

[Prior to the meeting Members held their annual discussion with Internal Audit and the NAO without Executives and the Secretary present. The discussion focussed on the new working relationship with TH and how this had been embedded, with PM co-ordinating audits across all sources. There was agreement that transparency had improved and that the relationship was working well. Mr Haigney was very supportive of PM's new role. It was noted that the use of PwC auditors had improved the quality of audits and the service generally. It was also noted that the internal charging mechanism for this arrangement might need to change in future but this was for Mr Haigney to resolve with DfT. It was agreed that the audit planning process was more robust due inter alia to the recent audit planning workshop, with Management more engaged with the process. Tri-GLA audits were discussed in terms of the time taken to reach final versions of audit reports but the follow through was satisfactory. Mr Haigney confirmed that he would remain in the role with DfT Internal Audit until March 2014 to allow for a hand back to Mr Coates.

NAO was very complimentary about TH - "very well run and efficient", having coped very well with the valuation exercise for the 2012/13 Accounts. TH was leading the other GLAs in dealing with indexation of values for this year's Accounts. Generally this year's audit of the GLF was proceeding well. It was hoped that the Accounts would be laid before the Summer Recess if this could be accommodated by the DfT Group Audit Committee.

In summary all was very positive. Focus and co-operation were generally excellent.]

MINUTES OF AUDIT AND RISK ASSURANCE (ARA) COMMITTEE MEETING HELD IN TRINITY HOUSE LONDON ON 19 DECEMBER 2013

Present:

Mrs E D Johnson (Chair)
Professor P Matthews (from item 3)
Mr D Ring

In attendance:

Captain I McNaught – Executive Chairman (EC)
Mr J S Wedge - Director of Finance & Support Services (DoFSS)
Ms J Taylor – National Audit Office (NAO)
Mr N Haigney – Acting Group Head of DfT Internal Audit
Mrs R Roberts – Performance Manager (PM)
Mr J D Price - Secretary (LRM)

1. Apologies for Absence and Introductions

There were no apologies for absence.

The Chair welcomed Mr Ring to the Committee as a Member and Ms Taylor, who was representing the NAO.

2. Conflicts of Interest

Mr Ring declared that he advised and assisted the Survitec Group on acquisitions (mostly overseas service stations). There were otherwise no declarations of interest beyond those already declared in the Register of Members' Interests.

3. Minutes of Meeting on 19 September 2013

Approved and signed.

4. Matters Arising

- 4.1** Arising from item 8, Mr Haigney reported that the draft report on the CIL Light Dues Forecasting Audit had been issued. He would provide feedback to DoFSS on the comments received. The final report would be submitted to the TH ARA Committee for information at its meeting in March. **[Action: Mr Haigney]**

- 4.2** Arising from item 12, LRM reported that a Fraud and Bribery Risk Register had been

established. It contained 11 risks and all had been mitigated to an acceptable level. It would be formally reviewed on a six monthly basis as part of the review of Directorate/Departmental Risk Registers. The revised Fraud and Bribery Response Plan had been issued to the Senior Management Team (SMT) for cascading to their staff. DoFSS added that fraud investigation training was to be delivered by the HR Team during 2014.

4.3 Arising from item 13, Professor Matthews believed that it was now recommended best practice that all hospitality in excess of £5 should be formally declared. DoFSS agreed to investigate and to arrange for any internal procedures to be updated accordingly. **[Action: DoFSS]**

4.4 Arising from item 15, LRM reported that he had discussed the inclusion of quantitative scores on the Directorate/Departmental Registers with the SMT, who had agreed that this would aid the risk escalation/de-escalation process. It would be put in place as part of the next formal review of the registers.

5. Audit & Risk Assurance Committee – Terms of Reference

LRM presented revised terms of reference (TORs) for the Committee, which had been updated inter alia to reflect the new membership of the Committee. The Committee approved the revised TORs for submission to the Board. **[Action: LRM]**

6. Internal Audit Plan – Progress Report

PM presented the progress report against the new Integrated Internal Audit Plan. As reported previously, there had been some slippage in the programme in the second quarter. However, it had been possible to catch up in most areas. Further to her written report, the Planning, Listed Building & Scheduled Monument Consent Audit had been completed and the closing meeting for the Corporate Governance and Risk Management Audit was to be held the next day. Initial indications were that nothing of substance or particular concern had arisen from the Corporate Governance Audit. In terms of the third quarter the Environmental Planning Process Audit had been delayed due to staff sickness. ISO9001 Quality Management / ISO14001 Environmental Management System Surveillance Audits had taken place at St. Just Outstation and Lizard Lighthouse on 30 September and 1 October 2013. One minor non-conformity had been issued. The next Surveillance Audits were scheduled for week commencing 3 March 2014. It was recommended that NAO Audits should be included in the Integrated Audit Plan for reference purposes. The Committee noted the report and that the total number of auditor days for the DfT Internal Audit part of the programme was in line with the approved plan and agreed that the NAO audit programme should be included within the overall plan.

[Action: PM]

7. Tri-GLA Helicopter Advisory Audit

Mr Haigney presented the Part 1 Audit Report on the adequacy and effectiveness of control design, embedded in the arrangements established by the Project Executive, for the procurement and award of the tri-GLA helicopter contract. A follow-up audit (Part 2) was underway. In terms of Part 1 it was appreciated that at the time of the audit the control design had been in the early stages of development. The audit had looked at business case definition and approval; roles, responsibilities, governance, assurance and compliance arrangements and the application of lessons and experience. It had also covered the agreement of service requirements by relevant stakeholders; procurement planning; risk; issue and financial management, and market evaluation and engagement strategy including compliance with UK/EU procurement rules and organisational procurement policy. In summary, whilst some of the fundamental documents, principles and controls were in place, some were still to be established or were not sufficiently mature at the time of the audit to provide adequate confidence that the GLAs would be in a position to launch their procurement in January 2014. An overall rating of 'partial assurance' had been given. In terms of the Part 2 Audit, it had been found that the large majority of the actions had been implemented and the others were work-in-progress. As the actions

identified in Part 1 had been/were being addressed, the outcome of the Audit would not result in the year-end opinion from the Head of Internal Audit being qualified.

The Committee noted the position and that tri-GLA procurement contracts needed to be underpinned by a business case. In the case of the helicopter contract, the TH Board would need to take a view whether or not to proceed, if it were not advantageous to TH. The existing TH contract could be extended if necessary to allow a TH procurement exercise.

8. Integrated Internal Audit Plan 2014/15 – Follow-up Discussion

The Chair reported that a workshop facilitated by PwC on behalf of DfT Internal Audit had been held on 28 November to assist in formulating the Integrated Audit Plan for 2014/15. It had been in two parts. The Executive had attended the first part which had been strategic in focus and the SMT the second, which had been more operational. LRM, PM and she had attended both sessions. PM added that the initial thinking in terms of the Plan for 2014/15 was set out in the paper circulated the previous day, although not all Executive Directors had yet had the opportunity to comment. Once their feedback was to hand, comments would be formally passed to PwC for DfT Internal Audit. The proposed strategy was to concentrate on fewer, but larger audits covering more ground, supplemented by a programme of TH in-house audits in accordance with the Three Year Rolling Audit Programme. Professor Matthews added that consideration might be given to the inclusion of a responsibility audit covering the various responsibilities inter alia of DfT, Trinity House, and its Board and Committees, which he would discuss with DoFSS in the first instance.

[Action: Professor Matthews/DoFSS]

Mr Haigney added that the draft Integrated Audit Plan for 2014/15 would be agreed with Management in the next couple of months and submitted to the Committee for agreement in March. The Committee noted the position and agreed the proposed audit strategy. It further noted that the outcome of the Triennial Review might also inform the Plan.

[Action: Mr Haigney]

9. GLF Audit Completion Report

Ms Taylor presented for information the GLF Audit Completion Report. There had been some adjustments to the GLF accounts in respect of TH covering property, plant and equipment. Overall, the NAO was content with the valuation work in respect of the 2012/13 GLF Accounts. Indeed all three authorities had presented very good sets of accounts. Since consideration of the Accounts by the DfT Group Audit Committee, they had been laid before Parliament. The Committee noted the Report and agreed to keep under review the date of its 2014 summer meeting in the light of the fact the TH 2013/14 Accounts might need to be signed off before the DfT Group Audit Committee meeting in July.

[Action: LRM]

10. GLF Audit Planning Report

Ms Taylor presented the proposed Audit Planning Report for the GLF 2013/14 Financial Statements Audit. It included the proposed timetable for the work. There were three areas which had the potential to lead to the risk of material misstatement. These were the valuation of property, plant and equipment; the transfer of the GLAs' pension liabilities to the PCSPS; and, in the case of NLB, the change in accounting system. Work had commenced at TH on 5 December looking at the high-level control environment. DoFSS added that there was potentially a fourth risk arising from the fact that the GLAs were being required to meet GLF and DfT financial reporting methods. This was not only burdensome but also increased the risk of potential error, something previously acknowledged by Mr Oliffe, the NAO Director responsible for the audit of the GLF Accounts. Ms Taylor agreed to include consideration of the issue as part of the NAO's work on 2013/14 accounts.

[Action: NAO]

11. Report on Outstanding Audit Recommendations

PM presented the report on outstanding audit recommendations, which now

covered issues arising from the ISO9001 Management System and ISO14001 Environmental Management System Surveillance Audits. In terms of DfT Internal Audit recommendations, the outstanding medium and low level matters for Portland Bill Lighthouse Visitor Centre could now be considered as implemental in full. In terms of the MMIS Advisory Audit two of the three recommendations had been completed and the third was in progress. As regards the Co-ordinated Fleet Management Audit, many of the recommendations required input from IGC5, which did not meet until mid-February 2014. It was therefore proposed that the target date of 31 December for addressing these recommendations be amended to 28 February. The Committee noted the report and Schedule of Outstanding Potential Improvement Notes and agreed to the dates being amended accordingly.

[Action: PM]

12. Internal Audit Charter

PM presented the proposed TH Internal Audit Charter, which covered the work carried out by the TH Internal Auditors and DfT Internal Audit. The Committee noted and agreed the Charter for submission to the Board.

[Action: LRM]

It further agreed that the Charter should be circulated to the SMT once it had been approved by the Board.

[Action: PM]

13. Internal Audit Service Level Agreement

Mr Haigney presented the proposed Service Level Agreement (SLA) between DfT Internal Audit and TH in respect of the internal audit service provided by the DfT. The proposed SLA was agreed for submission to the Board.

[Action: LRM]

14. Report on Corporate and Organisational Risk Registers

LRM presented the report on the review of the Corporate Risk Register and the Organisational Risk Register, which sat beneath it. The former was presented to each meeting of the Committee and the latter annually in December. Both had been reviewed by the Executive Committee earlier that month. Since the Committee's last review of the Corporate Risk Register the risks associated with the Cabinet Office's Triennial Review had been added and the risk scores in respect of other risks adjusted. As regards the Organisational Risk Register, quantitative scores had now been added. Risks scoring over 50 were escalated to the Corporate Risk Register. The Committee agreed both registers for submission to the Board, subject to the risk of failing to make financial reporting returns being reviewed both in terms of narrative and scoring in the light of the need to meet GLF and DfT financial reporting methods.

[Action: DoFSS/LRM]

15. Report on Cash Incident – THV PATRICIA

DoFSS presented a report from the Marine Operations Manager on the theft of cash from the Master's safe on board THV PATRICIA on 25 / 26 September 2013. In noting the report and outcomes, the Committee agreed with DoFSS that the petty cash float on all vessels should be reduced to £150 and that the proposal from Captain Sadler that a digital safe be installed in the Master's cabin be reconsidered.

[Action: DoFSS to revert accordingly]

The Committee noted that there were otherwise no security issues on the vessels and there had been no known incidents of theft affecting the PATRICIA Voyages.

16. Any Other Business

None.

17. Date of Next Meeting

It was agreed that the next meeting would be held on Thursday 27 March 2014 at Trinity House in London.

