



TRINITY HOUSE

Minutes of Audit and Risk Assurance Committee 21st of March 2019

Present:

M Amos (Chair) (NED)

D Ring (NED)

V Owen (NED)

In attendance

J Baldwin (GIAA) (HIA)

R Wood (NAO) Via telephone

I McNaught (Executive Chairman and Accounting Officer)

T Arculus (Secretary) (Head of Secretariat)

R Roberts (Audit and Performance Manager)

T Damen (Director of Business Services)

K Dace (Head of IT) (Items 20 -21)

1. Apologies M Kay – NAO
2. Declarations of Interest – None
3. Minutes of meeting of 6 December 2018 - Approved
4. Log of Actions – Noted
5. Matters Arising – None
6. NAO Audit Planning Report on the 2018-2019 Financial Statement Audit

Presented by Mr Wood.

The Committee noted that IFRS9, IFRS16 and MNOPF triennial revaluation of the pension fund could potentially have an impact on the GLAs' accounts and therefore to be the focus of the NAO audit as further explained in the NAO provided report.

The Committee also asked whether the MNOPF triennial revaluation could potentially have an impact on the GLAs' accounts. *[Post meeting note, the next valuation of the MNOPF is not due until 31 March 2021 so will have no impact on the*

2018-2019 accounts. The 31 March 2018 valuation was published March 2019 and reported no further funding calls required.]

The Committee agreed that the GLF Accountant and TH Finance would be invited to provide the ARAC with a briefing on IFRS 16.

Action Mr Damen – arrange for TH Finance and GLF Accountant to attend next meeting of ARAC on 4 July to provide a briefing on IFRS 16.

[Post meeting note: Lighthouse Board requested the IFRS 16 briefing to be given to all Board Members.]

Furthermore, a discussion followed on the 2019-2020 external NAO audit approach for the GLF accounts and the accounts of individual GLAs. The Committee agreed that:

- The decision could not be made in isolation by DfT and NAO without appropriate consultation with the TH Accounting Officer and this Committee.
- They would prefer an efficient external audit whereby only one firm of external auditors would be engaged to sign-off the GLF and the individual GLAs' accounts.
- TH would use a pragmatic approach to the timetable and audit fees to ensure the desired outcome.

The Committee discussed the timing of the audit in the context of EU Exit and the surrounding uncertainties. NAO acknowledged how uncertain the political situation is at present and said that this would have to be acknowledged by the auditors.

7. GDPR Compliance Internal Audit Report (GIAA)

Mr Baldwin presented the audit report. A 'moderate' rating has been awarded. The issues raised were points of detail only and not major concerns.

8. Core Financial and Commercial Controls Internal Audit Report (GIAA)

Presented by Mr Baldwin. A 'substantial' rating had been awarded.

GIAA noted the strength of the team at Trinity House.

9. Review of Counter Fraud Measures Report (GIAA)

Mr Baldwin presented the report and spoke about the strength of the report and the positive findings.

The Committee noted that the Cabinet Office Functional Standards for Counter Fraud, Bribery and Corruption would become compulsory in September 2019. However, Mr Damen noted that these standards were for all organisations that spend over £100m. Trinity House does not fall within that threshold. Therefore, the ARAC members agreed that Trinity House could act in the spirit of the Standards; applying a proportionate response where considered appropriate.

The ten recommendations raised have been allocated to the relevant managers to review. Recommendations specific to the Whistleblowing process have been assigned to the Head of HR.

10. Draft Governance Statement.

Presented by Mrs Roberts. Key changes include a statement on the corporate governance reforms of the Lighthouse board, retirement and appointment of non-executive board members and conclusion of the Fleet Review.

Action Mrs Roberts - in the 'board effectiveness' section explain that these items will be resolved by the time of publication.

11. Progress Report on the Integrated Internal Audit Plan 2018/19

Presented by Mrs Roberts.

Progress against the 2018/2019 Integrated Audit Plan since the December 2018 Audit and Risk Assurance Committee meeting was noted as follows:

Quarter 3 (October to December)

- Control of Non-Conforming Product (TH) – complete;
- Environmental Planning (TH) – complete;
- Safe Work Instruction – 1.240 & Safe Code of Practice – 2.110 Work at Height (TH) – complete;
- Wreck / Casualty / Incident Response (TH) – complete;
- General Data Protection Regulations Compliance (GDPR) (GIAA) – complete
- Counter Fraud Consultancy (GIAA) – complete; and
- Core Financial and Commercial Controls (GIAA) – complete.

Quarter 4 (January to March)

- OP.57 Shipboard Management System – THV Alert (TH) – complete;
- ISM Code Safety Audit Ashore (TH) – complete;
- Fair Safety Culture (TH) – fieldwork complete;
- IALA World Wide Academy (TH) – draft report issued; and
- Cyber Security (GIAA) – draft report issued.

The ISO 9001 / ISO 14001 and OHSAS 18001 six monthly surveillance audit took place on 25 February to 28 February 2019 in London and at Harwich. A gap analysis against the Trinity House Management System and the requirements of the new ISO 45001 Occupational Health & Safety Management Standard followed the audit on 01 March 2019.

The NAO interim audit work took place during the week commencing 18 March 2019.

Report noted.

12. Report on the Draft Integrated Internal Audit Plan 2019/20

Presented by Mrs Roberts.

Following feedback from the internal audit planning workshop, a reduction in audit days for both GIAA and Trinity House resourced audits has successfully been achieved.

The plan was agreed by the Executive Committee on 20 March.

The plan will involve 40 days' work from the GIAA +10 days contingency at £470 per day.

The ARAC noted the report (including the heat map) and approved the 2019/20 Integrated Internal Audit Plan.

13. Report on the Current Status of the Corporate and Organisational Risk Registers

The Secretary presented this report on the corporate (CRR) and organisational risk registers (ORR), drawing the Committee's attention to the key changes to the CRR since the previous review in December 2018. The Committee reviewed the CRR.

A discussion followed about the standardisation of risk scoring across departmental risk registers. **Action Risk Manager to meet with risk register owners to discuss treatment and scoring of risks.**

The Committee noted the value of the risk management workshop which took place in the Autumn of 2018 and requested another to be held in 2019. **Action Risk Manager to arrange Risk Management Workshop 2019**

Report noted and agreed for submission of the CRR to the Lighthouse Board.

14. Report on Outstanding Audit Recommendations

Presented by Mrs Roberts

The status log in respect of the GIAA internal audit reports / management letters considered by the ARAC currently covers the audits of:

- Internal Communications
- Tri-GLA Research and Radionavigation
- Public Relations
- Cyber Security
- Light Dues
- GDPR Compliance
- Core Financial and Commercial Controls • Counter Fraud Consultancy (noting that Trinity House is below the £100m threshold)

Report noted

The Committee also discussed the forthcoming tender for ISO certification external audit services. The Committee gave serious consideration to the enquiry from the Northern Lighthouse Board about whether they could be included in the forthcoming tender. For a number of reasons the Committee decided that regrettably this would not be feasible on this occasion.

Action Mrs Roberts to reply to NLB's enquiry and to communicate to the TH Procurement department the Committee's instruction to proceed the invitation to tender.

15. Memorandum of Understanding between GIAA and TH for the Provision of Internal Audit Services

The Committee noted the positive relationship between the two organisations and the good cooperation which is happening.

MoU approved.

16. Internal Audit Charter

Noted and signed by ARAC Chair, HIA, and Accounting Officer.

17. Draft Management Assurance Return (MAR)

Presented by Mrs Roberts. The Executive Committee had reviewed the MAR yesterday and endorsed it.

The ARAC approved the MAR for submission to the DfT.

The MAR was signed by the Accounting Officer.

18. Whistleblowing Return

Nil return reported.

19. Fraud and Bribery Response Plan

Presented by Mr Damen.

Approved.

20. IT Security and Compliance Dashboard

Mr Dace, joined the meeting.

ALDIS is being brought in house and some performance metrics will be added to the dashboard to reflect this.

The Committee discussed the volatility between months on the Dashboard and the possible reasons for this.

A discussion followed about the difficulties of server backups.

21. Cyber Security Audit Actions

Presented by Mr Dace.

All actions are being completed and a follow-up audit confirms this.

Key points - impact assessments have been conducted to look at vulnerabilities.

- Issues include potential lack of human resource to tackle issues
- challenges of finance
- it has been very beneficial to have a captain from the SVS to be seconded ashore to assist.
- Cyber security is a constantly evolving challenge.

Report noted.

22. Review of ARAC Effectiveness 2018/19

A checklist had been previously distributed to those present and in attendance to help the Committee to assess its members' contribution to corporate governance in the context of guidance in the Audit Committee Handbook and the five good practice principles therein.

The Secretary will collate the responses and will circulate a report on ARAC Effectiveness to the Committee

Action Secretary collate the responses and will circulate a report on ARAC Effectiveness to the Committee

23. Any Other Business

None

24. Date of Next Meeting

4 July at 1000