

**MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE (ARAC) MEETING  
HELD IN TRINITY HOUSE LONDON ON 5 JULY 2018**

**Present:** Mrs M Amos (Chair) (NED)  
Mr D J Ring (NED)  
Professor P Matthews (NED)

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

**1. Apologies**

Mr Richard Copeman (NAO)

**2. Declarations of Interest**

There were no declarations of interest beyond those already declared.

**3. Minutes of Meeting – 21 March 2018**

Approved subject to some minor adjustments. **[Action - LRM to make minor adjustments to the ARAC minutes of 21 March]**

**4. Matters Arising/Log of Actions**

Quinquennial estates valuation taken under item 11.

The Committee noted that Mr Brian the Human Resources Manager was reviewing the whistleblowing policy and would report to the Committee at its next meeting.

**5. Management System Annual Review**

LRM introduced his overview report on the management system. The report was originally presented at the management system review meeting on 13 June at which the Executive and Senior Management Team were present. At that meeting the directors and senior managers, based on this review, had agreed that the management system continues to be suitable, adequate and effective and aligned with the strategic direction of the organisation. The Committee noted the report.

**6. Internal Audit Report on Risk Appetite**

APM presented her report on the internal audit risk appetite. The Committee requires the internal audit function to provide assurance that management is operating in line with the affirmed risk appetite. The report included a table of audits in 2017-18 with the agreed risk appetite for each and the risk appetite obtained from audit. Audit work noted no variances. The Committee noted the report.

**7. Head of Internal Audit's Annual Opinion**

Mr Baldwin presented GIAA HIA Annual Report and Opinion for 2017-18. The opinion is substantial indicating that the framework of governance, risk management and control is adequate and effective. The November 2017 workshop demonstrated that Trinity House is an organisation with a mature risk assurance framework and also is prepared to innovate and improve. The summary of audit engagements during 2017-18 showed eight engagements four of which were Tri-GLA. Mr Baldwin confirmed that the cyber security engagement was in fact a management letter so an opinion should not have been expressed. This will be corrected in the final report at 4.4, 4.12 and 5.1.

Mr Baldwin confirmed that the outcomes of other Trinity House reviews were also considered as part of his annual opinion. Professor Matthews asked about the distribution of the report noting that it is distributed to Mr Kakad of 'DfT GCIA'. Mr Baldwin clarified that Mr Kakad is not part of the DfT and he will remove the acronym 'DfT' from the report. He stressed that GIAA is separate from DfT and does not inform on its clients to them without the permission of the client. Report noted. **Action: Mr Baldwin to update his annual report and circulate final version.**

#### **8. Cyber Security Management Letter Report.**

Mr Baldwin presented this report. Trinity House is undertaking much work in cyber security and will continue to do so. DBS said that the report would be very useful to the IT Department. The Chair asked whether the target dates were unrealistically close. DBS said the dates had been agreed with Mr Dace, IT Manager, and he had confidence in the ability of the IT Department to deliver. Professor Matthews said that the report was very good on our own cyber security but asked what confidence we could have in the cyber security of those whom we work with, for example our bankers. DBS believed that this was dealt with via procurement rules but agreed to check. **Action: DBS to check and report back to the Committee.**

Report noted.

The Committee reminded itself of the previous reports and third party testing across the TH estate. These reports covered a number of areas and recommendations / actions for cyber security covering the main IT areas, TH vessels and operational systems. The Committee is keen to receive a further update including the current status of outstanding actions, assessments, weaknesses (if any) and the efforts to mitigate the risk at its next meeting (27 September). This will enable the Committee to take stock prior to the GIAA Cyber Security audit later this financial year (Jan-March 2019) which will form part of the Auditors' Opinion on our assurance framework and is expected to provide an update on the previous reports and findings.

**Action: Mr Dace (IT Manager) to include this in cyber security work program and to work with Mr Chadwick (Senior Marine Superintendent) and Mr Millyard (engineering and Operations Manager) to provide an update on the previous reports and findings and to present to the ARAC on 27 September.**

#### **9. GLA Fleet Review Audit Project Closure Report**

Mr Baldwin presented this report. The opinion is a substantial rating. Mr Baldwin noted how the maritime industry also has a good opinion of the process followed as was evident at the Fleet Review Reference Group meetings which the audit team observed in January and May 2018.

**Action - Mr Baldwin to change the name on the first page of the report from 'management letter' to 'review'.**

#### **10. Draft annual report and accounts.**

DBS described the progress being made with the annual report and accounts. The aim is for the accounts to be presented to the September Audit and Risk Assurance Committee (ARAC) for approval and to be laid before Parliament in October.

#### **11. National audit office report.**

Ms Gill-Williams presented the NAO update to the audit planning report on the 2017-18 financial statement audit. She explained that this is an internal process and is an update and a formality. Members of the Committee were invited to note the NAO's concerns around the quinquennial revaluation of non-current assets.

Ms Gill-Williams will be heading up the audit team this year who will be arriving at Trinity House on 16 July for the audit. The Chair asked for any issues to be communicated to her and DBS as early as possible. Ms Gill-Williams has just audited

the revaluation of the strategic road network and will be applying a similar approach in relation to the GLA quinquennial estate revaluation. Mr Matt Kay is the portfolio director. Professor Matthews said that it should be clarified in the report and in the minutes that this is an external audit report. **Action - LRM and NAO.**

DBS suggested that for future meetings, the agenda could be explicit between internal audit and external audit. **Action - LRM**

#### **12. Fraud and whistleblowing and bribery returns.**

LRM reported nil returns.

#### **13. Memorandum of understanding between GIAA and Trinity house for the provision of internal audit services**

Mr Baldwin presented the MOU which has been amended to include, inter alia, the new data protection legislation.

Section 10.2 refers to *partnership working* by the head of internal audit and the customer lead (APM). Mr Baldwin said that this was definitely true and the two organisations are cooperating very well and will continue to do so. An audit planning workshop will take place in October and will be more focused and smaller than the workshop in November 2017 and will be led by APM.

The Committee approved the MOU for signature.

#### **14. Internal Audit Charter 2018-19**

Presented by APM. The Charter reflects the drive to streamline the audit process. Section 2 has also been reworded to reflect the intended transfer in due course of the head of internal audit function from GIAA to Trinity House's own resources.

The Committee accepted the Charter and Captain McNaught, The Chair and Mr Baldwin all signed it.

#### **15. Internal Audit Plan 2018-19 – Progress Report**

Presented by APM. The APM confirmed that the 2017-18 audit plan had been delivered in full. For 2018-19, the Committee had tasked internal audit to produce a heat map of key risks and assurance coverage with the ultimate aim of streamlining the audit plan without compromising the assurance available to the Trinity House Accounting Officer and the Committee. This was evident through the reduction in the number of audit days from 81 last year to 50 this year for the GIAA resourced audits. Quarter 1 audits have been delivered to plan with the exception of the ship maintenance audit which instead of being a standalone audit was combined with the OP 57 Shipboard Management Audit and the Review and Confirm AtoN which has been postponed to August. The Committee acknowledged that each audit should be considered in its own right and a request for an audit to be cancelled will not be an automatic acceptance. The Committee would support the internal audit function if they were of the opinion that independent assurance is required. The NAO final audit has also been postponed (see agenda item 11.). The Chair presented the Heat Map and praised the design of it and the work which had gone into it. The 2018-19 Fully Integrated Audit Plan was approved.

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

Presented by APM. A high level action plan has been drawn up to address the findings from the Internal Communications audit but work is pending the internal transfer of responsibility of the internal communications function. This will proceed over the summer. With regard to the Workforce Planning review, since the March meeting the

Accounting Officer has now approved the HR Manager's proposal to not implement the recommendations in the Management Letter. This matter is now considered closed. With regard to the R&RNav audit, the Joint Strategic Board has noted the Chief Executives' Committee Terms of Reference and these will now be submitted to individual GLA boards for approval. With regard to the Public Relations audit, the target dates have been adjusted due to resource availability mainly in relation to the procurement of external stakeholder survey services. APM also reported that the overdue non conformity on the schedule in relation to the inspection of freight containers is now closed with the inspection having taken place.

**Action - LRM arrange for the schedule to be printed in a larger font for the next meeting.**

## **17. Review of Risk Registers.**

Presented by LRM.

The quarterly review of the risk registers took place in April and this report reflects their status at that time. An update is required in respect of the Fleet Review risk, as a result of the Minister's acceptance of the Fleet Review outcomes the risk of an adverse outcome to the Fleet Review evaporates. On the Corporate Risk Register (CRR) the risks are the Fleet Review risk (see above); ship resources risk (including the risk of running ageing vessels), this will be considered closely as the procurement of a new ship proceeds; the Brexit risk has not waned due to the continuing uncertainties; the wording of the GNSS vulnerability risk has been changed to show that the risk is actually the impact of a GNSS failure on the resources of the GLAs; the cyber security risk remains stable due to the ongoing work of IGC 9 and the IT Department; the recruitment and retention risk is increasing as pay restraint continues and the offshore sector improves and is set to escalate further as the unions ballot their members on strike action in relation to pay; the demographic of the workforce risk is increasing but is actively being addressed; the Royal Sovereign demolition risk is now included on the CRR due to the size and novelty of the project. LRM also described risks which had been escalated from the Operational Risk Register (ORR) to the CRR and some of the changes to the underlying departmental risk registers. The Committee noted the report for submission to the Lighthouse Board.

**Action: Mr Brian to report on workforce demographics to the next Lighthouse Board.**

The Committee discussed the recent Government White Paper on fisheries and discussed whether there would be an impact on navigation. The Committee also asked what the implications of the UK being designated as a *coastal state* would be.

**Action LRM to review the White Paper on fisheries and the implications of the UK's designation of coastal state.**

**Action LRM to clarify for the Chair how developments in relation to Brexit are being monitored.**

## **18. Proposed Meeting Dates for 2019**

Agreed

**Action: LRM to circulate ARAC and Lighthouse Board dates to members and to coordinate ARAC and Lighthouse Board meetings where possible including the July meeting.**

## **19. Annual Review of ARAC Terms of Reference**

Agreed.

**20. Any Other Business**

The Committee thanked Professor Matthews for his six years of dedicated and valuable service to the ARAC and wished him well for his retirement on 19 July.

**21. Date of Next Meeting**

27 September 2018.