

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE (ARAC) MEETING
HELD IN TRINITY HOUSE LONDON ON 6 APRIL 2016**

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

In attendance: Captain I McNaught - Executive Chairman (EC)
Mrs S Wheatley – Finance & Procurement Manager (FPM)
Mr D Blake - National Audit Office (NAO)
Mr T Le Mare – Head of Internal Audit
Mr D Chan – Internal Audit
Mrs R Roberts – Audit & Performance Manager (APM)
Mr J D Price – Legal & Risk Manager & Secretary (LRM)

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 – 17 December 2015

Approved and signed.

4. Matters Arising

4.1 Arising from Part 1, Mr Le Mare confirmed that he would be seeking to meet with EC as Accounting Officer more regularly in 2016/17. **[Action: Head of Internal Audit]**

4.2 Arising from item 6.3, Mr Blake confirmed that 7 July remained suitable from the NAO's perspective in terms of the review by the ARAC of the TH Annual Report and Accounts following the audit by the NAO.

4.3 Arising from item 10, the Committee noted that the TH audit report on wreck designations follow-up and aids to navigation monitoring and management had been shared with the other GLAs. The NLB report on the same subject and the Irish Lights report on wreck designations had been similarly shared.

4.4 All other matters had been completed or appeared separately on the agenda.

5. Report on Exercise WAVEWASH

LRM reported on the outcome of Exercise WAVEWASH, which had been arranged to test the availability of documentation against a serious accident scenario. The outcome had been that some 93% of the documentation, which would have been required by the Marine Accident Investigation Branch or Health and Safety Executive, had been available against a benchmark of between 80% and 90%. It had been a worthwhile exercise and he thanked the Committee for suggesting such an exercise. There had been three recommendations covering the need for (i) a personal mobile phone policy for safety critical areas; (ii) a risk assessment for the lifting of 'wheelie' bins on ships' stores cranes; and (iii) the Support Vessel Service (SVS) to introduce an improved frequency of pre-work toolbox talks. These were in hand by Management and the actions would be added to the Schedule of Non-Conformities and Process Improvements to provide assurance that they were being followed through.

[Action: APM]

The next exercise would be carried out in two to three years' time. In noting the report and recommendations, it was agreed that the Health & Safety Manager should be asked whether there should be a specific risk assessment covering the lifting of cylinders aboard.

[Action: LRM]

6. 12 Month Management Assurance Statement

APM reported that the 12 Month Management Assurance Statement had been based on that produced for Month 9 updated where appropriate. The rating for succession planning remained moderate. There was to be a joint succession plan for the Executive Directors and Senior Management Team drawn up as part of the 2016/21 Strategy. Information security was also 'moderate' for the reasons stated. However, in noting the position the ARAC agreed that, as all necessary action had been taken to ensure compliance, the rating in this case should be increased to 'substantial'. The Committee also agreed that the rating of items 4.6 (VAT) and 6.1 (Regularity and Conduct) should be modified from 'not applicable' to 'substantial' but suitably qualified to reflect the TH position. The ARAC otherwise endorsed the Management Assurance Statement for sign-off by the Accounting Officer.

Mr Le Mare added that there would be a more principle-based approach to the Management Assurance Statement in 2016/17.

7. Draft Governance Statement

APM presented the draft Governance Statement for 2015/16, which would be for inclusion in the Annual Report and Accounts. Key points to note were the changes in Executive Directors; the outcome of the 2015 Triennial Risk Management Review, and the change in the risk profile of the organisation during the year. The opinion of the Head of Internal Audit would be included once it was available. The ARAC noted the statement and agreed it for inclusion in the Annual Report and Accounts subject to FPM reviewing the need to include more explanation of the RPI-x regime in the light of other text in the Annual Report and Accounts and, subject to confirmation from the HR & Planning Manager, the inclusion of some text confirming that there had been no instances of fraud in 2015/16. **[Action: FPM & APM]**

8. NAO Audit Update

Mr Blake reported that there had been an interim audit of the GLF Accounts in March. It had focused on income and expenditure including payroll. There had been no significant issues arising. The final audit would focus on the balance sheet and in particular the valuation of fixed assets. He confirmed that NAO had taken some assurance from the audit work of the Government Internal Audit Agency (GIAA). In terms of overall timetable, the 2014/15 GLF Accounts had been laid before Parliament in October. As far as this year was concerned, it might be possible to lay them before the Summer Recess on 21 July provided all necessary information including that from MyCSP in respect of pensions was available. The GLF Accounts would not be submitted to the DfT Audit Committee but submitted to the DfT Group Finance Director. This effectively placed a greater responsibility on the individual GLA ARACs.

9. Core Financial Controls Audit

Mr Chan presented the report on the audit of core financial controls. The audit had included an assessment of whether the risks, control and governance processes established over the scope areas of balance sheet controls, light dues and the Principal Civil Service Pension Scheme (PCSPS) compliance were effective and compliant with TH or Cabinet Office policy, as applicable. The audit had resulted in a substantial assurance rating and that the framework of governance, risk management and control was adequate and effective. There had been three low priority findings relating to the requirement for inclusion of monthly bank reconciliations in the Finance Manual; the manual nature of the Light Dues collection process; and the late submission of the 2014/15 Accounting Officer Certificate required by the PCSPS Participation Agreement, albeit no issues had been raised by the Cabinet Office as a result. In addition, Management had highlighted some concerns about the quality of data received from MyCSP and other issues. These concerns had been passed to the Cabinet Office and the Internal Audit team responsible for MyCSP. The ARAC noted the report accordingly.

10. Internal Audit Plan 2015/16 – Progress Report

APM presented a progress report on the delivery of the 2015/16 Integrated Internal Audit Plan. Since compiling the report the minor works development and delivery audit report had been issued and the OP.57 shipboard management system audit of THV

GALATEA had been completed. The opportunity had been taken to undertake the follow-up audit on the investigation into the Marine Accident Investigation Branch reportable accident on THV GALATEA at the same time. In addition, the audit of information risk had been completed. The only GIAA work to be concluded was in respect of the tri-GLA audit on the Fleet Review process. Mr Chan added that the aim was to have the draft Management Letter available for the Chief Executives' Committee Meeting on 20 April. The Committee noted that the ships were subject to some six different audits at different times. APM agreed to consider the extent to which any of these audits could be combined. **[Action: APM]**

11. Internal Audit Strategy & Plan 2016/17

Mr Chan presented the draft Internal Audit Strategy and Plan. It had been compiled following input from workshops involving Board Members, Senior Managers and the Commercial Manager. The document set out the approach to developing the Strategy and Plan; the audit universe; and the areas of greatest risk or those areas not covered by other sources of assurance. From this an audit rating requirement was derived together with a draft Internal Audit Plan and indicative timeline over the next three years. It was a very similar process to that adopted for the last Internal Audit Strategy. The IT systems audit would cover inter alia IT disaster recovery including the central monitoring and control system. The Committee noted and approved the Plan accordingly. **[Action: APM / Head of Internal Audit]**

12. Internal Audit Plan 2016/17

APM presented the proposed 2016/17 Integrated Internal Audit Plan, which covered the full audit programme for 2016/17 and had been agreed by the Executive Committee. Since then an additional audit had been included at the request of Management covering post project review to verify that identified project benefits had been realised. The Committee approved the plan as amended and agreed that the workforce planning and training audit should be carried out in the latter part of quarter 3 / early part of quarter 4 to encompass the succession plans which were completed in October each year.

13. Review of Risk Registers

LRM presented a report on the outcome of the latest review of the Corporate Risk Register and the Organisational Risk Register beneath it. The risk of an adverse outcome to the Fleet Review remained the most significant risk. There was also the SVS recruitment and retention risk not helped by the fact that the pay remit had still to be approved in full. The other two key points to note were that (i) the RPI-x risk had been de-escalated to the Organisational Risk Register as the financial efficiency regime for the next five years had now been agreed with Ministers and (ii) satisfactory agreement had been reached with the CAA in respect of TH offshore helicopter operations and this risk too had been de-escalated. The Committee approved the Corporate Risk Register for submission to the Board. **[Action: LRM]**

14. Review of ARAC Effectiveness

Mrs Johnson reported on the outcome of the Committee's self-assessment of its effectiveness based on the high-level principles in the Treasury Audit Committee Handbook. She thanked those who had participated. The results were better than in 2014/15, significantly so in terms of the mix of skills available to the Committee to perform its functions. With one exception to one question all responses had been either 'strongly agree' or 'agree', the top two scores on a five point scale. The Committee noted the outcome. In terms of enhancing its effectiveness, the Committee agreed that it should periodically carry out a 'deep dive' into a particular risk, perhaps looking at the Fleet Review risk later in the year. Overall, the Committee believed that it was operating effectively. It was further agreed that the outcome of the assessment should form the basis of the Committee's annual report to the Board, which should be drafted by the Secretary for consideration by Members out of session. **[Action: LRM]**

15. Report on Outstanding Audit Recommendations

APM presented a report on the current status of the implementation of actions arising from audit reports. The outstanding low priority action from the health and safety audit regarding health and safety responsibilities being detailed in job descriptions was

complete. Two of the three low priority findings raised during the business continuity audit had been completed. The third related to involving the Buoy Yard Team Member with facilities management responsibilities in business continuity planning and future scenario based exercises. The due date for completion was January 2016. However, as the next exercise would not be run until the autumn, it was proposed to move the close out date to 30 November 2016. The low priority finding from the review of wreck designations follow-up and aids to navigation monitoring and management audit was also complete. Two of the three low priority findings from the core financial controls audit had also been closed out. It was hoped to close out the third relating to the submission of the Accounting Officer's Certificate in respect of pensions well before the due date. There had been a surveillance audit in respect of the ISO 9001 and 14001 and OHSAS 18001 Standards in March. Three non-conformities had been raised as set out in her report. The Committee noted the position accordingly and agreed the change in close out date for the business continuity audit recommendation.

[Action: APM]

16. Memorandum of Understanding (MOU) for Provision of Internal Audit Services

Mr Le Mare presented the proposed MOU in respect of the provision of Internal Audit Services by the GIAA to TH. It was for one year and followed the wording of that for the previous year. The agreed fee remained £400 per day. The agreed total of days was 75 and not 73 as stated in the draft. The Committee noted and approved the MOU for signature subject to this amendment.

[Action: Mr Le Mare / APM]

17. Internal Audit Charter

APM presented the proposed Internal Audit Charter for 2016/2017, which the Committee noted and agreed for signature. **[Action: EC / Mrs Johnson / Mr Le Mare]**

18. Discussion with Director of Navigational Requirements (DNR) on Assurance & Governance

DNR explained that he was a Master Mariner and it was he or another Master Mariner who determined navigational requirements in terms of wrecks and new dangers, the assurance process for which was set out in the wrecks policy. Developments in technology, in particular vessel traffic analysis tools, had helped the evaluation process in this regard. In terms of the Risk Response Criteria for Wrecks and New Dangers, which had been signed off by the UK and Irish Governments, it was important to recall that the Criteria referred to the ability to respond within the specified period rather than how quickly a GLA decided to respond to a particular incident, which depended on a number of factors. As regards the provision of aids to navigation more generally, the determination of requirements was an ongoing process. TH did not wait until the next formal five-yearly Aids to Navigation (AtoN) Review. There was also a robust system of governance in place in terms of ensuring that there was no conflict of interest between the Navigation Directorate's role in terms of local AtoN and the Commercial Department's role in terms of providing third party AtoN on a commercial basis. The Director of Operations did not participate in the consideration of any local AtoN matters at the Examiners Committee. There was no sharing of information in this regard and the process was formally audited every two years to provide Management with assurance that the arrangements were robust.

Stakeholder engagement was also key to the work of the Directorate. There was dialogue with stakeholders at a number of levels whether it be with the DfT, Maritime and Coastguard Agency, the Secretary of State's Representative for Maritime Salvage and Intervention (SOSREP), participation in User Groups or the interface between Directorate staff and AtoN providers during the inspection and audit process. The Committee thanked DNR for a very informative overview of the arrangements in place within his Directorate.

19. Any Other Business

None.

20. Date of Next Meeting

It was agreed that the next meeting would be held in TH London on 7 July 2016.