

**MINUTES OF AUDIT COMMITTEE MEETING  
HELD IN TRINITY HOUSE LONDON ON 11 JULY 2013**

**Present:**

Mrs E D Johnson (Chair)  
Professor P Matthews  
Captain N Palmer

**In attendance:**

Mr J S Wedge - Director of Finance & Support Services (DoFSS)  
Mr N Bateson - National Audit Office  
Mr I Coates - Group Head of DfT Internal Audit & TH HIA (Temporary) 2013/14  
Ms B Sweet – TH Head of Internal Audit (2012/13)  
Mr B Nunn - Financial Accountant  
Mrs R Roberts – Performance Manager (PM)  
Mr J D Price - Secretary (LRM)

**1. Apologies for Absence**

Apologies were received from Captain McNaught, Executive Chairman.

**2. Declarations of Interest**

There were no declarations of interest beyond those already declared in the Register of Board Members' Interests.

**3. Minutes of Meeting on 26 March 2013**

Approved and signed.

**4. Matters Arising/Action Points**

**4.1** Arising from item 5(i), Mr Coates confirmed that the scope of the risk response criteria audit would cover the methodology adopted to produce the criteria. He further advised that specialist expertise from PwC would be used at least in part for the proposed corporate governance audit.

**4.2** All other items had been completed or would be actioned at the agreed time.

**5. Trinity House Assurance Testing Audit 2012/13**

Ms Sweet reported that full assurance could be derived from the audit that the control framework and management processes established within the areas reviewed were robust and adequately controlled in the context of the size and nature of TH's operations. There were sound systems of internal control around health and safety, the procurement project post implementation review, key financial processes and payroll. There were no recommendations arising from the audit. Review of the recommendations arising from the 2011/12 audits of KPIs, commercial activities and assurance testing had found that actions against recommendations had been taken and only two issues remained open. These were in respect of the commercial activities audit and related to commercial strategy and value for money and feedback. In noting the report the Committee agreed that a check should be made on the status of the latter, as it did not appear on the schedule of outstanding DfT Internal Audit recommendations. **[Action: LRM]**

**6. HIA Annual Internal Audit Report**

Ms Sweet reported that, on the basis of the evidence obtained during 2012/13, she was again able to provide an overall 'substantial' assurance rating on the adequacy and effectiveness of TH's arrangements for corporate governance, risk management and internal control. TH continued to demonstrate a strong commitment to complying with public sector good practice and corporate governance principles. The organisation responded quickly and effectively to internal control issues. Two audits had received full assurance and in the case of the project management audit she had agreed with Commodore Scorer, that TH

best practice in terms of managing projects could be shared with NLB. Subject to minor amendment and clarification being provided in respect of the section entitled 'Reliance on Other Bodies', the report was agreed. Mr Coates undertook to review the KPIs in respect of the performance of DfT Internal Audit with a view to providing greater clarity in terms of response times, particularly where there was discussion between auditors and management about the findings. **[Action: Mr Coates]**

**7. Progress Report on Internal Audit Plan**

Ms Sweet presented the report on the delivery of the TH Internal Audit Plan, which summarised DfT Internal Audit's performance in the delivery of the 2012/13 Plan and progress with regard to the 2013/14 Plan. In terms of 2012/13 the main issue to report was that the assurance testing audit had been closed out. The Committee noted the outcome of the 2012/13 Plan. It further noted that TH had only been charged for five audit management days, albeit twenty had been incurred. As regards 2013/14, the Chief Executives' Committee had agreed to cancel the GLA environmental management services thematic audit. The Committee agreed that there was no requirement for an audit of TH in this regard. The Committee otherwise noted the progress with regard to the 2013/14 Plan.

**8. Audit Completion Report on 2012/13 Financial Statement Audit**

Mr Bateson presented the NAO's Audit Summary Report on its audit of the 2012-13 THLS transactions and balances which would be included within the GLF consolidation. A good quality draft account had been produced to which the NAO had requested very few changes. Bearing in mind the significant work to value all non-current assets at fair value rather than depreciated historic cost, this was testament to the quality of the work of the Finance Manager and her team. There were still a few outstanding issues, mostly in respect of ensuring consistency between the GLAs in terms of the valuation of some assets, albeit TH had taken the right approach in terms of the valuation of its assets. There was nothing of note in terms of the adjustments requested to the Financial Statements. It was hoped to complete the audit of the GLF by the end of the following week, although the accounts were unlikely to be laid before Parliament before the Summer Recess as they had still to be considered by the DfT Group Audit Committee. In noting the report the Committee added its congratulations to Ms Wheatley and her team for the very high standard of their work. **[Action: DoFSS]**

**9. Draft Annual Report and Accounts 2012/13**

DoFSS introduced the draft Annual Report and Accounts for the year ended 31 March 2013, which had been prepared for the first time by Mr Nunn. The main changes in the presentation of the accounts and issues of note were set out in the covering paper. Mr Nunn added that the most significant items were in respect of the revaluation of non-current assets and pensions. In connection with the former there had been a small change to the Accounting Policy agreed by the Committee at its meeting in October 2012 in that it had been amended to allow for the external valuation of the Beacon Estate rather than it being carried out in-House. In terms of pensions, the liability had increased by £15.4M compared to 2011/12. Changes in the financial assumptions were the main reason for the increase.

In terms of the Report and Accounts the Committee agreed that (i) a section should be added to the Governance Statement about the Audit Committee; (ii) the section on benefits in kind should be reviewed and (iii) any editorial changes should be passed to Mr Nunn as soon as possible. **[Action: Members/Mr Nunn]**

The Committee otherwise noted the minor change to the Accounting Policy and agreed the Annual Report and Accounts for submission to the Board.

**[Action: Mr Nunn/LRM]**

**10. Provision of Internal Audit Services**

Mr Coates reported that the paper on the Provision of Internal Audit Services was a joint submission from PM and himself. The aim was to propose an effective, co-

ordinated Internal Audit service and how this should be achieved. In this connection Mrs Roberts added that a key element would be an integrated audit plan to include external audits such as the ISM Code Document of Compliance audit. An example of an integrated plan was at Annex 2 of the report. Furthermore, by understanding the different lines of assurance available through the different audits, it would be easier to identify any possible gaps where audit resources should be targeted. In this connection a proposed model for mapping risks and assurances had been included at Annex 3.

Mr Coates added that the TH Quality System auditors had a better understanding of the organisation than those from the DfT, as they were involved in the organisation on a day-to-day basis. DfT auditors, on the other hand, had a wider view of audit as they supported not only the other GLAs but also other public sector organisations, knowledge which they would disseminate to PM. He favoured a tri-GLA solution as far as the role of Head of Internal Audit was concerned, as the same person would provide commonality but it was for consideration whether TH should have its own arrangements, if a tri-GLA solution were not agreed by the GLAs. It was noted that the other GLAs did not have such an extensive quality system.

The Chair recalled that it had been agreed that all TH audits should be co-ordinated in-House in one plan by PM and that PM should have a dotted reporting line to the Group Head of DfT Internal Audit and study towards the IIA Advanced Diploma with a view to becoming the TH Head of Internal Audit in due course. The importance of the Group Head being able to provide assurance to the DfT Accounting Officer and Ministers was recognised and understood. In noting the position, the Committee agreed that TH should proceed as recommended in the paper, but acknowledged that it was an evolutionary process. It further agreed that (i) the GLA Chief Executives' Committee should receive a briefing paper on the changes to be made to the TH Internal Audit function at its next meeting in October and (ii) the DfT/TH Internal Audit Charter and Service Level Agreement should be reviewed in the light of the new arrangements. **[Action: DoFSS/PM/Mr Coates]**

#### **11. Proposed Revised Risk Register Format**

LRM presented an enhanced methodology for the evaluation and treatment of TH's top-level strategic business risks in a Corporate Risk Register. In addition, to the pre-mitigation and post-mitigation risk levels, the register also contained the target risk position after the application of further actions to reduce the risk level. The format of the register had been agreed by the Executive Committee, who considered that the more detailed register should continue to be maintained as an Organisational Risk Register. In noting the Corporate Risk Register, the Committee agreed that the new format provided greater clarity as to the key risk issues faced by the Board. It further agreed that it should receive a copy of the Register at each meeting but that, prior thereto, the Executive Committee should review the Register and scores. Subject to the risks being ranked and the wording of the risks associated with CIL's focus on commercial work being broadened, the Committee agreed that the new Register should be submitted to the Board for consideration. The Committee further agreed that it would periodically review a risk in detail and that it should receive the Organisational Register annually. **[Action: LRM]**

*[Post Meeting Note: It is suggested that the Committee review the Organisational Risk Register in December each year, when the agenda is ordinarily relatively light.]*

#### **12. Audit and Risk Assurance Committee Handbooks**

LRM presented his report on the outcome of his review of the new Treasury Audit Committee Handbook with reference to the operation of the TH Audit Committee. The new Handbook reflected the Treasury's 2011 Code of Good Practice for Corporate Governance in terms of risk management in particular and also the functions of the Audit Committee in support of the Board in this regard. The TH Audit Committee was very largely compliant with the requirements of the new Code. In noting the report and recommendations, the Committee agreed that its terms of reference should be placed on the TH website. The Chair agreed that she would

continue to hold bi-lateral meetings with the Head of Internal Audit. The Committee agreed that other bi-lateral meetings as suggested in the Handbook were less necessary as the Chair was also a Member of the Board but noted that the Chair would hold such meetings if and when appropriate. In terms of the recommendation that the Committee should consider whether it should do anything additional in terms of ensuring management was acting within the Board's attitude and appetite for risk, it was agreed that in the first instance the Board should be asked to re-affirm its risk appetite as part of the review of the new risk register. Thereafter, the Committee should periodically seek assurance from the Executive in this regard. DoFSS and LRM would discuss how this might be best achieved.

**[Action: DoFSS/LRM]**

**13. Committee Terms of Reference**

LRM presented revised terms of reference for the Committee, which had been updated to reflect the example terms of reference (ToRs) in the new Audit and Risk Assurance Committee Handbook. The ToRs included reference to PM being a standing attendee. The Committee agreed the revised ToRs for submission to the Board.

**[Action: LRM]**

**14. Internal Audit Recommendation Progress Report**

LRM presented a progress report on outstanding DfT Internal Audit recommendations. Since writing his report a number of recommendations in respect of the Lighthouse Visitor Centres had been closed out following visits by the Commercial Team to Portland Bill and South Stack Lighthouses. It was, however, of note that the lack of space in the Tower of Portland Bill precluded the installation of a safe. In noting the position the Committee agreed that the Planning & Performance Manager should be asked to consider whether any other action should be taken to mitigate the risk to the money received from ticket sales. There were otherwise only five recommendations outstanding, all of which were being progressed.

**[Action: LRM]**

LRM added that the progress report also now included a summary of overdue non-conformances (NCNs) and potential improvements (PINs). In this connection PM stated that there were two NCNs, both of which had now been closed out and one PIN. The Committee noted the report accordingly.

**15. Fraud, Bribery and Whistle-Blowing Returns 2012/13**

LRM reported that no cases of fraud, bribery or whistle-blowing had been reported in 2012/13. In noting the position the Committee agreed that it should receive a copy of the Hospitality Register and Register of Members' Interests at its next meeting.

**[Action: LRM]**

**16. Any Other Business**

**16.1** LRM reported that the proposed Committee meeting dates for 2014 were: 27 March; 19 June, 18 September and 18 December. Subject to the June meeting being amended to take place prior to the DfT Group Audit Committee, the dates were agreed. He would confirm the dates by email.

**[Action: LRM]**

*[Post Meeting Note: the date of the June meeting is suggested as 11 June to fit the DfT Group Audit Committee timetable.]*

**16.2** The Chair reported that it was Ms Sweet's last meeting of the Committee and thanked her for the help and support which she had given the Committee during her time as Head of Internal Audit. She further reported that Mr Coates was to take a six month sabbatical from mid-August and wished him well. Mr Coates added that Mr Nick Haigney was to be seconded to his role during his absence and that he would let the Committee know shortly the name of Ms Sweet's successor.

**[Action: Mr Coates]**

**17. Date of Next Meeting**

It was agreed that the next meeting would be held on Thursday 19<sup>th</sup> September at Trinity House in London.