due to the timing of the RSM audit, the review and approval of the Policy was not added to the agenda for the Board meeting held in February 2021.</p>	

### Risk: HR: Recruitment and Selection

The Group HR Manager confirmed that the Board agenda had been publicly published before it was identified that the Policy required Board approval. Therefore, in order to seek timely approval from the Board the Policy was sent via email to all Board members for review and approval.

We obtained email evidence dated 2 February 2021 to confirm this. The Group HR Manager confirmed that no responses were obtained from the Board to indicate the Policy was not approved. Therefore, the Policy was noted as approved by the HR team.

The STDC and TVCA Recruitment Policy and Framework is reviewed on an annual basis by the HR team to ensure the Policy is reflective of current practice and legislation. Once reviewed by the HR team, the Policy is reviewed and approved by the Policies, Procedures and Templates Working Group.

Review of minutes of the Policies, Procedures and Templates Working Group meeting held on 29 April 2021 confirmed this. Our review of the Recruitment Policy and Framework in place at TVCA and STDC, highlighted that neither Policies document the date of review. Without documenting the review date there is a risk that TVCA and STDC are not informed on when the Policy is next due for review, in line the review schedule.

<b>Management Action 1</b>	<p>The Recruitment Policy and Framework in place at TVCA and STDC will be updated to include the review date.</p> <p>The STDC and TVCA Recruitment Policy and Framework will be updated to include the need to check right to work in the UK as part of the pre-employment checks.</p> <p>The updated Policy will then be reviewed and approved by the Policies, Procedures and Templates Working Group. This will then be updated on the intranet.</p>	<b>Responsible Owner:</b> Group HR Manager	<b>Date:</b> 15 September 2021	<b>Priority:</b> <b>Low</b>
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### Risk: HR: Recruitment and Selection

<b>Control</b>	<p>A person specification and job description are created/updated for all recruitment posts by the hiring manager. The job description details the main duties of the post. The person specification states both the essential and desirable criteria in terms of qualifications, skills, aptitudes, knowledge, and experience for the job.</p> <p>The person specification and job description are attached to a Request to Recruit form. This is completed when recruiting new posts and to replace leavers. The Request to Recruit is approved by the respective hiring manager at TVCA and by the relevant Programme Director at STDC.</p>	<b>Assessment:</b>	
		<b>Design</b>	✓
		<b>Compliance</b>	×

**Risk: HR: Recruitment and Selection**

<b>Findings / Implications</b>	<p>The job description and person specification are submitted as part of the Right to Request form which is authorised by the hiring manager at TVCA or Director at STDC. In all cases we obtained evidence of a job description and person specification produced, which outlined the duties of the post, essential criteria, and desirable criteria.</p> <p>The Right to Request form is completed for both new and replacement roles. The form documents key details such as the job title, grade, contract type and job title of the role to be recruited.</p> <p>Testing 20 new starters from across TVCA and STDC confirmed the Right to Request form had been completed and authorised in 16 cases. In three cases the Right to Request form had been completed and sent to HR by the hiring manager thus, indicating approval.</p> <p>In the remaining one case, the Right to Request form had not been authorised. The HR Administrator and Group HR Manager confirmed that authorisation was sought verbally from the hiring manager. Without documenting authorisation there is a risk of reduced traceability regarding whether the form and attached job description and person specification was authorised.</p>			
<b>Management Action 2</b>	<p>The Group will ensure authorisation from the respective Programme Director at STDC or the hiring manager at TVCA is documented on the Right to Request forms.</p>	<p><b>Responsible Owner:</b> Group HR Manager</p>	<p><b>Date:</b> 1 September 2021</p>	<p><b>Priority:</b> <b>Low</b></p>

**Risk: HR: Recruitment and Selection**

<b>Control</b>	<p>All TVCA roles are advertised first on the intranet for a minimum of one week. If it is not possible to recruit from internal applicants, the vacancy is advertised on North East Jobs and Job Centre Plus by the HR team. All STDC roles are advertised on the STDC's website and Indeed.</p>	<p><b>Assessment:</b></p> <p><b>Design</b> ✓</p> <p><b>Compliance</b> ×</p>	
<b>Findings / Implications</b>	<p>The HR Administrator confirmed that TVCA vacancies advertised through North East Jobs which will also pull through to Job Centre Plus. Testing a sample of 20 new starters identified the following:</p> <ul style="list-style-type: none"> <li>• In 19 cases we obtained evidence to confirm the role was advertised on either Indeed or North East Jobs.</li> <li>• In the remaining one case, the vacancy was recruited for internally and therefore, did not require external advertisement.</li> <li>• In 16 cases we obtained evidence to confirm the vacancy was advertised on the relevant TVCA or STDC website. It was noted that advertisements via Indeed and the TVCA or STDC website was demonstrated by evidencing an email sent by the HR team to the Digital Marketing Assistant or Digital Marketing Officer to request advertising the role. In three cases the HR Administrator confirmed that evidence to confirm the vacancy had been advertised on the TVCA/STDC website could not be provided. This was because TVCA emails expire after six months and links to the website had expired.</li> </ul>		

- The HR Administrator confirmed that depending on the role type, vacancies may require additional advertisement. Where this is required, the vacancy is advertised on social media platforms such as LinkedIn, Facebook and Twitter.
- In 16 cases, we obtained email evidence to indicate the job was advertised on social media alongside an external website and the TVCA/STDC website.

The HR Administrator also confirmed that prior to May 2021, vacancies were only advertised on the intranet where it was likely that the skills required existed internally and the opportunity to recruit internally was likely. It was also noted that prior to May 2021, the intranet did not service the whole Group and therefore, this did not facilitate successful internal recruitment.

As of May 2021, all vacancies are advertised on the intranet prior to advertising externally. The HR Administrator and Group HR Manager confirmed that the link to the intranet advertisements will expire once the vacancy is closed and therefore, no further evidence was available for review.

It was noted, that the STDC Recruitment Policy and Framework has not been updated to detail the requirement to advertise vacancies on the intranet. Where this is not documented, there is a risk that vacancies are not advertised internally to maximise opportunities for developing the skills and expertise of existing staff.

<b>Management Action 3</b>	The STDC Recruitment Policy and Framework will be updated to include the requirement to advertise vacancies on the intranet prior to advertising externally.	<b>Responsible Owner:</b> Group HR Manager	<b>Date:</b> 15 September 2021	<b>Priority:</b> <b>Low</b>
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### Risk: HR: Recruitment and Selection

<b>Control</b>	The application process for vacancies at TVCA requires applicants to complete and submit an application form.	<b>Assessment:</b>	
	The application process for vacancies at STDC requires applicants to submit a Curriculum Vitae (CV). Anonymised application forms and CVs are reviewed by the Hiring Manager and mapped against the person specification in a shortlisting matrix; to shortlist candidates for the interview stage.	<b>Design</b>	✓
		<b>Compliance</b>	×

**Findings / Implications** The HR team prepares a shortlisting matrix to enable hiring managers to map candidate CVs and application forms against essential and desirable criteria agreed in the authorised person specification. This enables the hiring manager to assess application forms and CVs against pre-established criteria to shortlist candidates for an interview.

Our testing of 20 new starters from across STDC and TVCA confirmed the below:

- In all cases we obtained evidence of a CV/application form submitted by the candidate and retained by the Group;
- In 18 cases we obtained evidence of a completed shortlisting matrix. It was noted that in eight cases the candidate applications were not mapped against the desirable criteria outlined in the person specification. The HR Administrator confirmed that hiring managers will not narrow the shortlisting further if the candidates can be shortlisted sufficiently using the essential criteria. In two cases we noted the candidate applications were not mapped fully against the essential criteria.

- The HR Administrator confirmed that some essential criteria are only or better assessed at the interview stage. This includes essential criteria such as communication skills;
- In one case the shortlisting matrix was not completed as the candidate was recruited internally and this involved only one applicant; and
- In the remaining one case the HR Administrator confirmed that the email trail which included the shortlisting matrix could not be located. It was noted that the hiring manager will have a copy of the matrix however, the hiring manager was on leave during the time of our audit and therefore, this evidence could not be located.

Without centrally storing documentation relating to the shortlisting process there is a risk this information cannot be located in the absence of staff or in the event staff leave employment.

<b>Management Action 4</b>	The HR team will centrally store all shortlisting matrixes completed.	<b>Responsible Owner:</b> Group HR Manager	<b>Date:</b> 15 September 2021	<b>Priority:</b> <b>Low</b>
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#### Risk: HR: Recruitment and Selection

<b>Control</b>	Where TVCA and STDC have been unsuccessful in recruiting internally and through external advertisement, TVCA and STDC will recruit using Hays Recruitment or Nigel Wright Recruitment agency.  The use of agencies to recruit requires approval from the Hiring Director and a purchase order for the cost of using an agency is approved.	<b>Assessment:</b>	
		<b>Design</b>	✓
		<b>Compliance</b>	×

**Findings / Implications** Our review of the Recruitment Policy and Framework in place at TVCA and STDC, highlighted that it does not document the process in place for approving the use of an agency to recruit. Without detailing the process there is a risk that vacancies are recruited for through an agency without the appropriate authorisation.

Through discussions with the Group HR Manager and the HR Administrator we confirmed that where recruitment has been unsuccessful through advertising the vacancy internally and externally, the Hiring Director will approve the use of a recruitment agency. Where the Hiring Director approves the use of an agency this is evidenced by an approved Purchase Order Request Form.

Between 1 July 2020 and 2 August 2021, there have been a total of four members of staff recruited through the use of an agency at STDC and TVCA. In two of these cases relating to TVCA, we obtained evidence of the relevant Purchase Order Request Form which had been requested by the Group HR Manager and approved by the Hiring Director. In both cases the Hiring Director was Group Director of Finance and Resources.

In one case the member of staff was recruited through the use of any agency however, this was for interim cover and therefore, a single purchase order was not raised prior.

The Group HR Manager confirmed that the Group Director of Finance and Resources approved a purchase order on a monthly basis. It was noted, the new starter then applied internally for their role when it was advertised internally as a permanent position. As the new starter was initially recruited through an agency, the Group were required to pay a finder's fees to the agency, for which an approved purchase order was evidenced.

In the remaining case relating to STDC, the Group were unable to evidence that a purchase order was requested and approved. The Group HR Manager confirmed that the relevant member of staff from the Procurement team has left employment and therefore, the Group are unable to investigate further or locate the purchase order. The Group HR Manager confirmed that the agency is yet to invoice the Group. It was also highlighted that the Group Director of Finance and Resources reviews bank transactions on a monthly basis therefore, if this agency cost was not approved then this will have been recognised by the Director during their month end checks. Without retaining evidence of approval there is a risk that agencies are used without the required approval. Subsequently, there is a risk the Group are invoiced for services which were not approved or allocated for prior.

We also tested the four new starters recruited through an agency to confirm the vacancy was first advertised internally and externally prior to the use of an agency. Our testing highlighted the following:

- In one case we obtained evidence to confirm the vacancy was advertised on the STDC website and social media platforms;
- In two cases the Group HR Manager confirmed that the role was not advertised internally and externally. This was because the Group were required to appoint two HR Advisors in a short period of time. It was noted that two members of staff from the HR team had left at short notice and one member of staff from the HR team was on long term sick leave. To address this resource limitation as soon as possible, a recruitment agency was used; and
- In the remaining one case the Group HR Manager confirmed that the post was not advertised internally nor externally prior to the use of an agency. This was because TVCA was in the process of a restructure, where existing posts were at risk. It was also noted that the post needed to be filled urgently and therefore an agency was used for interim cover.

<p><b>Management Action 5</b></p>	<p>The Recruitment Policy and Framework in place at TVCA and STDC will be updated to outline the process for using an agency to recruit, including the approval of this and the approval of the purchase order.</p> <p>The Group will retain evidence of approved purchase orders for the use of agencies to recruit.</p> <p>Where an agency is used to recruit interim staff, then the Group will retain evidence of approval obtained to use an agency to recruit.</p>	<p><b>Responsible Owner:</b> Group HR Manager</p>	<p><b>Date:</b> 15 September 2021</p>	<p><b>Priority:</b> <b>Medium</b></p>
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**Risk: HR: Recruitment and Selection**

<b>Control</b>	All new starters have a contract of employment in place and signed.	<b>Assessment:</b>  <b>Design</b> ✓  <b>Compliance</b> ×			
<b>Findings / Implications</b>	<p>Testing a sample of 20 new starters form across STDC and TVCA confirmed in 19 cases the contract had been signed by the Group Chief Executive Officer and the new starter. In the remaining one case, the contract had been signed by the Group Chief Executive Officer but not the new starter.</p> <p>It was noted that the office opened in July 2021 and home working has contributed to the reason why new starters have not signed contracts and returned these to the HR team. The HR Administrator also confirmed that the HR team does not have a process in place to ensure contracts are signed by the new starter and are returned to the HR team.</p> <p>Where contracts are not signed by the employee there is a risk the new starter is not fully informed on their employment terms and conditions.</p>				
<b>Management Action 6</b>	The HR team will ensure a process is in place to identify and act upon cases where employment contracts have not been signed and returned by the new starter.	<table border="0"> <tr> <td data-bbox="1142 758 1635 896"><b>Responsible Owner:</b> Group HR Manager</td> <td data-bbox="1635 758 1859 896"><b>Date:</b> 1 September 2021</td> <td data-bbox="1859 758 2002 896"><b>Priority:</b> <b>Low</b></td> </tr> </table>	<b>Responsible Owner:</b> Group HR Manager	<b>Date:</b> 1 September 2021	<b>Priority:</b> <b>Low</b>
<b>Responsible Owner:</b> Group HR Manager	<b>Date:</b> 1 September 2021	<b>Priority:</b> <b>Low</b>			



## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
HR: Recruitment and Selection	0	(10)	6	(10)	5	1	0
<b>Total</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

### Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
The Authority has adequate and effective systems and processes in place to manage the recruitment and selection of new staff.	<i>C07: Failure to provide sufficient capacity to deliver TVCA functions.</i>	Corporate Risk Register

#### When planning the audit, the following areas for consideration and limitations were agreed:

Up until May 2020, recruitment activities in respect of Tees Valley Combined Authority (TVCA, “the Authority”) were outsourced to an external service provider, Xentrall, although some recruitment campaigns were still being progressed by Xentrall after this date. From July 2020 onwards this migration was completed and the TVCA HR team has acted as a shared service centre for all of the Group entities (including staff employed by the Teesside International Airport Limited – TIAL), although recruitment in respect of South Tees Site Company (STSC) was conducted by its own team from its acquisition by the Group in October 2020 until April 2021 when it moved across to the central TVCA team.

#### Our review will focus on:

- Recruitment management framework / policy / procedure is in place, up to date and available to staff.
- How recruitment requirements are identified and directed based on new funding / programmes, replacement for leavers, talent management in key roles and organic business growth.
- Review of compliance with the Authority’s recruitment and selection procedure in the following areas:
  - Authority to recruit is documented and in line with stated procedures.
  - The job specification reflects the needs of the Group and follows stated evaluation criteria.
  - The advertising, application and shortlisting process is documented and in line with stated procedures.
  - Selection and conditional offer follow stated evaluation criteria.
  - Pre-employment checks are conducted in line with stated procedures and on a timely basis.
  - Where agencies are used, this is in line with the procurement framework.

- All successful candidates have a formal, signed contract of employment.

Although we have recently conducted a follow-up review at the Group's subsidiary entity South Tees Development Corporation (STDC), which covered our previous review of recruitment and selection within this entity, because of the recent change in who performs recruitment activities, and the fact that this original review was conducted in early 2019, we will include recruitment activities in respect of STDC, along with all other group entities, subject to the exceptions noted below.

**Limitations to the scope of the audit assignment:**

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this review will be compliance based and sample testing only.
- We will not comment on the suitability of staff members appointed during the recruitment process.
- We will not carry out any pre-employment checks ourselves, and we will rely on the data provided to us during the audit.
- Our work will focus only on new recruitment activity started since the move from Xentrall was fully completed in July 2020 and will not include campaigns still in progress during 2020 at the point of migration.
- Our review will not cover recruitment activities conducted by the STSC HR team between October 2020 and April 2021.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Please note that the full scope of the review can only be completed within the review budget if all the requested information is made available at the start of the review, and the necessary key staff are available to assist the review process during the review. If the requested information and staff are not available, we may have to reduce the scope of our work and/or increase the review budget. If this is necessary, we will agree this with the client sponsor during the review.

**Debrief held** 24 August 2021  
**Draft report issued** 1 September 2021  
**Responses received** 25 October 2021

**Internal audit Contacts** Rob Barnett, Head of Internal Audit  
Philip Church, Client Manager  
Mike Gibson, Assistant Manager  
Rajan Suman, Internal Auditor

**Final report issued** 25 October 2021

**Client sponsor** Gary MacDonald, Group Director of Finance and Resources  
Clare Winter, Group HR Manager

**Distribution** Gary MacDonald, Group Director of Finance and Resources  
Clare Winter, Group HR Manager

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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

## Business Growth Hub

Internal audit report 3.21/22

FINAL

23 November 2021

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, or undertake full population testing using data analytics tools, to complete the work in line with the agreed scope

## Why we completed this audit

In line with the Investment Plan a new “Business Gateway” service was established in 2020, which provides Tees Valley businesses with a single point of entry to a range of business support, funding and finance options available to them regardless of business size, sector or nature of need. The Business Growth team comprises the Business Gateway team, Business Growth Consultants, and Business Programme Co-Ordinators. Business enquiries are received through the Tees Valley Combined Authority’s (TVCA) website, telephone or email. Business enquiries are initially assessed by the Business Gateway team to identify whether a meeting with a Business Growth Consultant is appropriate or to refer the business to alternative support and advice within and outside of TVCA.

The purpose of our review was to provide assurance that the Authority has adequate and effective systems and processes in place to ensure that it complies with national and internal requirements in handling enquiries from businesses seeking support, signposting them towards the most appropriate sources of support, and administering funding in relation to schemes provided by the Authority.

## Conclusion

Our testing of 25 business enquiries confirmed that TVCA has effective processes in place for handling enquiries from businesses seeking support and signposting them towards the most appropriate sources of support. However, our review did highlight exceptions and as a result we have raised two low priority management actions. These relate to the absence of documenting key aspects to the business growth activity processes such as the overall objective and TVCA obligations under schemes to the National Growth Hub and Local Enterprise Partnership requirements. The second low priority action relates to determining and documenting appropriate response times required for addressing business enquiries.

### Internal audit opinion:

Taking account of the issues identified, the Cabinet can take **substantial assurance** that the controls upon which the Authority relies to manage this risk are suitably designed, consistently applied and effective.



## Key findings

### We identified the following findings that have resulted in two low priority actions being raised:



TVCA has established an Enquiries Process Map, Business Support Lexicon and Business Support Operational Flow document to document the processes in place within the Business Growth team. However, we noted there was no overarching document which outlines key aspects of the business growth activity. This includes the overall objectives, response times for addressing enquiries, structure in place for reporting business growth activity and TVCA's obligations to the National Growth Hub, Combined Authority and Local Enterprise Partnership requirements. **(Low)**



It was noted that the Business Growth team aims to respond to business enquiries within two working days; however, testing a sample of 25 business enquires confirmed that it is not always feasible to respond to enquiries within two working days. Thus, where the internal response times are not attainable there is a risk, the response time for responding to enquiries is neither meaningful nor motivational. **(Low)**

### Our audit review also identified that the following controls are suitably designed, consistently applied and are operating effectively:



Testing a sample of 25 business enquiries confirmed that in 11 cases a meeting was arranged with the Business Growth Consultants to meet with the client. In eight cases the meeting was arranged within 10 working days of receipt of the enquiry and in the remaining three cases a meeting was arranged after 10 working days due to the client's availability. In all cases, our review of the customer relationship management system confirmed the consultant was able to identify the business needs and signpost the business towards the most appropriate form of support.



Review of a sample of 12 businesses signposted towards business support programmes, confirmed approval was sought in line with the scheme rules. In eight of the 12 cases, the programme either did not involve channelling funding or funding had not been provided to date. The remaining four cases related to business signposted towards the Business Growth Fund where funding had been granted and therefore, we obtained evidence to confirm value for money was assessed by UMi as part of the application process. Value for money is checked through undertaking procurement checks in line with the National Procurement Policy, comparing supplier costs listed in the business proposal against market averages and assessing proposed jobs created against the requested grant value. We confirmed this through discussions with the Project Manager and Contracts Manager at UMi and through review of evidence.



Additionally, testing the four cases relating to the Business Growth Fund confirmed monitoring is undertaken in line with the scheme rules. This includes reconciling claims made by businesses against the costs approved in the funding agreement and supporting documenting such as invoices and bank statements. Our testing confirmed this was checked in all cases. Monitoring is also undertaken through reviewing jobs created each quarter. Discussions with the ERDF Business Growth Co-ordinator confirmed Covid-19 has impacted businesses in being able to create jobs as initially forecasted. However, this is being monitored by UMi and TVCA on a quarterly basis.



Through review of meeting minutes and reports we confirmed a process is in place for reporting business growth activity at an operational level through weekly Business Growth team meetings and weekly Business Growth Consultant meetings. Additionally, the weekly Business and Skills Management team meeting and bi-weekly directors meeting provide additional channels for business growth activity to be reported and escalated on an exception basis. Oversight on business growth activity is also provided internally by the Oversight and Scrutiny Committee and at a high level by the Cabinet on an annual basis. Business growth activity is also reported externally to the Department for Business, Energy and Industrial Strategy (BEIS) on a biannual basis; for which we obtained evidence of the reports submitted.



## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Business Growth Hub		
<b>Control</b>	<p><b>Partially missing control</b></p> <p>Due to the variety of business enquiries, TVCA's approach to supporting businesses is tailored to the needs of each business. For this reason TVCA does not have in place a policy relating to the Business Growth Hub.</p> <p>TVCA has established an Enquiries Process Map, Business Support Lexicon and Business Support Operational Flow document. The Enquiries Process Map, Business Support Operational Flow and Business Support Lexicon are understood by and available to all relevant staff via Microsoft Teams.</p>	<p><b>Assessment:</b></p> <p><b>Design</b> ×</p> <p><b>Compliance</b> -</p>
<b>Findings / Implications</b>	<p>TVCA has established a Business Support Lexicon which documents the services, support, and resources available to Tees Valley based businesses. The document is owned by the Business Gateway Manager and is updated on an ongoing basis by the Business Gateway Co-Ordinator and the Business Programme Coordinator. For instance, through discussions with the Business Gateway Co-Ordinator and the Business Finance Manager we confirmed that key roles at TVCA receive regular email communications from Grant Finder. Grant Finder is a funding database which alerts the key roles of new sources of funding. Where appropriate this will inform updates of the Business Support Lexicon.</p> <p>Our review of the Business Support Lexicon confirmed the following is detailed:</p> <ul style="list-style-type: none"> <li>• Summary of each type of support available;</li> <li>• The types of business which the support may be applicable to;</li> <li>• Eligibility criteria for support;</li> <li>• Specialist industry support available; and</li> <li>• Links to events and networking opportunities available.</li> </ul> <p>TVCA has also established an Enquiries Process Map, Business Support Operational Flow document. The Business Support Operational Flow illustrates the following:</p> <ul style="list-style-type: none"> <li>• A high level overview of the process from receipt of an enquiry to the channels in place which an enquiry could be directed to; and</li> <li>• The roles of Business Gateway Co-Ordinator's, Business Growth Consultants and Business Programme Co-Ordinator's. The Enquiries Process Map provide a more detailed flow chart of the process for when an enquiry is received through the different channels and how these are actioned.</li> </ul>	

## Area: Business Growth Hub

Through discussions with key personnel within the Business Growth team including Business Finance Manager, Director of Business, Skills, Business Gateway Manager, Business Gateway Coordinator and Business Gateway Support Officer it is evident that the team understand the processes in place. We also obtained evidence to confirm that the Enquiries Process Map, Business Support Operational Flow document and Business Support Lexicon are available to staff via the Business Growth Team set up on Microsoft Teams.

Discussions with the Business Finance Manager, Director of Business and Skills, and Business Gateway Manager established that each business enquiry requires an approach tailored to the business and their needs. Therefore, there is not a singular prescribed process which applies to all business enquiries. For this reason TVCA has in place process flows and documented guidance to support the Business Growth Team in assessing business enquiries to direct them to the most appropriate support available, as opposed to a policy. However, we noted there was no overarching document which outlines key aspects of the business growth activity. This includes but is not limited to:

- The overall objectives;
- Response times for addressing queries;
- The reporting structure in place for reporting business growth activity; and
- TVCA's obligations such as to the National Growth Hub, Combined Authority and Local Enterprise Partnership requirements. It is acknowledged that TVCA begun establishing the Business Growth team in March 2020 and processes have been adopted however, key aspects as listed above have not been formally documented. Without documenting the key aspect to business growth activities there is a risk that new members of staff are not fully informed.

Failure to have an overall business growth document could result in the Authority not achieving growth targets or engage with businesses that are not aligned to the Authority's Investment Plan.

Management Action 1	Responsible Owner:	Date:	Priority:
<p>TVCA will establish an overarching document which outlines the business growth activity processes which include:</p> <ul style="list-style-type: none"> <li>• The overall objectives;</li> <li>• Response times to addressing queries;</li> <li>• The reporting structure in place for reporting business growth activity; and</li> <li>• TVCA obligations such as to the National Growth Hub, Combined Authority and Local Enterprise Partnership requirements.</li> </ul>	Business Finance Manager	1 November 2021	Low

## Area: Business Growth Hub

<b>Control</b>	<p>Enquiries are received from businesses via the TVCA website, email and telephone.</p> <p>Business enquiries are logged onto the Customer Relationship Management (CRM) system by the Business Gateway Team. Enquires are logged, assessed by the Business Gateway Clinic and responded to within two working days of receipt.</p>	<p><b>Assessment:</b></p> <p><b>Design</b> ✓</p> <p><b>Compliance</b> ×</p>
<b>Findings / Implications</b>	<p>Enquiries received through the TVCA website are automatically recorded on CRM. Alternatively enquires are received by email via the Tees Valley Business central inbox or by telephone through the call centre. Where the enquiry is received via telephone the call centre sends the Business Gateway Team a report twice daily listing the business enquires received. The Business Gateway Support Officer confirmed that a report is received at 8am and 1pm each day. Where appropriate, the enquiry is logged on CRM. The CRM was fully implemented by July 2021 thus, we selected a sample of 15 business enquiries received either by email or telephone from 1 July 2021 to 9 September 2021. Our testing confirmed in 14 cases, the enquiry had been recorded on CRM. In the remaining one case the enquiry was received from Business Gateway Team however, the enquiry was not relevant to Tees Valley Business and therefore, the enquiry was redirected to the Digital Chief Officer and not recorded on CRM.</p> <p>Business enquiries received are assessed at the Business Gateway Clinic attended by the Senior Management Team and the Business Gateway Team. Through discussions with the Business Gateway Support Officer we confirmed that that the Gateway Clinic meet every Monday, Wednesday and Friday to discuss cases. This involves discussing the enquires received to identify the most appropriate response. These responses include but are not limited to the following:</p> <ul style="list-style-type: none"> <li>• Contacting the business to arrange a meeting with a TVCA Business Growth Consultant;</li> <li>• Referring the business to external support and advice;</li> <li>• Referring the enquiry to the specific programme team; and</li> <li>• Contacting a business which has not yet started trading to refer them to North East Enterprise Agency Limited (NEEAL).</li> </ul> <p>Testing a sample of 25 business enquiries received through the website, call centre and via email identified the following:</p> <ul style="list-style-type: none"> <li>• In one case the enquiry was not relevant to Tees Valley Business and therefore, not recorded on CRM.</li> <li>• In the remaining 24 cases, our testing confirmed that the in 11 cases a meeting with a Business Growth Consultant was arranged. In seven cases the enquiry related to a new business which had not yet begun trading. Therefore, these enquiries were referred to NEEAL for specific new start up advice and support provided externally on the behalf of TVCA. In five cases the enquiry was referred to another area within TVCA. In the remaining one case, the enquiry related to a grant not provided through the TVCA and therefore, the business was provided with a link to the relevant council's website.</li> </ul>	

## Area: Business Growth Hub

- In the 11 cases where the enquiry led to a meeting arranged with the Business Growth Consultant, it was noted that outcomes of this meeting were documented on CRM. Thus, through our testing it is evident that enquiries are handled and assessed by the Business Gateway Team, to ensure businesses are effectively directed to receive the most appropriate form of support.

The Business Finance Manager, Director of Business and Skills, Business Gateway Manager, Business Gateway Coordinator confirmed that the team aims to respond to queries within two working days of receipt. Testing a sample of 25 enquiries highlighted the following:

- In 13 cases the Business Gateway Team responded to enquiry within two working days of receipt. In one case the enquiry was dealt with after four working days. This was because the Mayor's Office sent the enquiry directly to the Business Gateway Support Officer's email inbox, as opposed to the Tees Valley Business inbox. As this member of staff was on annual leave, the Business Gateways Team's response to this query was delayed.
- In the remaining 11 cases the Business Gateway team responded to the enquiry within three to four working days. Discussions with the Business Gateway Support Officer highlighted that due to the timings of the reports received of telephone enquiries and the schedule of Business Gateway Clinic meetings, it is sometimes not possible to respond to an enquiry within two working days. For instance if an enquiry is received by the call centre after 1pm on a Monday, the Business Gateway team will receive this enquiry via the 8am report on the following Tuesday. This will then be discussed at the Wednesday Business Gateway Clinic and consequently, the team may not be able to respond to the business until Thursday and therefore not within two working days.

It was noted that responding to business enquiries within two working days of receipt is an aspirational aim and it was acknowledged that this is not always attainable. The Business Gateway Support Officer highlighted that businesses sending through an enquiry are informed of an expected response time of five to 10 working days. Thus, our testing has highlighted that the Business Gateway Team are handling enquiries in line with customer expectation. However, where the internal response times are not attainable there is a risk, the response time for responding to enquiries is neither meaningful nor motivational.

<b>Management Action 2</b>	TVCA will determine and document the appropriate response times required for addressing business enquiries. TVCA will ensure these are communicated with the Business Growth team.	<b>Responsible Owner:</b> Business Gateway Manager	<b>Date:</b> 1 November 2021	<b>Priority:</b> <b>Low</b>
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## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Business Growth Hub	0	(6)	2	(6)	2	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

# APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

## Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

### Objective of the area under review

The Authority has adequate and effective systems and process in place to ensure that it complies with national and internal requirements in handling enquiries from businesses seeking support, signposting them towards the most appropriate sources of support, and administering funding in relation to schemes provided in-house.

### When planning the audit, the following areas for consideration and limitations were agreed:

The Tees Valley Combined Authority (TVCA) was created in April 2016 with the purpose to drive economic growth and job creation across Teesside in order to improve the local economy. This requires the Authority to deliver a range of projects across development areas including infrastructure, transport and housing. The Authority set out a 10-year Investment Plan, which is reviewed on an annual basis, outlining the projects and investment programmes that the Authority will commit resources to in order to meet its strategic objectives to improve the local economy. In line with the Investment Plan was the establishment, in July 2020, of a new “Business Gateway” service, which provides local businesses with a single point of entry to a range of business support, funding and finance options available to them regardless of business size, sector or nature of need.

Within this context our review will focus on:

- Whether there is a policy and related operating procedures which comply with national Growth Hub requirements, Combined Authority and Local Enterprise Partnership rules and the Authority’s own Constitution.
- Whether this policy and operating procedures is known and understood by all relevant staff.
- How enquiries from businesses are logged to ensure that no enquiries are missed and that all enquiries are handled on a timely basis.
- Whether cases are processed in line with the above requirements to ensure that the business is signposted towards the most appropriate form of support.
- For cases which are signposted towards a service or funding stream administered by TVCA:
  - What processes are in place to ensure that the business case is approved in line with scheme rules and the Authority’s Constitution.
  - How cases are monitored when being funded internally.
  - How VFM and service delivery is assured.

- What reporting on Business Growth activities is undertaken to ensure that decisions can be made at an appropriate level and on a timely basis.

**The following limitations apply to the scope of our work:**

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this review will be compliance based and sample testing only.
- We will not review the evaluation of business cases signposted to external partners for funding or the subsequent monitoring of funding claims.
- We will not interview any external stakeholders during the course of our review.
- We will not comment on the nature of individual support programmes.
- Our review will not include any direct testing of the delivery of projects undertaken by the Authority.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

**Debrief held** 17 September 2021  
**Last date of evidence received** 21 September 2021  
**Draft report issued** 24 September 2021  
**Responses received** 23 November 2021

**Final report issued** 23 November 2021

**Internal audit Contacts** Rob Barnett, Head of Internal Audit  
Philip Church, Client Manager  
Mike Gibson, Assistant Manager  
Rajan Suman, Internal Auditor

**Client sponsor** Group Director of Finance and Resources  
Director of Business and Skills  
Business Finance Manager

**Distribution** Group Director of Finance and Resources  
Director of Business and Skills  
Business Finance Manager  
Business Gateway Manager  
Business Gateway Coordinator

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

RSM UK 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

## Covid-19 Response

Internal audit report 2.21/22

FINAL

24 November 2021

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our assignment and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test, or complete full population testing using data analytics tools.

## Why we completed this audit

The Covid-19 pandemic had a marked effect on the Teesside economy, and as a result, the Authority undertook early analysis of impact and developed an Economic Recovery Plan (The Plan). At the time of completing the initial Plan, the on-going impact of the pandemic was unknown – including the duration and impact of lockdowns, national support interventions, public health and confidence. The Plan therefore remained a 'live' document. On-going analysis enabled the authority to understand and respond to the impacts on business and communities, and to target interventions accordingly. The Plan and on-going analysis set out the impacts or 'shocks' felt by the Tees Valley economy and identified six key themes for economic recovery.

Due to the nature of the Covid-19 pandemic, and the government response, the Authority had to make reactive, informed decisions, based on a multitude of factors including availability of new funding, allocation of existing resources, and an ever-changing economic outlook and job market. It is therefore essential that the Authority has established decision making processes in place, and that decision makers are provided with a suite of data to allow for informed decision making.

As a result of this, we undertook testing on a sample of 10 decisions made by the Authority as part of their Covid-19 response. We tested to confirm that there was clear data and local intelligence available to support decision making, that stakeholders had been consulted and considered, that the strategic objectives of the Authority continued to be considered, that decisions were monitored, to ensure that they are effective, and to ensure that all decisions are clearly communicated to all relevant parties.

## Conclusion

The Authority has a clearly defined decision-making framework, and in the majority of cases this is adhered to. It was also noted that the papers provided to the Cabinet were detailed, and in five of six cases provided all the information required to allow for informed decision making.

However, we did note two compliance findings, one in which a number of options were presented to Cabinet but with inconsistent levels of supporting data, resulting in one low priority action, and the other which was due to the detail as to who had been consulted on a project not being included within the paper presented to the Cabinet, resulting in a further low priority action.

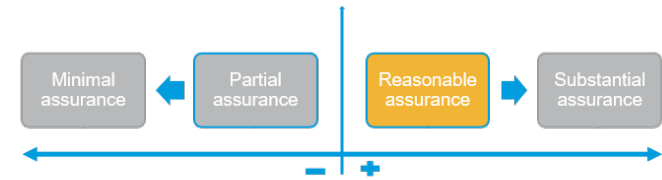
We also noted that the process for delegated decisions, including those underneath the umbrella of the Covid-19 Economic Recovery Action Plan, was complied with, and delegated decision forms were completed. We did however note that in one instance, the form had not been completed correctly, and on the other the date of ratification of the decision by the Tees Valley Management Group was not recorded correctly, resulting in a low priority action being raised.

We have also raised two actions, one medium and one low priority, in relation to the monitoring of on-going projects, to ensure individual projects are monitored and assessed for their effectiveness, and that more detailed monitoring be used for the apprenticeship grant monitoring, to provide assurance that it is performing as intended.

#### Internal audit opinion:

Taking account of the issues identified, the Cabinet can take **reasonable assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk.



#### Key finding:

**Our audit review identified that the following controls are suitably designed, consistently applied, and are operating effectively:**



The Authority has a clear Assurance Framework which provides guidance as to the process for decision making at a Cabinet level, as well as clearly establishing the delegated limits within which the Group Chief Executive can approve funding. All 10 decisions tested were appropriately approved in line with this framework.



The Authority has a well-established communications approach which includes public access to the minutes of the Cabinet, as well as a media centre on the Authority website which communicates newly approved projects and communicates new grants and funding streams.

**Our audit identified the following exceptions with the organisation's established control framework resulting in one medium action being raised:**



Four decisions within our sample of 10 do not have individual monitoring of their effectiveness, and instead are to be assessed as a part of their wider programmes of which they are a part. This creates a risk that an individual project is not delivering value for money, or is failing to achieve the Authority's goals, but its poor results are hidden by more successful projects within the programme. The Authority may wish to assess the cost effectiveness of monitoring the effectiveness of individual projects, to ensure that the effectiveness of each project is assessed accurately. **(Medium)**

A further four low priority management actions have been raised which are detailed in section two of this report.

## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

### C22: Pandemic Illness Outbreak: Impact on delivery

<b>Control</b>	The Authority uses macro and micro economic data, as well as local business intelligence and survey results, to drive decision making.	<b>Assessment:</b>	
		<b>Design</b>	✓
		<b>Compliance</b>	×

**Findings / Implications** Through our discussions with the Head of Strategy and Policy, we confirmed the initial approach with regards to the Covid-19 response plan. It was confirmed that the Authority worked with a third-party consultant, Vivid Economics, to establish the key areas of the local economy which may be most vulnerable to the effects of the “Covid-19 shock”, as well as performing an exercise to assess the known, and anticipated future impacts and “shocks” created by Covid-19. Alongside the results of these two exercises, macroeconomic data from sources such as the Bank of England and Office for National Statistics (ONS) are used to identify how the local economy may be effected by macroeconomic factors. There are clear references to both calculations and underlying data sources on each page of the plan that features data and calculations.

From our review of the plan, a large amount of data was obtained and analysed, from a variety of macro and microeconomic sources, to allow for a holistic view of the effects of Covid-19 on the local economy, looking at not only sectors, but also identifying key groups and communities who are at the greatest levels of risk. This led to the development of the six key themes seen within the initial recovery plan. There are also monthly economic updates which include key rolling data including GDP and GVA figures, to provide an up-to-date picture of the local economy and trends over time. These reports are available to the public via the research and intelligence section of the Authority website.

Alongside our review of the initial Covid-19 Recovery Action Plan, we selected a sample of 10 decisions, of which six were Cabinet approved decisions, whilst the remaining four were Covid-19 response plan interventions. We tested to confirm that each decision made had evidence within the papers presented to the Cabinet that data and information had been considered, to allow for informed decision making. We found that:

- The proposal for free city centre parking did not have any evidence to support the main intention of the proposal, which was to increase city centre footfall. It was also noted that, of the five implementation options, number four was recommended as it was cheaper. Whilst we recognise that other than options one (payment in advance) and five (do nothing), the other options were largely to do with timing of fundings and appraisals and, therefore, although the differences in costs between these options may have been minimal, the costs had only been estimated for option number four.

## C22: Pandemic Illness Outbreak: Impact on delivery

By not providing full and equal information for all options, there is risk that decisions are made without equally assessing each option. This may result in both ineffective and not fully informed decision making, as a result of having access to financial figures for only one, recommended approach. The Authority should ensure that all options are presented equally, with the same supporting data as applicable, even if the differences between these data are minimal, this should be clearly stated in the paper.

<b>Management Action 1</b>	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.	<b>Responsible Owner:</b> TVCA Economist (undertakes options assessment and VFM)	<b>Date:</b> 30 November 2021 (arrangements in place)	<b>Priority:</b> <b>Low</b>
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## C22: Pandemic Illness Outbreak: Impact on delivery

<b>Control</b>	The Authority documents the consulted stakeholders within all decision documents, which are presented to the Cabinet.	<b>Assessment:</b>	
		<b>Design</b>	✓
		<b>Compliance</b>	×

<b>Findings / Implications</b>	<p>As the TVCA's main objective is to accelerate the development of the Tees Valley economy, they have a vast array of stakeholders, including local authorities, residents, consumers, and local businesses. The level of involvement and consultation that stakeholders provide varies from decision to decision.</p> <p>As an example, external stakeholders are consulted as part of the LEP (Local Enterprise Partnership) who meet monthly, and annual business surveys were performed in May 2020 and May 2021 to identify needs of local businesses.</p> <p>Internal stakeholders, including the Cabinet and other governance fora, are consulted as part of approval process for decisions, with each decision paper including which parties were consulted as part of the process.</p> <p>We selected a sample of 10 decisions, of which six were Cabinet approved decisions, whilst the remaining four were Covid-19 response plan interventions. We tested to confirm that all decisions showed evidence that appropriate parties, both internally and externally, had been consulted and considered as part of the decision-making process.</p> <p>We found that:</p>
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## C22: Pandemic Illness Outbreak: Impact on delivery

- The final Cabinet decision showed internal stakeholder consultation, as well as having the papers tabled at the LEP meetings. However, it was noted that the decision to pursue an EP (Enhanced Partnership) to retain eligibility for additional Government funding for buses did not note any consultation with external bus operators, who would need to be willing to join the EP scheme. Review of the Management Group Minutes from June 2021 show that there is a five-point plan being discussed with operators – this detail should be included within the Cabinet papers to confirm that proper stakeholder consultation has taken place.
- We were also informed by the Head of Strategy and Policy that the design of any Covid-19 related intervention would go through consultation with the Management Group, relevant portfolio holder, and key stakeholders. We were able to confirm that this had taken place for the apprenticeship grant funding through review of the delegated decision form. Review of the form revealed that the form recorded the date of review by the Tees Valley Management Group to be 9 June 2021. However, no Tees Valley Management Group meeting took place on this date. Management advised that the Tees Valley Management Group discussed the decision at its meeting on 8 July and review of the minutes from this meeting confirmed that the delegated decisions had been discussed at this meeting. Not recording the correct date of discussion and ratification of decisions could undermine the control intended by this process.
- The delegated decision form for the Cultural Development Grant stated that the Management Group had not been consulted, when our review indicated that such a discussion had, in fact, taken place. From review of the partner consultation section of the delegated decision form, a suite of round table discussions with businesses in the industry, as well as discussions with local authority partners, were used to inform the direction of the funding.

Without recording all consultation that has taken place within Cabinet documents, or accurately recording the dates of such consultation, there is a risk that Cabinet is making decisions without having all required information.

Delegated decision documents should be completed in full, with accurate information to provide accountability that the appropriate consultations have taken place. In line with the delegated decision form, the Tees Valley Management Group should be consulted on all delegated decisions.

<b>Management Action 2</b>	All relevant stakeholder consultation will be included in Cabinet papers, to provide assurance to the Cabinet that reasonable consultation has taken place.	<b>Responsible Owner:</b> Governance Manager	<b>Date:</b> 31 January 2022	<b>Priority:</b> <b>Low</b>
<b>Management Action 3</b>	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.	<b>Responsible Owner:</b> Governance Manager	<b>Date:</b> 31 January 2022	<b>Priority:</b> <b>Low</b>

## C22: Pandemic Illness Outbreak: Impact on delivery

<b>Control</b>	Background and strategic fit sections of proposal documents are used to communicate how various decisions align with the Authority's strategic objectives.	<b>Assessment:</b>	
		<b>Design</b>	✓
		<b>Compliance</b>	×
<b>Findings / Implications</b>	<p>The Authority's strategic objectives are clearly laid out within the Tees Valley Strategic Economic Plan 2016-2026. The Plan states the following objectives to be completed by 2026:</p> <ul style="list-style-type: none"><li>• 25,000 additional jobs;</li><li>• Extra £2.8 billion into the Tees Valley economy;</li><li>• Tees Valley will be the demonstration region for the circular economy in England;</li><li>• Increased return on investment to £1: £8 (£8 returns for each £1 spent); and</li><li>• An additional target by 2040 of contributing 10% of the total GVA (Gross Value Added) growth target for the Northern Powerhouse.</li></ul> <p>We selected a sample of 10 decisions, of which six were Cabinet approved decisions, whilst the remaining four were Covid-19 response plan interventions. We tested to confirm that in all 10 of these decisions, the impact on the strategic objectives of the Authority is considered, and the decision is made in line with the Authority's strategic objectives. We found that:</p> <ul style="list-style-type: none"><li>• The final Cabinet decision, which approved making city centre parking free, does not show its link to the strategic objectives of the Authority. Whilst it is stated within the supporting document that the decision aims to increase city centre footfall, which fits with the Authority's objectives of protecting jobs, the document does state that there is no data to support that free parking will increase this footfall.</li></ul> <p>Without clearly linking actions to the Authority's strategic objectives, there is risk that decisions are being made without due consideration as to how it will affect the objectives. As a result, the Authority should ensure all decisions clearly link to the strategic objectives.</p>		
<b>Management Action</b>	Please see management action one.		

## C22: Pandemic Illness Outbreak: Impact on delivery

<b>Control</b>	Progress is reported in terms of both the Authority's broader strategic objectives, as part of the quarterly investment plan updates, as well as on a project level through the Mayor's and Chief Executive's reports.	<b>Assessment:</b>	
		<b>Design</b>	✓



## C22: Pandemic Illness Outbreak: Impact on delivery

Compliance x

### Findings / Implications

The reporting of the progress of individual activities differs depending on the decision made, and we were informed by the Head of Strategy and Policy that the individual projects would have project monitoring and evaluation documentation to evidence how each project is performing.

On a broader scale, all decisions approved by the Cabinet are made in line with funding amounts within the investment plan, which is the centralised resource pool from which individual projects can have funding allocated. As a result of this, the Cabinet receive at least one paper around the investment plan at each quarterly meeting. However, upon review of Cabinet minutes, it was noted that the Outcome Dashboard, which tracks the investment plan's performance against the strategic objectives of the SEP (Strategic Economic Plan), were provided in only quarter two and quarter four, with the Finance Dashboard provided every quarter, other than July 2021. However, as the Authority has monthly economic updates, which report the relevant figures, this is not an issue. As the SEP target figures are based on very high-level figures such as job creation and GVA, these are unlikely to change very often, and so these wider gaps in reporting are not an issue.

However, it was noted that whilst the Group Chief Executive provides an update to each Overview and Scrutiny Committee meeting, which provides updates on on-going projects, including spend and any plans which are not yet approved. This includes updates around the Covid-19 response. The Cabinet also receives a Mayor's Update Report which provides similar information and includes a section specific to the Covid-19 response.

We selected a sample of 10 decisions and tested to confirm that there was evidence of monitoring of the progress of each decision, and that these were being reported to an appropriate level. We found that:

- The apprenticeship grant is tracked by monitoring how much of the funding has been paid out to successful applications, as this translates to wages supported. We confirmed through discussion with the Finance Manager that the Directors and Head of Skills receive periodic updates via payment approvals and away days performance dashboards, but we were not provided evidence of this. It was however noted that, as the funding covers full wages for six months and then 50% of the National Minimum wage for the next 18 months, there may be scope for improved monitoring of effectiveness by reporting on the number of applicants who withdraw after the full funding is no longer offered. This will allow for a more valuable insight into the effectiveness of the Grant and identify if a change is required to ensure the funding is effective.

Our testing noted a number of schemes which are only being monitored as part of the results of the wider programmes of which they are a part. Without monitoring the effectiveness of individual programmes, there is risk that the results of an ineffective programme are not being identified and are damaging the results of the combined programme as a whole.

Management Action 4		Responsible Owner:	Date:	Priority:
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 Education Employment and Skills	31 March 2022	Low

## C22: Pandemic Illness Outbreak: Impact on delivery

<b>Management Action 5</b>	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.	<b>Responsible Owner:</b> Investment Planning Manager	<b>Date:</b> 31 March 2022	<b>Priority:</b> <b>Medium</b>
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## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
	0	(6)	4**	(6)	Low	Medium	High
C22: Pandemic Illness Outbreak: Impact on delivery.	0	(6)	4**	(6)	4	1	0
<b>Total</b>					<b>4</b>	<b>1</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

\*\* Please note two controls have both had two actions raised against them, and the two remaining controls have one joint action, resulting in four instances of non-compliance and five total actions

## APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

### Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risk:

Objective of the risk under review	Risk relevant to the scope of the review	Risk source
The Authority has adequate and effective systems and processes in place to monitor and assess the impact of Covid-19 on the local economy in order that appropriate and timely decisions can be made regarding support and investment programmes, within the overall framework of its strategic objectives.	C22: Pandemic Illness Outbreak: Impact on delivery.	Corporate Risk Register

#### When planning the audit, the following areas for consideration and limitations were agreed:

Within this context our review will focus on:

- How data and local intelligence has been gathered, analysed and discussed in support of decisions made.
- Whether key stakeholders have been considered / consulted as part of the assessment process.
- How the impact on the Authority's strategic objectives has been assessed when making those decisions.
- Whether decisions made are in line with the Authority's strategic objectives.
- Whether decisions have been made or ratified by an appropriate body in line with the Authority's Constitution and governance framework.
- What reporting on the progress of activities is undertaken to ensure that decisions can be made at an appropriate level and on a timely basis.
- As part of our fieldwork we will select a sample of actions undertaken by the Authority in order to determine:
  - The action was supported by the underlying data / guidance.
  - The action was appropriately authorised in line with the Authority's Constitution and governance framework.
  - The effects of the action have been monitored in order to assess the impact of delivery.
  - How that action has been communicated to all relevant parties.

### Limitations to the scope of the audit assignment:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- Any testing undertaken as part of this review will be compliance based and sample testing only.
- We have not confirmed all data sources have been identified by the Authority and analysed.
- We will not validate the information reports to the Cabinet for accuracy to inform decision making.
- We will not interview any external stakeholders during the course of our review.
- We will not reperform and surveys or data analysis conducted by, or on behalf of, the Authority during our review.
- Our review will not include any direct testing of the delivery of actions undertaken by the Authority, other than the review of reports and feedback obtained by the Authority itself.
- We will not look at decisions the Authority has made in respect of its own staff and operations during the course of this review.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

<b>Debrief held</b>	20 August 2021
<b>Last Evidence Received</b>	16 September 2021
<b>Draft report issued</b>	21 September 2021
<b>Revised draft report issued</b>	23 November 2021
<b>Responses received</b>	24 November 2021
<b>Final report issued</b>	24 November 2021

<b>Internal audit Contacts</b>	Robert Barnett, Head of Internal Audit
	Philip Church, Client Manager
	Mike Gibson, Assistant Manager
	Sam Wood, Auditor

<b>Client sponsor</b>	Group Director of Finance and Resources
	Director of Business and Skills
	Investment Planning Manager
	Head of Strategy and Policy

**Distribution**

Group Director of Finance and Resources

Director of Business and Skills

Investment Planning Manager

Head of Strategy and Policy

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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 UK 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 UK 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.

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

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# TEES VALLEY COMBINED AUTHORITY

## Follow Up of Previous Internal Audit Management Actions

Internal audit report 4.21/22

Final

23 November 2021

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit / assignment and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test the control framework.

## Background

We have undertaken a review to follow up on progress made to implement the previously agreed management actions in respect of the following internal audit reports:

- Goosepool Financial Governance (2020/21);
- Directorate - Risk Management (2020/21); and
- Follow Up of Previous Internal Audit Management Actions (2020/21).

The focus of this review is to provide assurance that management actions previously reported as complete have been fully implemented. We have considered medium management actions that have been closed since our last follow up review in May 2021. A total of seven actions from three separate audits were reported as complete by management. All seven actions we have assessed were medium priority actions. Two of these seven actions were raised as a result of the findings from our previous follow up audit, but it should be noted that they were not present on the action tracker we were provided.

The following audit reports were included in the original scope for this follow up review. However, there were no medium actions from these reports marked as complete by management and so they have not been covered as part of this review:

- Governance (2020/21);
- Project and Programme Activity (2020/21);
- South Tees Development Corporation Business Case (2020/21);
- National Audit Office Value for Money Requirements (2020/21); and
- Procurement (2020/21).

As such we have not assessed any actions from these reports.

## Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Tees Valley Combined Authority (TVCA) has demonstrated **reasonable progress** in implementing agreed management actions. We were provided with satisfactory evidence for five actions confirmed as complete by management with one of the two remaining actions being considered partially but not fully implemented and the other as not having been implemented. The first action relates to clearly assigning owners and implementation dates for action plans as part of the new risk management framework and the action we have raised as a result of this review is considered a **low priority** action. The second action was raised as the Goosepool Board have not yet agreed which KPIs are to be reported to the Board, and which are to be disseminated throughout the Airport's Governance Structure and is considered a **medium priority** action. There are currently a total of eight medium and 16 low actions which have passed their agreed implementation date but not marked as completed per the 2021 audit tracker.

## Progress on actions

The following table includes details of the status of each management action:

Implementation status by category of action	Number of actions agreed	Status of management actions			
		Implemented	Implementation ongoing	Not implemented	Superseded
Medium	7	5	1	1	0
<b>Total:</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>(100%)</b>	<b>(72%)</b>	<b>(14%)</b>	<b>(14%)</b>	<b>(0%)</b>

Implementation status by review	Number of actions agreed	Status of management actions			
		Implemented	Implementation ongoing	Not implemented	Superseded
Directorate – Risk Management (Report date: 23.10.20) <ul style="list-style-type: none"> <li>ACTION 1: Directorate Risk Training</li> <li>ACTION 3: Updating of Risk Registers</li> <li>ACTION 6: Ensuring mitigating actions have owners and implementation dates</li> <li>ACTION 7: Review and Challenge of Mitigating actions</li> </ul>	4	3	1	0	0
Goosepool Financial Governance (Report date: 05.01.21) <ul style="list-style-type: none"> <li>ACTION 1: Agreement of Goosepool KPI's</li> </ul>	1	0	0	1	0
Follow Up of Previous Internal Audit Management Actions (Report date: 12.05.21) <ul style="list-style-type: none"> <li>ACTION 1: Updating TIA Business Plan and reporting to TIAL and Goosepool Boards</li> <li>Action 2: Updating and approving the Group Data Collection, Security and Use Policy.</li> </ul>	2	2	0	0	0
<b>Total:</b>	<b>7</b> <b>(100%)</b>	<b>5</b> <b>(72%)</b>	<b>1</b> <b>(14%)</b>	<b>1</b> <b>(14%)</b>	<b>0</b> <b>(0%)</b>

## 2. FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

### Assignment: Directorate Risk Management – Ensuring mitigating actions have owners and implementation dates

**Original management action / priority**

Directorate risk registers will be reviewed by risk leads and the Risk Management Team to ensure that:

- Mitigating actions will be assigned to one officer, and this will be recorded in the directorate risk register.
- Target deadlines for the implementation of further controls required will be dated and documented on the directorate register to ensure progress can be monitored.
- The target score of risks within the register will be documented and where residual risk is above this, further mitigating actions will be identified.

**Priority: Medium**

**Audit finding / status**

None of the sample of five risk registers had implementation dates for any action plans agreed per the risk register, which creates the risk that actions are not carried out in a timely manner, potentially leaving high residual risks uncontrolled for long periods of time. We were informed that some action plans may be ongoing, and that they would not be suitable for an implementation date. However, we discussed with management that, on occasions where a process or control is being implemented that will be ongoing, the action is the introduction of that process or control, and that these actions should have clearly defined implementation dates, to ensure that these processes are implemented in a timely manner.

In addition, we identified instances in the Financial and Business Growth risk registers where actions had residual risk scores higher than their target, and which did not have action plans in place. The Finance risks had been accepted, and it is therefore understandable that no action plan was agreed. However, this was not the case for the Business Growth risks, of which there were three that were above their target score with no action plan in place. We did however note that these actions were below their risk threshold score.

**2: The action has been partly though not yet fully implemented**

**Assignment: Directorate Risk Management – Ensuring mitigating actions have owners and implementation dates**

<b>Management Action 1</b>	The risk management framework will be updated to clearly identify that the risk lead for that register is the action plan owner in the first instance. Implementation dates will be assigned for all action plans.	<b>Responsible Owner:</b> Group Risk Manager	<b>Date:</b> 31 December 2021	<b>Priority:</b> Low
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**Assignment: Goosepool Financial Governance – Agreement of Goosepool KPIs revisions**

<b>Original management action / priority</b>	The Goosepool Board will be asked to consider which KPIs are suitable for reporting to the Goosepool Board, and which KPIs are discharged through the airport governance structure. The Goosepool Board will develop a suite of relevant KPIs in conjunction with Airport Directors. <b>Priority: Medium</b>
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<b>Audit finding / status</b>	Review of the May 2021 Goosepool Board minutes identified that under Item 4, it is noted that whilst the KPIs for the TIAL (Teesside International Airport Limited) Board of Directors had been agreed and were in line with the Business Plan, we also noted that the KPIs for the Goosepool Board had not yet been approved and agreed. <b>3: The action has not been implemented</b>
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<b>Management Action 2</b>	The KPIs for the Goosepool Board will be agreed and reported each quarter to the Goosepool Board. The Goosepool Board will also decide which KPIs are to be discharged through the airport governance structure.	<b>Responsible Owner:</b> Group Financial Controller	<b>Date:</b> 31 December 2021	<b>Priority:</b> Medium
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## APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

## APPENDIX B: ACTIONS COMPLETED

From the testing conducted during this review we have found the following actions to have been fully implemented.

Assignment title	Management actions
Directorate Risk Management: Directorate Risk Training	<p>Status: <b>Implemented</b></p> <p>The Authority will provide directorate risk leads further guidance and training on the risk management process and how to complete the directorate risk register. Training will include ensuring the following:</p> <ul style="list-style-type: none"><li>• documenting on the register the risk mitigated or managed;</li><li>• a consistent understanding of the different sections on the directorate risk register.</li></ul> <p>Priority: <b>Medium</b></p>
Directorate Risk Management: Updating of Risk Registers	<p>Status: <b>Implemented</b></p> <p>Updates to actions from the monthly review of directorate risk registers will be documented by risk owners.</p> <p>Any changes to the risk description or assessment should be made by the Risk Management Team, to ensure consistency in reporting and standards.</p> <p>Priority: <b>Medium</b></p>
Directorate Risk Management: Review and Challenge of Mitigating actions	<p>Status: <b>Implemented</b></p> <p>The Authority will establish a process to ensure that directorate risk registers are reviewed and challenged ahead of each Performance Management Group meeting, the review will cover the following areas:</p> <ul style="list-style-type: none"><li>• Tracking and review of the implementation of mitigating actions;</li><li>• Independent assurance over the current mitigating actions in place;</li><li>• The process of reviewing mitigating actions and the assurances provided.</li></ul> <p>It should be noted that we identified an instance where updates were not being regularly obtained, but this was because the risk register contained only risks below their target score. Following discussion with the Group Director of Finance and Resources, we have agreed not to raise this as an additional action, due to</p>

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the original action, namely ensuring regular review of risk registers, had been completed. We will however consider how often risk registers are reviewed as a part of our next review in Risk Management.

Priority: **Medium**

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Follow Up of Previous Internal Audit  
Management Actions: Updating TIA Business  
Plan and reporting to TIAL and Goosepool  
Boards

Status: **Implemented**

Following on from the statement made by TVCA and TIAL, the formal monitoring and review process will take place in the summer and the results reported to the TIAL and Goosepool Board of Directors respectively. Any changes will be made to the business plan.

Priority: **Medium**

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Follow Up of Previous Internal Audit  
Management Actions: Updating and approving  
the Group Data Collection, Security and Use  
Policy.

Status: **Implemented**

The Information Security Policy will be reviewed, updated and re-drafted to reflect changes in IT and the Authority since 2015. This will then be approved by an appropriate individual (such as the Chief Legal Officer).

Priority: **Medium**

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## APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

### Scope of the review

The internal audit assignment has been scoped to provide assurance on how the organisation manage the following area:

#### Objective of the area under review

To ensure that management actions have been implemented in accordance with the agreed timetable and that any new controls are operating effectively.

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We will review the list of actions stated by management as being completed to determine whether the evidence supplied supports that assertion. The actions to be reviewed will be agreed with management in advance of our fieldwork.

#### The following limitations apply to the scope of our work:

- The follow up will only cover management actions agreed in the identified reports.
- We will not review the whole control framework of the areas listed above. Therefore, we are not providing assurance on the entire risk and control framework of these areas.
- Where sample testing will be undertaken, our samples will be selected over the period since actions were implemented or controls enhanced.
- We will only review medium actions that have been implemented.
- We will only review actions that have been reported as closed.

**Debrief held / last evidence received** 7 October 2021  
**Draft report issued** 12 October 2021  
**Responses received** 23 November 2021

**Final report issued** 23 November 2021

**Internal audit Contacts** Rob Barnett, Head of Internal Audit  
Philip Church, Client Manager  
Michael Gibson, Assistant Manager  
Sam Wood, Lead Auditor

**Client sponsor** Group Director of Finance and Resources

**Distribution** Group Director of Finance and Resources

**rsmuk.com**

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 UK 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 UK 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.

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# Audit progress report

Tees Valley Combined Authority

November 2021



1. Audit progress
2. National publications

# 01

Section 01:

**Audit progress**

# Audit progress

## Purpose of this report

This report provides the Audit and Governance Committee meeting with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent reports and publications.

## 2019/20 audit

We have completed the audit, the annual audit letter is a separate agenda item for this Committee meeting.

## 2020/21 audit

We have completed our planning for 2020/21 and we have identified an additional significant risk that was not included in our 2020/21 audit strategy memorandum.

## Significant risk

	Description	Fraud	Error	Judgement	Planned response
1	<b>Goodwill (Group)</b> The financial statements contain a material entry in respect of goodwill relating to Teesside International Airport. The calculation of goodwill is based on estimates and assumptions which are open to challenge. This results in an increased risk of material misstatement.	○	●	●	We will discuss with key contacts any significant changes to the goodwill estimates. We will challenge the assumptions made and review the detailed work completed by the component auditor We will consult internally with colleagues with knowledge of goodwill from other sectors.

# 02

Section 02:

**National publications**



# National Publications

	Publication/update	Key points
<b>National Audit Office (NAO)</b>		
1.	Good practice guide: Cyber and information security	This is a guide for audit committees and includes a checklist of questions and issues.
2.	Update to supplementary guidance note 01 – going concern	Updated guidance on material uncertainty in Local Government audits.
3.	Home Office Departmental Overview	Summary of Home Office spending in 2020-21, focusing on key messages from the Department's Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny.
<b>Other Relevant Publications</b>		
4.	PSAA news release: 2020-21 audited accounts.	News release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.
5.	Financial Reporting Council: Major local audits – Audit quality inspection	Report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England

# NATIONAL PUBLICATIONS

## NAO

### 1. NAO Good practice guide: Cyber and information security

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk. It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk. The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

# NATIONAL PUBLICATIONS

## NAO

### **2. Approval and publication of update to Supplementary Guidance Note 01 - Going Concern – Auditors’ responsibilities for local public bodies**

The Comptroller and Auditor General (C&AG) has now approved and published an update to Supplementary Guidance Note 01 (SGN 01) - Going Concern – Auditors’ responsibilities for local public bodies - Annex 2: Additional information relevant to local government audits. The update to Annex 2 considers the principles and illustrative examples of where material uncertainty may exist in local authorities. Annex 2 now includes principles regarding the consideration of the statutory nature of a local authority and that a material uncertainty is likely to exist where a local authority identifies that it may have insufficient resources to deliver its statutory services, rather than being considered in relation to maintaining current service levels.

The annex also includes considerations of the following:

- single service bodies such as, but not limited, to national parks, waste disposal, and transport bodies;
- pension funds; and
- group audits.

### **3. NAO Home Office Departmental Overview**

The NAO has published a summary of Home Office spending in 2020-21, focusing on key messages from the Department’s Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny. The overview, along with the Department’s annual report and accounts is available on the NAO website.

<https://www.nao.org.uk/report/home-office-departmental-financial-overview-2020-21/>

# NATIONAL PUBLICATIONS

## Other relevant publications

### 4. PSAA news release: 2020-21 audited accounts

On 12 October, Public Sector Audit Appointments Ltd (PSAA) published a news release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.

- The news release states that only 9% of local authorities were able to meet their publication deadline, representing a significant decline from 2020, where 45% were able to publish audited accounts.
- PSAA acknowledges that the pandemic has had an impact on the current position, but also reflects on the wider pressures identified and highlighted through Sir Tony Redmond's review of local audit in autumn 2020. The release also includes an update on the actions being taken by The Department for Levelling Up, Housing and Communities (DLUHC – formerly MHCLG) to reform the local audit landscape more widely.

### 5. Financial Reporting Council: Major local audits – Audit quality inspection

The Financial Reporting Council (FRC) is the independent body responsible for monitoring the quality of major local audits, as defined by the Local Audit (Professional Qualification and Major Local Audit) Regulations 2014.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of the firms' local audits that do not meet the definition of a major local audit.

The FRC has published its report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England as well as QAD results of other audits. The report can be found here: [https://www.frc.org.uk/getattachment/97b5a417-d9bf-4649-b3c3-3ae49a350fe7/FRC-AQR-Major-Local-Audits\\_October-2021.pdf](https://www.frc.org.uk/getattachment/97b5a417-d9bf-4649-b3c3-3ae49a350fe7/FRC-AQR-Major-Local-Audits_October-2021.pdf).

# Contact

## Mazars

Partner: Cameron Waddell

Email: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

Senior Manager: Cath Andrew

Email: [cath.andrew@mazars.co.uk](mailto:cath.andrew@mazars.co.uk)

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# Annual Audit Letter

## Tees Valley Combined Authority (and Group)

Year ending 31 March 2020





## Contents

- 01** Executive summary
- 02** Audit of the financial statements
- 03** Value for money conclusion
- 04** Other reporting responsibilities
- 05** Our fees
- 06** Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Tees Valley Combined Authority (the Authority) for the year ended 31 March 2020. Although this letter is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 13 October 2021 included our opinion that the financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the Authority's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and</li><li>• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20</li></ul>
Other information published alongside the audited financial statements	<p>Our auditor's report included our opinion that the other information in the Statement of Accounts is consistent with the audited financial statements.</p>
Value for money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.</p>
Reporting to the group auditor	<p>In line with group audit instructions, issued by the NAO on 4 November 2020, we reported to the group auditor in line with the requirements applicable to the Authority's WGA return on 13 October 2021.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under section 24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Authority.</p>





## 2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

**Unqualified**

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Authority's financial position as at 31 March 2020 and of its financial performance for the year then ended. We included an emphasis of matter paragraph in our report to highlight to readers the valuation uncertainty arising due to the COVID-19 pandemic, that was disclosed by the Authority/Group in the financial statements. Our opinion was not modified in respect of this matter.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit and Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

Financial statement materiality	Our financial statement materiality is based on 2% of gross revenue expenditure at surplus/deficit on provision of services.	Authority £1,835,000 Group £2,269,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	Authority £55,000 Group £68,000
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: - Senior managers pay - Related party transactions	£60,000 £100,000



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Authority's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p><b>Management override of controls (Authority and Group)</b>                      In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>Accounting estimates impacting on amounts included in the financial statements;</li> <li>Consideration of identified significant transactions outside the normal course of business; and</li> <li>Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>	<p>Our work provided the assurance we sought in each of these areas and did not highlight any material issues to bring to the Authority's attention.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Authority's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p><b>Property, Plant and Equipment Valuation (Group)</b></p> <p>The 2019/20 Group financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Group PPE.</p> <p>There is a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing revaluations. We therefore identified the revaluation of PPE to be an area of risk.</p>	<p>Valuations were not undertaken by the Group, as it relied on valuations undertaken within the components in the Group, which is a legitimate approach. We therefore placed reliance on the audit work undertaken on the valuation assertion by the component auditors for Goosepool Group (MHA Tait Walker) and South Tees Development Corporation Group (Mazars LLP).</p> <p>As Goosepool Group financial statements report under a different accounting framework to TVCA Group, as well as relying on the component auditors work, we also considered the classification of the asset valuations used at TVCA group level. Where revaluation is required under the Cipfa Code, but valuations were not updated for some categories at 31 March 2020 (as management adopt a cyclical approach), we considered the reasonableness of the carrying values at 31 March 2020, using published indices, to gain assurance the carrying values could not be materially misstated at 31 March 2020.</p> <p>South Tees Development Group report under the same accounting framework as TVCA group, and as such we placed reliance on our audit work undertaken on the South Tees Development Corporation Group component.</p> <p>We also considered the impact of COVID-19 on the valuation to gain additional assurance on it's reasonableness.</p>	<p>We are satisfied that the classifications adopted by TVCA group remain reasonable, and the carrying values are not materially misstated.</p> <p>The valuer in one of the components followed guidance issued by the Royal Institute of Chartered Surveyors and their valuation report disclosed a "material valuation uncertainty" in relation to the valuation of land, this reflected a national approach to asset valuation uncertainty.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Authority's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p><b>Defined benefit liability valuation (Authority and Group)</b></p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.</p>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Authority's attention.</p>
Enhanced risk/management judgement	Our response	Our findings and conclusions
<p><b>Valuation of Goodwill (Group)</b></p> <p>Group management will need to undertake procedures to ascertain whether the carrying value of goodwill is supported for the TVCA Group Statements, and make decisions about whether the goodwill should be impaired.</p>	<p>This determination has been undertaken by management as part of preparation of the Goosepool Group consolidated statements, prior to consolidation into TVCA Group. As such, we planned to place reliance on the audit of this by the component auditor for Goosepool Group in line with our Audit Strategy Memorandum.</p>	<p>Our work provided the assurance we sought and did not highlight any material issues to bring to the Authority's attention.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify deficiencies in internal control as part of our audit.

We followed up one internal control matter identified in our prior year work and no similar matters came to our attention during our 2019/20 audit.



### 3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	<b>Unqualified</b>
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#### Our audit approach

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our auditor’s report, stated that, in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<ul style="list-style-type: none"> <li>• Constitution in place which is available on the Authority’s website, which includes financial regulations and Assurance Framework, Delegation to officers and Code of Conduct.</li> <li>• Strategic Economic Plan (SEP) 2016-2026 and Investment Plan for 2019-2029 in place, available on the Authority’s website.</li> <li>• No data quality issues in respect of performance information we are aware of.</li> <li>• Management team in place. Audit and Governance Committee meets on a quarterly basis, and oversees internal and external audit, risk management and treasury management.</li> <li>• Medium term planning is undertaken and budget plans are in place; current Medium Term Financial Plan (MTFP) covers the period 2020/21 to 2023/24, and is updated at least annually.</li> <li>• Periodic reporting to Cabinet in the year against priorities.</li> <li>• Management assurance frameworks in place together with risk register.</li> <li>• Devolution deal Implementation Plan incorporates high level risks.</li> <li>• Internal Audit in place.</li> <li>• 2019/120 draft Annual Governance Statement produced, and final to be approved by Cabinet.</li> </ul>	Yes



### 3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

**Unqualified**

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<ul style="list-style-type: none"> <li>• MTFP in place for the period the period 2020/21 to 2023/24, as part of 10 year investment plan to 2028/29.</li> <li>• Nature of the Authority's funding and expenditure does not indicate any significant risk to achievement of strategic priorities in the short term.</li> <li>• Authority does not have any significant assets of its own and no items meet the capitalisation threshold and hence no Property, Plant and Equipment, and as such does not have an 'asset register', but does maintain a list of equipment, IT etc. Group assets are subject to separate arrangements at entity level.</li> <li>• Significant element of the Authorities funding is being used to deliver capital projects; these assets are however not held by the Authority. SEP and Investment Plan identifies future large scale capital schemes/priorities.</li> <li>• HR and payroll functions in place internally, or through third party providers.</li> </ul>	Yes
Working with partners and other third parties	<ul style="list-style-type: none"> <li>• Nature of the Authority is such that in order to deliver its strategic priorities it is required to work closely with the 5 Local Authorities in the Tees Valley and other public and private organisations.</li> <li>• Authority structure includes the Tees Valley Local Enterprise Partnership (LEP). LEP members are drawn from a wide range of other public bodies and private companies.</li> <li>• SEP, Investment Plan and website identify organisations that the Authority is working with in order to achieve its strategic priorities.</li> <li>• The Authority has written procedures for procuring products and services, which are within its Constitution.</li> </ul>	Yes



### 3. VALUE FOR MONEY CONCLUSION

#### Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant Value for Money risks. We kept this under review throughout our audit and are satisfied that there are no significant risks apparent.





## 4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	<b>No matters to report</b>
Completion of group audit reporting requirements	<b>Below testing threshold</b>
Other information published alongside the audited financial statements	<b>Consistent</b>

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Authority's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 13 October 2021.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Authority. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



## 5. OUR FEES

### Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit and Governance Committee in March 2020.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice; plus	£23,100*	£23,100*
<ul style="list-style-type: none"><li>Audit fees relating to work on group audit, which are not included in the scale fee</li></ul>	£7,728*	£7,728* **
<ul style="list-style-type: none"><li>Audit fees relating to the increased regulatory burden and additional work/skill mix to respond to it, for property plant and equipment valuations and pensions</li></ul>		£1,813**
<ul style="list-style-type: none"><li>Audit fees relating to additional time and level of skill mix required in 2019/20 to deal with level of matters arising in draft statements, additional work on Goodwill, additional liaison time due to delays in component audit, and additional time to respond to matters in relation to the COVID-19 pandemic, i.e. the impact on valuations and pensions.</li></ul>		£6,776**
<b>Total audit fees</b>	<b>£30,828</b>	<b>£39,417</b>

\* As reported in our Audit Strategy Memorandum.

\*\* Subject to agreement by PSAA Ltd.

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.



## 6. FORWARD LOOK

### Financial outlook

The Authority has set out its financial plan in its updated investment plan. It will need to ensure delivery of the plan is closely monitored and updated as its progress on delivering its core aims continues.

The Authority recognises the key issue of clear planning and management of its finances to ensure it remains financially resilient if it is to deliver its Master Plan. Changes to the group structure, including the introduction of partners in its delivery bring more complexity, making this task more vital than ever.

### Operational challenges

The Authority's aims are clearly set out in the investment plan which incorporates targets for Government UK Shared Prosperity Funding and future Transport Allocations. Other funding allocations will be incorporated into the investment plan as they are confirmed including Teesside Freeport, Teesworks Offshore Manufacturing Centre, Community Renewal Fund and Levelling Up Fund.

The Authority and Board face a complex challenge ahead in delivering the planned development which is significant in scale and size. The Authority needs to ensure its risk management and other operational arrangements keep pace with its changing nature and complexity.

### How we will work with the Authority

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Corporation by:

- continued liaison with the Corporation's Internal Auditors to minimise duplication of work;
- attending Audit and Risk Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with the Corporation to identify any learning from the 2019/20 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

The Corporation has taken a positive and constructive approach to our audit and we wish to thank the Board, Audit and Risk Committee members and officers for their support and co-operation during our audit.



## 6. FORWARD LOOK

### Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1<sup>st</sup> April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

#### The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

#### Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

The guidance supporting the new Audit Code is being developed by the National Audit Office and we will provide you with any further updates to our approach arising from this guidance when it is released.



## 6. FORWARD LOOK

### Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



## CONTACT

### **Cameron Waddell**

Partner

Phone: 0191 383 6314

Mobile: 07813 752053

Email: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

### **Cath Andrew**

Senior Manager

Phone: 0191 383 6318

Mobile: 07815 878116

Email: [cath.andrew@mazars.co.uk](mailto:cath.andrew@mazars.co.uk)

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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**AGENDA ITEM 13****REPORT TO THE TEES VALLEY COMBINED AUTHORITY  
AUDIT AND GOVERNANCE MEETING****1<sup>st</sup> December 2021****REPORT OF GROUP CHIEF LEGAL OFFICER****PROPOSAL FOR PERIODIC ASSURANCE UPDATES ON SOUTH TEES  
DEVELOPMENT CORPORATION AND TEESIDE INTERNATIONAL AIRPORT  
LIMITED****SUMMARY**

This report provides the proposal to the Committee's request on how it could receive periodic assurance updates from STDC/Airport Boards to the Audit & Governance Committee. It also provides a framework on which other updates could be included – such as the Teesside Freeport or key project like Adult Education or Transport, for example..

**RECOMMENDATIONS**

Members are requested to consider and make comment on the suitability of the proposal presented, to meet the Committee's needs.

**DETAIL**

1. As the accounts for both South Tees Development Corporation (**STDC**) and Teesside International Airport Limited (**TIAL**) (via its holding company, Goosepool 2019 Limited) are consolidated into the TVCA Group Accounts, it is correct that the Audit and Governance Committee should have greater information about these organisations than others TVCA invest in. Both organisations receive significant investment via TVCA.
2. In relation to STDC and TIAL, the correct focus of the Audit and Governance Committee is on:
  - i. The adequacy of the systems of internal control and governance within the organisations;
  - ii. The adequacy of the monitoring and assurance around TVCA's investment in those organisations; and
  - iii. Awareness of accounting matters – such a possible accounts disclosures or other headline issues which would appear in, or have an impact on the TVCA accounts.

The first two issues can be addressed by: (a) a general report periodically from each organisation on their progress against its funding business case and (b) a separate

report from the TVCA monitoring team about performance and the risks on performance against the business case. The third of these matters, should be covered by the regular reports that come to each committee by the Group CEO and the Group Director of Finance and Resources, keeping the committee fully informed. This will be supported by an initially greater focus, as the auditors begin their work each year.

3. It should be noted that there is a clear constitutional connection between STDC and TVCA and certain decisions about STDC (Referral Decisions) and its funding by TVCA are legitimate lines of enquiry by the Audit and Governance Committee.
4. STDC has its own governance structure and Audit and Risk Committee. The Audit and Governance Committee also has a representative seat on the STDC Audit and Risk Committee to provide further integration between Committees.
5. It is proposed that the Governance Team amend their committee rolling agenda planning document, so that regular updates on these issues and other key projects and programmes, such as such as the Teesside Freeport or key project like Adult Education or Transport, for example. This updated planning document can be started with the Chair and the Committee to improve the visibility of when these matters have been, or will be, considered in greater depth.

## **FINANCIAL IMPLICATIONS**

6. There are no financial implications of this report.

## **LEGAL IMPLICATIONS**

7. There are no specific legal implications from the proposal set out in this report, although it should be noted that the area of caution is that TIAL's status as a commercially run airport must be specifically protected. The lawfulness of the funding of the airport rests on it operating as a commercial entity and making decisions purely on a commercial business basis. Any change in this, challenges the lawfulness of the funding decisions from a State Aid/subsidy control perspective. So, the proposal to look at the controls in place and performance against business case and funding commitments, should satisfy care needs to be taken that the Committee cannot (or be perceived) to direct individual commercial and business decisions of the airport.

## **RISK ASSESSMENT**

8. This report is categorised as low risk.

**Name of Contact Officer:** Peter Judge

**Post Title:** Chief Legal Officer

**Telephone Number:** 01642 527200



**Email Address:** [peter.judge@teesvalley-ca.gov.uk](mailto:peter.judge@teesvalley-ca.gov.uk)

**AGENDA ITEM 15****REPORT TO THE AUDIT AND  
GOVERNANCE COMMITTEE****DECEMBER 2021****REPORT OF THE GROUP DIRECTOR OF  
FINANCE AND RESOURCES****CORPORATE RISK REGISTER****SUMMARY**

This report presents the Tees Valley Combined Authority Corporate Risk Register as of October 2021. 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 of October 2021. The risk register is prepared in accordance with the Combined Authority Risk Management Framework and Group Risk Management approach which 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 or actions in place to manage the risk;
  - 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 medium risk.

This report sets out a summary of Corporate Risk, as per the Corporate Risk Register (CRR). The CRR assigns named individuals for ensuring risks and their responses are monitored effectively and timely.

4.1 The following paragraph identifies changes to the CRR since last presentation.

### **Automated Risk Management Reporting**

Within the last month, the Tees Valley Combined Authority have implemented a Risk Management platform to actively track and monitor performance against the Management of Risk, at Corporate, Theme and Project levels.

Although the tool is live at present and is being used with service users to track any updates on risk, the wider roll out is scheduled in Q1 of 2022. This will consist of training sessions and user guides to ensure an efficient handover to the business.

The Risk Management team will have final review and approval of any inputs which will be reflected in dashboards for the Group to monitor, which will prevent any deviation to the Group Risk Management Framework and best practice.

### **Improving Opportunity and Issue Management**

The Risk Management team are working collaboratively with the Digital team to ensure that Opportunity and Issue Management is reflected within the Risk Dashboard.

This is scheduled to be fully operational by end of Q4 2021.

### **New threats**

There have been 0 new threats identified in month.

### **Avoided threats**

There have been 2 threats avoided in month.

C29 – Failure to have professional indemnity insurance in place. TVCA have now purchased insurance to cover threat.

C32 – Insufficient scheme of Delegation, no longer a threat, all delegations are documented.

### **Increase in threat score**

There have been 0 threats increase in scoring this month.

### **Decrease in threat score**

There have been 3 threats decrease in score this month.

1377 – Uncertainty within the economy and /or political environment. This risk's target score has been reduced in line with assessment of potential impact.

1381 – Failure to deliver the existing pipeline of funding commitments and achieve targeted spend. This risk score has now reduced, due to a decrease in likelihood through delivery of remediation activity.

1384 – Failure to adequately communicate and explain the TVCA and Mayor functions and role may mean expectations are not managed. Recent analysis has confirmed a 59% increase in voter turnout. Likelihood reduced.

### **Risk Assessment**

9 threats have now been assessed and have residual and target scores.

### **CONSULTATION**

5. External – not required.  
Internal - Any changes to risk score or remediation is done so in consultation with the Risk Owner or delegate.

**Name of Contact Officer: Gary Macdonald**  
**Post Title: Group Director of Finance and Resources**  
**Email: [gary.macdonald@teesvalley-ca.gov.uk](mailto:gary.macdonald@teesvalley-ca.gov.uk)**  
**Telephone Number: 01642 527707**

**Audit & Governance Committee Forward Plan 2021/22**

**Standing Items**

- Minutes from the Previous Meeting
- Action Tracker
- Chief Executive Update
- Internal Audit Progress Report
- External Audit Progress Report
- Forward Plan
- Date and Time of the Next Meeting

Date	Venue	Items to be scheduled in year 2021/22
20 <sup>th</sup> January 2022	Cavendish House	Annual Financial Statements  Internal Audit - Portfolio Structure  External Audit - Annual Auditor's Report  External Audit Completion Report  Clean Growth Deep Dive  Update on GDPR

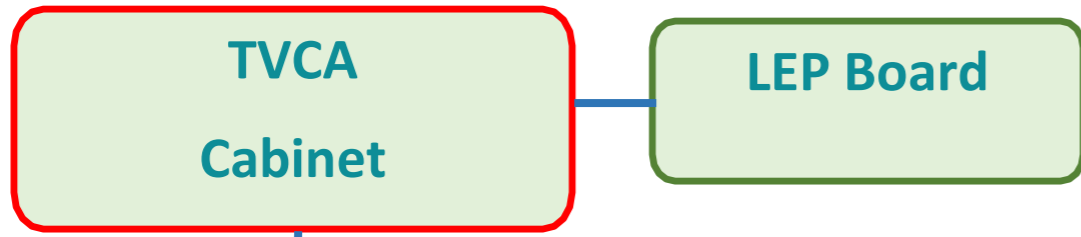
**To be scheduled for 2022/2023:**

Draft Group Assurance Framework

TVCA Governance

Group Entities Governance

Delivery



**KEY**

- Green Shade = (TVCA Assurance Framework)
- Amber Shade = Services provided by Group
- Blue = 75%+ JVs    Grey = 50%50% JVs
- Red outline denoted Statutory Body
- Green Outline Constitutional Body

# TEESWORKS

