

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE MEETING  
HELD IN TRINITY HOUSE LONDON ON 25 MARCH 2015**

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

**In attendance:** Captain I McNaught - Executive Chairman (EC)  
Mr J S Wedge - Director of Finance & Support Services (DoFSS)  
Mr D Blake - National Audit Office (NAO)  
Mr T Le Mare – Head of Internal Audit (*for items 7-8 and 10-17*)  
Mr N Banks – Internal Audit  
Mrs R Roberts – Audit & Performance Manager (APM)  
Mr J D Price – Legal & Risk Manager & Secretary (LRM)

**1. Apologies for Absence**

None

**2. Conflicts of Interest**

There were no conflicts of interest beyond those already declared in the Register of Interests. The Committee noted that Members would be asked at the Board meeting later that day to complete declarations of interest forms for 2015/16.

**3. Minutes of Meeting on 18 December 2014**

Approved and signed.

**4. Matters Arising**

**4.1** Arising from item 4.3, the Committee noted that the Board had agreed at its meeting on 23 January that contingency arrangements in the event of the loss of a Director or key member of staff were adequate.

**4.2** Arising from item 4.4, LRM reported that effecting an exercise to test documentation in the event of a serious or fatal accident would be carried out in the summer and he would report back on the outcome. **[Action: LRM]**

**4.3** Arising from item 8, Mr Banks reported that he had still to amend the Internal Audit report on TH's statutory superintendence and management role to include an explanation of the key terms and roles referred to in the report but would do so. **[Action: Mr Banks]**

**4.4** Arising from item 9, APM confirmed that a workshop to consider the 2016/17 and subsequent Integrated Audit Plans would take place in October/November 2015. **[Action: APM]**

**4.5** All other actions had been completed or appeared separately on the agenda.

**5. Management System Annual Review – Overview Report**

LRM reported, as Management Representative, that the Management Representative's annual report on the TH Management System was submitted to the Committee as part of the overall assurance framework. All external certifications had been retained in 2014 and certification to the Maritime Labour Convention obtained for the three TH vessels. No issues of concern had been raised at the Annual Management Review meeting in January. Since that time TH had obtained recertification to the ISO 9001 and 14001 Standards and certification for the first time to the Occupational Health and Safety Management System Standard OHSAS 18001. For ease of reporting the Annual Management Review meeting would in future be held in June with quarterly reports on the Management System submitted

to the Executive Committee.

The January report to the Executive Committee would cover the continued adequacy and effectiveness of the system to support the Governance Statement.

**[Action: LRM/APM]**

The Committee congratulated APM on her successful completion of the Institute of Internal Auditors Diploma examination.

**6. Integrated Internal Audit Plan 2014/15 – Progress Report**

APM reported that the 2014/15 Internal Audit Plan had been delivered. Since writing the report, the OP57 Shipboard Management System audit for THV GALATEA had been received and comments had been passed back to Internal Audit on the draft Commercial Fees and Financial Planning audit. The draft Health & Safety report was currently being reviewed by Management. The Committee noted the report on the Integrated Internal Audit Plan accordingly.

**7. Memorandum of Understanding (MOU): Provision of Internal Audit Services**

The Chair reported that the proposed MOU had been discussed internally within TH and there were some concerns. It was drafted on the basis that TH was a Government Department, which was not the case. TH was also concerned that the proposed MOU could only be terminated by mutual agreement and that there was the expectation that TH would maintain an internal audit service through the Government Internal Audit Agency (GIAA). TH was looking to develop APM's role into that of Head of Internal Audit. Professor Matthews added that the Government allowed Arm's Length Bodies and others to have alternative Internal Audit arrangements. TH was therefore looking to enter into a fixed term contractual arrangement. Mr Le Mare advised that the Treasury's expectation was that agencies would use the GIAA. If TH were to have APM as the Head of Internal Audit, it was very likely that APM would look for resource to discharge that role. There was also a tri-GLA aspect in that both NLB and CIL were to use GIAA and a common approach and sharing of findings would be mutually beneficial. It was agreed that the Committee Members would pass their comments on the MOU, including what was required from the GIAA, to DoFSS and APM who would prepare a response to Mr Le Mare, who in turn, would discuss them with GIAA management.

**[Action: Members/DoFSS/APM/Mr Le Mare]**

In terms of the associated Annexes, the Chair enquired whether there would be other Performance Indicators in terms of service quality in addition to the Accounting Officer Annual Satisfaction Survey. Mr Le Mare reported that there were assignment feedback forms for each audit. Furthermore, it was proposed that an independent quality audit of the GIAA would be carried out after a year rather than five years as recommended.

**8. Internal Audit Charter**

Mr Le Mare stated that it was proposed the MOU should be the contractual vehicle between TH and GIAA and the Internal Audit Charter defined the purpose, authority and responsibility of Internal Audit within the organisation. In this connection the Committee noted that the Charter was a requirement of the Public Sector Internal Audit Standards. That said, the document needed to reflect that the Charter was to some extent a Statement of Requirements. Clarity around responsibilities was also required. Again, comments from Members on the document should be sent to DoFSS/APM, who would collate and pass them to Mr Le Mare, who would produce a revised document.

**[Action: Members/DoFSS/APM/Mr Le Mare]**

**9. Report on Outstanding Audit Recommendations**

APM reported that the recertification audits for ISO 9001 and 14001 and the initial certification audit against OHSAS 18001 had resulted in 4 non-conformances, which, bearing in mind there had been some 13 days of close auditing, had been a good

outcome. The corrective action responses had been accepted by ABS without query. There was one overdue non-conformance relating to the licensing process for racons on temporary wreck marking buoys, which was outstanding with Ofcom. In terms of actions arising from the Construction Design and Management Regulations audit, the new Regulations would mean that a new process would need to be developed and the two findings regarding completion of forms were no longer relevant. In terms of the other findings regarding the Revenue Works Checklist, an internal audit programme to assure compliance with Field Operations processes would be put in place in 2015/16. It was therefore recommended that these three findings be considered closed out. In terms of the finding from the Superintendence and Management audit, there was a programme for audits of Competent Harbour Authorities in place for 2015 and this finding too could be considered closed out. The Committee agreed the recommendations accordingly.

**[Action: APM]**

**10. Integrated Internal Audit Plan 2015/16**

APM presented the proposed Integrated Audit Plan for 2015/16, which had been considered by the Committee in December and discussed with the Executive and Senior Management Team. The number of audits recommended for resourcing by the GIAA in 2015/16 had increased and currently totalled 95 days. Consideration had been given to grouping audits together to reduce the overall time commitment. Following discussion, it was proposed that the Fleet Management Review be carried out as a standalone audit, subject to NLB and CIL agreement, as it would be a tri-GLA audit. The wreck designations and AtoN monitoring and management activities would be carried out as one audit. In reviewing the Plan the Committee agreed to remove the tri-GLA Opportunities and Challenges audit from the programme and defer until 2016/17 the IT audit, the scope of which would be defined nearer the time. These changes would reduce the audit days accordingly. It was further agreed that the revised 2015/16 Plan should be revised and circulated for approval out of session.

**[Action: Mr Le Mare/APM]**

It was noted that a daily rate of £400 had been agreed.

**11. Audit Update Report on 2014/15 Financial Statement Audit**

Mr Blake presented the NAO's Audit Update Report on the 2014-15 Financial Statement Audit. As reported previously, there was a change in the audit approach in that the focus was on forming an opinion on the financial statements of the GLF. There would therefore be less work at each GLA with less sampling and a higher materiality threshold, albeit the necessary levels of sampling would be carried out. The TH Annual Report and Accounts would also be examined for consistency. Interim audit work had been carried in February and had covered inter alia payroll, inventory and fixed assets. There had been no significant issues. There had been a few minor issues in terms of the fixed asset register, which would be resolved before year-end. There had also been some discussion with the DfT with regard to the treatment of the likely gain on settlement of the pension liability. It was of note that the Government Actuary's Department (GAD) had still to complete its checking process in terms of confirming the final transfer pension figure. The final audit of the GLF would commence on 15 June and the DfT Audit Committee date to approve the GLF Accounts was 30 July.

In noting the position the Committee agreed that consideration should be given as to whether EC as Accounting Officer should write to GAD expressing concern at the length of time the checking process by GAD was taking. **[Action: EC/DoFSS]**

*[Post Meeting Note: the Chair and Accounting Officer subsequently agreed to write to GAD about the delay in finalising the pension valuation beyond the end of the financial year.]*

**12. Management Assurance Statement for Month 9 to 31.12.14**

The Committee ratified its decision to approve the Management Assurance

Statement for Month 9 previously agreed out of session.

**13. Draft Governance Statement**

APM presented the draft Governance Statement, which was in a similar format to 2013/14. She highlighted the internal and external stakeholder engagement work carried out and the fact that risk registers were now reviewed on a quarterly basis. In noting the Statement the Committee agreed that it should be amended to make specific reference to the Triennial Review completed in June 2014 and for clarifying text to be added to the key strategic risk of 'failure to make financial reporting returns'. The text in respect of the combined role of Chairman and Chief Executive should also be reviewed. **[Action: APM]**

**14. Review of Risk Registers**

LRM presented the report on the quarterly review of the Corporate Risk Register (CRR) and the Registers beneath it. In terms of the CRR SVS recruitment and retention remained the most significant risk with increased focus on loss of skills and experience than hitherto. The risk of an adverse outcome to the Fleet Review, such as insufficient resources for TH to discharge its statutory duty, had been included in the Register for the first time. Whilst the impact would be very high, the probability was at present 'medium' but was being closely monitored. The risk of the imposition of back office services had receded for the time being and this was reflected in 'designation/reclassification' risk, which had fallen. In noting the report the Committee agreed that the narrative in respect of the actions being taken to mitigate the SVS retention risk should be expanded to include the key steps being taken. It was also agreed that the Organisational Risk Register should make reference to the recent loss of key members of staff and the associated risks. The CRR was otherwise approved for submission to the Board. **[Action: LRM]**

**15. Review of Committee Effectiveness**

The Chair reported on the outcome of the Committee's review of its self-assessment of its effectiveness, which was very positive. Scores had increased in every case but one where the previous level had been maintained. The Committee noted the report and agreed that, by way of further improvement, a Director or Manager, who had been involved in an audit should be invited to attend the Committee, when they discussed the audit report. In addition a Director should be invited, say, once a year to the Committee to brief the Committee on how they provided assurance to the Accounting Officer in terms of governance in respect of their area of responsibility. **[Action: LRM]**

The Committee otherwise agreed that LRM should draft a report on the Committee's work in 2014/15 for agreement by the Committee and submission to the Board. **[Action: LRM]**

**16. Any Other Business**

The Chair reminded Members of the need to submit their expense claims up to the end of March to LRM by 7 April to meet the end of year accounting requirements. **[Action: Members]**

**17. Date of Next Meeting**

It was agreed that the next meeting would be on Thursday 9 July in TH London commencing at 0930.