

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE (ARAC) MEETING  
HELD IN TRINITY HOUSE LONDON ON 29 MARCH 2017**

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

**In attendance:** Captain I McNaught - Executive Chairman (EC)  
Mr A Damen – Director of Business Services (DBS)  
Mr R Copeman - National Audit Office (NAO)  
Ms R Gill-Williams – National Audit Office (NAO)  
Mr T Le Mare – Head of Internal Audit (GIAA)  
Mr J Baldwin – Internal Audit (GIAA)  
Mrs R Roberts – Audit & Performance Manager (APM)  
Mr J D Price – Legal & Risk Manager & Secretary (LRM)  
Mr T Arculus – Legal Advisor (LA)

**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 – 15 December 2016**

Approved and signed.

**4. Matters Arising**

4.1 Arising from part 2, item 7, Mr Copeman confirmed that the Board would need to approve the TH Annual Report and Accounts before the start of the summer recess (20 July) following consideration by the Committee. **[Action – LRM to confirm the date of the Board meeting preceding the summer recess]**. *Post meeting note the Board dates are 18 May and 20 July. The date of the next ARAC is 6 July. Arrangements will be made separately for the approval of the Annual Report and Accounts by the Board.*

4.2 Arising from part 2 item 7 'NAO Audit strategy for 2016/17 Audit' Mr Copeman confirmed that there will be a separate findings annex specific to each GLA.

4.3 Arising from part 2, item 15 the LRM explained that TH's estate does not form part the Government Estate and should not form part of e-PIMS.

4.4 Arising from part 2, item 16 the LRM confirmed that pre- and post-mitigation values have been increased on the Fleet Review Risk Register.

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

**5. Draft Governance Statement**

APM presented the draft Governance Statement for 2016/17, which would be for inclusion in the Annual Report and Accounts. A key point to note was the appointment of Mr Damen as an Executive Director. The opinion of the Head of Internal Audit would be included once it was available. Mr Le Mare said he believed that it would be similar to the opinion given last year.

A line needs to be added on the quality of information received by the Lighthouse Board in order to comply with Annex 3.1 of *Managing Public Money*. Sample text to be supplied by NAO.  
**[Action: NAO, APM]**

**6. NAO Audit Update**

Mr Copeman said that in respect of income and expenditure the audit team had found no issues.

Record keeping had been found to be good and no concerns had been made nor recommendations raised.

NAO has nothing to report from its audit at this stage.

#### **7. 12 Month Management Assurance Statement**

APM reported that the 12 Month Management Assurance Statement had been based on that produced for Month 9 and updated where appropriate. The statement has been considered by the Executive Committee and had been changed in two places. Further evidence had been provided to support paragraphs 2.3.4 and 3.5.4 thus elevating the overall ratings for those sections to substantial.

The ARAC endorsed the Management Assurance Statement for sign-off by the Accounting Officer.

It needs to be submitted to DfT by 21st April. **[Action: APM]**

Mr Le Mare added that the Management Assurance Statement had to be interpreted in a broad sense because TH is not part of Government.

#### **8. Tri-GLA Fleet Review Phase 2 Management Letter**

GIAA has reviewed the PID against best practice. Mr La Mare reported that GIAA had concluded that the PID was appropriate but had made the following observations:

(a) Does the PID need to be such a lengthy document? (b) could its clarity be enhanced?, (c) have the correct baseline and metrics been employed?

EC expressed his pleasure to read that GIAA considered the work which had been done had been done well and noted that Ian Woodman had noted the quality of the PID. **[Action: APM to communicate the DfT's observations back to the Engineering and Operations Manager to relay to his staff for future PIDs]**

#### **9. Internal Audit Plan 2016/17– Progress Report**

APM presented a progress report on the delivery of the 2016/17 Integrated Internal Audit Plan. Mr Le Mare commented that with regard to the Tri-GLA Helicopter Review that GIAA will be sending a draft report to NLB today. He expects everything to be complete by 10 April.

The ARAC duly noted the report.

#### **10. Integrated Internal Audit Plan 2017/18**

APM presented the proposed 2017/18 Integrated Internal Audit Plan, which covered the full audit programme for 2017/18 and had been considered by the Executive Committee on 13 March. The Executive Committee had directed the APM to adjust the plan to bring forward more of the audits to ensure that corrective actions could be taken in good time before the end of the annual audit cycle. The plan is based on the 3 year Internal Audit Strategy and Plan adapted to address specific concerns. One audit has been postponed by a year (*Notification to Marine Management Organisation (MMO)*) due to positive measures being taken by the Navigational Requirements Directorate to establish clear and regular communications lines with the MMO. The audit next year will look at the effectiveness of these measures.

It was considered that the PR Audit would need to be a very broad audit in order to capture everything we do in all sorts of fora but the PR & Communications Strategy would be a good starting point.

The Tri-GLA Helicopter Review noted a requirement for a follow up audit in quarter two to look at benefits realisation. Therefore, four days were allocated in the Plan to accommodate this review by GIAA.

The number of days for resourcing the audits by the GIAA will be 81 days which will be charged at a fixed fee of £400 per day.

The ARAC noted the report, approved the 2017/18 plan and approved the fixed fee of £400 per day charged by the GIAA.

Tim Le Mare explained that he wants to bring more of the service back in house for the more standard audits and to use technical specialists for the more technical audits such as cyber security. To this end he proposes that Mr Baldwin will be delegated to conduct audits into the GLAs and also for the MCA and other related bodies. He hopes that this will enable GIAA to share specific concerns relating to common themes experienced by these bodies (whilst respecting the confidentiality the GIAA would have with each body).

Professor Matthews said that TH's long term aspiration was to have its own head of internal audit. DBS said that even if this happens we would still value the external input from GIAA.

## **11. 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. He first reported that an independent third party validated the GLA's risk management approach every 3 years but in the intervening years the GLAs effected an update of this work. The result of the latest review showed that tri-GLA risk issues were very similar to those in the Corporate Risk Register and that the sum to cover uninsured losses in the GLF remained £5m. As regards the TH register the risk of an adverse outcome to the Fleet Review remained the most significant risk and has increased due to uncertainty surrounding Irish funding issues. The SVS risk of industrial action has been de-escalated due to the recent pay settlement which has also edged down the SVS recruitment and retention risk. The ARAC noted ongoing issues with the pensions service provided by MyCSP. The DBS asked the ARAC to note how valuable it was for TH to continue to have its own pensions officer (Mrs Ayton) in view of the failings of MyCSP. Mr Le Mare said that the contract for administering the Civil Service Pension Schemes would be re-tendered in a few years.

The Committee approved the Corporate Risk Register for submission to the Board.  
**[Action: LRM]**

## **12. 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 and noted under each heading that the majority of responses were 'strongly agree' under each of the effectiveness statements. The ARAC noted that the presence of executive directors at ARAC was considered to be a good thing. DBS suggested that there might be benefits of getting specialist auditors to audit specific areas where greater technical knowledge was required (e.g. for communications). DBS will liaise with the incoming Chair on this point  
**[Action:DBS].**

The incoming Chair, will be given an induction which will include a handover from the Chair. **[Action:Chair].**

The Chair thanked all those involved in giving feedback and the ARAC noted the report and agreed that the Secretary to the ARAC should draft a formal report on the ARAC's effectiveness, work and performance during 2016/17, based on the above findings for

agreement by the ARAC members and submission to the Lighthouse Board [**Action: LRM**]

### **13. Report on Outstanding Audit Recommendations**

APM presented a report on the current status of the implementation of actions arising from audit reports. Regarding the outstanding low priority action from the IT Resilience, User Rights Management audit, the IT Manager proposes that no further action is required in respect of key issue 1, action 1. In respect of key issue 2, the work is in hand. Key issue 3, action 2 will aim to be completed in June 2017 when capital becomes available. Key issue 4, action 1 can be considered to be complete. For action 2, work continues on documenting the procedure notes for CMCS but due to the service update project, some procedures have not been created because they will change when the new servers are in place, therefore the target date has been pushed back to May 2017. As agreed in the report, GIAA were to review the implementation of a control to limit IT Team access to the finance system. This control has been tested and deemed to be operating effectively. Therefore, the rating has been increased to substantial.

With regard to the Core Financial and Commercial Controls audit all actions have been completed by the Finance and HR Departments.

An action plan has been agreed with ABS QE to tackle the minor non-conformance which was raised during the ISO 9001/ ISO 14001 and OHSAS 18001 February 2017 surveillance audit in respect of COSHH risk assessments. Two opportunities for improvement were also noted.

The number of open non-conformances and Potential Improvement Notes arising from the TH Management Systems Quality Audit programme has reduced.

The ARAC noted the report and noted the amended target date for the CMCS procedure notes to be completed in respect of the IT Resilience, User and Rights Management audit findings. [**Action: APM**]

### **14. 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 at £400 per day. The agreed total number of days was 81. The Committee noted and approved the MOU for signature. {**Action: Mr Le Mare / APM**}

### **15. Internal Audit Charter**

APM presented the proposed Internal Audit Charter for 2017/2018, which the Committee noted and agreed for signature subject to one amendment being made to the fifth paragraph on page 1 should be changed to begin with the words, "*The internal audit service shall assist the Lighthouse Board in establishing whether the organisational and process aims and objectives are being achieved*" [**Action: EC / Chair / Mr Le Mare**]

### **16. Any Other Business**

The Chair and the LRM were thanked for their work over many years and were wished well for their respective retirements.

### **17. Date of Next Meeting**

It was agreed that the next meeting would be held in TH London on 6 July 2017.