

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE (ARAC) MEETING
HELD IN TRINITY HOUSE LONDON ON 7 JULY 2016**

Present: Mrs E D Johnson (Chair)
Professor P Matthews (from item 12)
Mr D J Ring

In attendance: Captain I McNaught - Executive Chairman (EC) (from item 4)
Mr A Damen – Director of Business Services (DBS)
Mr D Blake - National Audit Office (NAO)
Mr T Le Mare – Head of Internal Audit
Mr N Banks – Internal Audit
Mrs R Roberts – Audit & Performance Manager (APM)
Mr J D Price – Legal & Risk Manager & Secretary (LRM)
Mr B Nunn – Financial Controller (FC)

1. Apologies

None.

2. Declarations of Interest

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

3. Minutes of Meeting – 6 April 2016

Approved and signed.

4. Matters Arising

4.1 Arising from item 4.1, Mr Le Mare reported that he had still to set up more frequent meetings with EC. **[Action: Mr Le Mare]**

4.2 Arising from item 5, LRM reported that he had consulted the Health and Safety Manager as to whether there should be a specific risk assessment for the lifting of cylinders aboard Trinity House (TH) Vessels and he had advised that this was not necessary.

4.3 Arising from item 10, APM reported that consideration had been given to the scope for combining audits on TH vessels. The ISO certifications included ship operations. The vessels therefore needed to be subject to audit, although this amounted to only one vessel for half a day each year. If ship operations were excluded from the certifications, this would affect TH's ability to bid for commercial buoy and other work. That said, the results of OP57 internal audits were used in support of other audit work to minimise the audit time on the ships.

4.4 All other matters had been completed.

5. Management System Annual Review

LRM presented his overview report of the TH Management System as the Management Representative. The report was submitted to the ARAC as it formed part of TH's overall assurance framework. The reporting period for the Management Review was now aligned to the financial year. TH had successfully maintained all its external certifications during the year. No non-conformities had been received in respect of the intermediate verification audit of THV GALATEA Safety Management Certificate or the ISO 9001 or ISO 14001 Standards during the year. Four non-conformities had been issued against the OHSAS 18001 Health and Safety Standard but that was to some extent to be expected as TH had only been certified against the Standard since February 2015. The overall conclusion of the Annual Management Review meeting of the Executive Directors and Senior Managers had been that the

TH Management System continued to be suitable, adequate and effective. The Committee noted the report.

6. Tri-GLA Fleet Review Audit-Management Letter

Mr Le Mare presented the tri-GLA Fleet Review Management letter in respect of the audit of the Fleet Review process. The work had been carried out as part of the 2015/16 audit programme. The work had focused only on the involvement of the GLAs. The objective had been to provide assurance on the adequacy, effectiveness and proportionality of key project management controls, risk management and governance processes in TH, NLB and Irish Lights in relation to the Fleet Review, acknowledging that it had been a DfT-led activity with final decisions made by Ministers. There had been no recommendations arising from the audit work. The project board members, which had included the GLAs, UK and Irish Governments and the Lights Advisory Committee, had worked collaboratively. A substantial assurance rating had been given that the framework of governance, risk management and control were adequate and effective. The Committee noted the report.

7. HIA Annual Opinion

Mr Le Mare presented his Annual Report and Opinion for 2015/16. It was based on the internal audit programme of work, the results thereof and action taken by Management to address issues arising. It also took into account TH's governance and risk management frameworks, other assurance processes and relevant information brought to the attention of Internal Audit. The programme had been completed except for the IT Systems & User Management audit, which had been deferred to 2016/17 as agreed by the Accounting Officer and the ARAC. All completed pieces of work had received a substantial assurance rating. All the recommendations made had been low-level. He had therefore concluded that he was able to give substantial assurance that the framework of governance, risk management and control in TH were adequate and effective. In response to a question from the Chair as to the extent to which the service level agreement standards had been achieved in 2015/16, Mr Le Mare advised that there had been issues in terms of the time taken between the completion of fieldwork and issuing final reports. He agreed to include in future with his Opinion information on the extent to which service levels had been achieved. **[Action: Mr Le Mare]**

Mr Le Mare also confirmed that the audit satisfaction questionnaires were being returned and agreed to share the feedback with APM. **[Action: Mr Le Mare]**

8. Draft Annual Report and Accounts 2015/16

Mr Nunn presented for consideration the draft Annual Report and Accounts for 2015/16. His covering note highlighted the changes to the Accounts format for 2015/16 and the significant movements in the Financial Statements. The audit by the NAO was continuing. A few relatively minor issues remained to be resolved. These included moving the paragraphs on staff relations and finance leasing arrangements from the Performance Report to the Accountability Report. Mr Damen added that he intended to refresh the format of the report for 2016/17. Mr Blake added that the NAO had no material comments. In noting the position and, subject to some editorial amendments and presentational changes from Members, the NAO and LRM, the Committee agreed to recommend the Annual Report and Accounts to the Board for approval. **[Action: DBS/FC]**

9. NAO Audit Report

Mr Blake presented the NAO's Audit Summary Report on TH's 2015/16 accounting records prior to their consolidation in the accounts of the GLF, which were formally certified. There was no provision for a separate audit certificate to be appended to the TH Annual Report and Accounts. Both an interim and final audit had been undertaken. Full co-operation had been received from TH with the audit. He

anticipated that the NAO's work on the TH Annual Report and Accounts would be completed by the end of that week to allow their consideration by the TH Board on 14 July. The audit had not identified any material nor found any issues of irregularity or impropriety. The standard risks of management override of controls and of fraudulent revenue recognition had been considered and no issues had been noted during the NAO's testing. The NAO had liaised with Internal Audit during its audit planning and had considered the impact of their findings on its audit approach. The other risk considered below the 'significant risk' level was in respect of the eLoran contract. ELoran was still in use as a GPS timing signal at the request of the Cabinet Office and a long-term contract was currently in negotiation with another Government Department. As the service was likely to continue for the foreseeable future a provision for dismantling costs was not appropriate for inclusion in the 2015/16 Accounts. It should be disclosed as a change in operations and this disclosure had been made in the Annual Report narrative. The NAO was satisfied with the level of detail provided. The ARAC thanked Mr Blake and also the TH Finance Team for their work on a very good outcome. **[Action: DBS]**

10. Fraud/ Whistle-Blowing/Bribery Return

LRM reported that there had been no reported cases of fraud, whistle blowing or bribery in 2015/16.

11. Treasury ARAC Handbook – Whistle Blowing

DBS presented a report on the outcome of a recent review of the new Annex H to the HM Treasury Audit and Risk Assurance Handbook on whistle blowing guidance, the extent to which TH complied, and the actions proposed by TH as a consequence. In summary TH was very largely compliant. TH had not, however, nominated a Senior Board Member with overall responsibility for whistle blowing. In noting the position and its responsibilities for whistle blowing, the ARAC, supported by EC as Accounting Officer, agreed that it should be the ARAC Chair who should champion whistle blowing at Board level and be a prescribed person under the whistle blowing procedure to whom a member of staff could make a qualifying disclosure, as they were independent from Management. DBS would be the Executive responsible for the associated policy and procedure. The ARAC noted that the associated documentation would be updated accordingly. **[Action: DBS]**

12. Treasury ARAC Handbook – Cyber Security

DBS presented a report on the outcome of a recent review of the new Annex I to the HM Treasury Audit and Risk Assurance Handbook on cyber security guidance, the extent to which TH complied and the actions proposed by TH as a consequence. TH was largely compliant but there were some improvements that were being made. All staff were currently undergoing online security training. It was also of note that it was an issue which had increasing significance for TH as its aids to navigation and infrastructure became more complex. In noting the position the ARAC agreed that it should receive an update on progress after the external penetration testing had been completed and the Internal Audit report on IT Systems and User Management had been finalised. Confirmation should also be provided on the extent to which cyber risks were covered in the Business Continuity Plan. The ARAC noted that the work on cyber security was to be expanded to cover the organisation as a whole. **[Action: DBS]**

13. Internal Audit Plan 2016/17 – Progress Report

APM reported that work on the 2016/17 Internal Audit Plan was underway. Since submitting her report, the final report in respect of the Survey audit had been issued. As far as the IT Systems and User Management audit was concerned, a management response had been submitted in respect of the draft issues raised. Since the last ARAC meeting three additional audits had been identified and added to the Plan. They covered issuing and monitoring access control security cards; the

Safe Code of Practice for the Management and Use of Water; and an ISM Code Document of Compliance Certification renewal audit.

14. Report on Outstanding Audit Recommendations

APM reported that, as agreed at the last ARAC meeting, the close-out date for the one low priority finding from the Business Continuity audit relating to the involvement of the Buoy Yard Team Member with Facilities Management responsibilities in business continuity was now November 2016. This was to align it with the next exercise. The one remaining low priority finding from the Core Financial Controls audit had been actioned and closed out. Three minor non-conformities had been raised against the OHSAS 18001 Standard by ABS QE in March. The corrective action responses had been accepted by ABS QE without query. The next audit would be in October and would involve visits to Swansea Depot and Mumbles Lighthouse. No non-conformities had been raised as a result of the ISM Code Document of Compliance 4th Annual Verification Audit in April. The ARAC noted the position accordingly.

15. Review of Risk Registers

LRM reported on the outcome of the latest review of the Corporate Risk Register (CRR) and the Organisational Risk Register (ORR) beneath it. The risk of an adverse outcome to the Fleet Review remained the most significant risk but was stable. The SVS recruitment and retention risk, although it had eased a little, remained a concern, as the 2015 Pay Remit had still to be approved in full. Consideration had also been given to whether 'Brexit' should be added as a specific risk to the CRR, although it had been included in the CRR under the risk covering the other GLAs and the impact on TH and under the 'policy' and 'resourcing' risks in the ORR. In this connection EC added that, whilst there were potentially significant issues for the other GLAs, this was less so in the case of TH. The UK Government's obligations for aids to navigation under the Safety of Life at Sea Convention as delegated to TH through the Merchant Shipping Act would continue. TH needed to continue to discharge its statutory responsibilities. In noting the position, the Committee agreed that there were a number of potential areas such as research and development and fuel prices in addition to those highlighted by LRM and these too should be recognised in the ORR. The CRR was agreed for submission to the Board.

[Action: LRM]

The Committee further agreed that there should be a deep dive into the Fleet Review risk at the December 2016 ARAC meeting.

[Action: LRM]

16. Proposed Meeting Dates - 2017

Approved.

[Action: LRM]

17. Any Other Business

17.1 Mr Le Mare reported that the next meeting of the DfT Audit Committee chairs was to be held on 21 September 2016. Mrs Johnson advised that she anticipated attending.

17.2 Mr Blake reported that the GLF Accounts would be signed off in October, slightly later than originally anticipated due to reasons unrelated to TH.

18. Date of Next Meeting

The next meeting would be held in Trinity House London on 15 September 2016 commencing at 1000.