



Minutes of Audit and Risk Assurance Committee

Trinity House - 4 July 2019

Present:

Mrs M Amos (NED) (Chair)

Mrs V Owen (NED)

In attendance:

T Arculus Esq. (Secretary) (Head of Secretariat)

J Baldwin Esq. (GIAA) (HIA)

T Damen Esq. (Director of Business Services)

M Kay Esq. (NAO) Via telephone – Items 1-15

Mrs R Roberts (Audit and Performance Manager)

R Wood Esq. (NAO) Via telephone

J Robinson Esq. (Assistant Accountant) – Item 6

R Clarke Esq. (GLF Accountant) – Item 6

1. Apologies

Captain I McNaught (Executive Chairman and Accounting Officer) and
D Ring Esq. (NED)

2. Declarations of Interest

None

3. Minutes of meeting of 21 March 2019

Approved

4. Log of Actions

Approved

5. Matters Arising

None

6. Mr R Clarke and Mr J Robinson Presented an IFRS Briefing.

Mr Clarke and Mr Robinson gave a presentation on the General Lighthouse Fund implementation of IFRS 9,15 and 16.

IFRS 9 and 15 do not have much of an impact on the GLF, IFRS 16 does.

IFRS16 replaces IAS17 and relates to treatment of leases in financial accounts.

It requires entities to disclose leases, effectively as a means of borrowing. Leases are to be valued as liabilities on the balance sheet. The GLAs are implementing this a year ahead of central government. HM Treasury is urging entities to make good use of the practical expedients. A discussion followed about treatment of various finance leases including the helicopter contract and ship leases.

Action – Mr Damen - Confirm accounting treatment of GRAD

Mr Clarke used the example of the tri-GLA helicopter contract to illustrate the effect of IFRS16 on the GLA accounts and the individual accounts of TH, IL and NLB. Currently the helicopter contract is in NLB's accounts and also in the GLF accounts. In future, it will also be shown in TH's and IL's accounts in ratios according to the amount of use that they have of the helicopter's flying hours. IFRS16 requires entities to reflect the substance of leases.

Action Mr Damen - draft potential note to Accounts for consideration by ARAC.

Some leases, depending on the way in which they are drafted, do not have to be disclosed.

Action - Mr Damen check that this is recorded in Procurement Initiation Plans and develop a process for considering IFRS16 implications when entering into contracts.

IFRS16 also determines how peppercorn leases shall be treated. The FreM gives the definition of a peppercorn lease which must be used for these purposes.

7. Risk Management Policy

The Committee reviewed a proposed addition to the Risk Management Policy dealing with 'horizon-scanning' and noted the policy for submission to Lighthouse Board.

Action - ARAC Secretary to submit Risk Management Policy to Lighthouse Board.

8. Annual Report and Accounts

Mr Damen provided a verbal update on the preparation of the annual report and accounts which is now quite far advanced.

9. NAO Audit for 2019/20

Mr Wood provided a verbal update and said that he considers it is beneficial that Trinity House has been preparing for IFRS16 so far in advance.

10. Cyber Security Follow-up Report.

Introduced by Mr Baldwin.

The Committee believes that it is very important to continue working to improve cyber security. It was noted that GIAA will undertake another review of cyber security during quarter four of the 2019/2020 audit plan.

IGC9 is looking at governance arrangements for responsibility for cyber security.

The Committee requested cyber security responsibility be added to the agenda for the Lighthouse Board Strategy Session.

Action – ARAC Secretary to add cyber security responsibility to the agenda of the Lighthouse Board Strategy Session.

11. Head of Internal Audit's Annual Opinion

Presented by Mr Baldwin.

The HIA has been pleased to award a '*substantial*' rating to Trinity House, meaning that the framework of governance, risk management and control is adequate and effective.

Mr Baldwin praised the mature risk control environment at Trinity House and the good relationship that exists between the GIAA and the TH Audit and Performance Manager.

It was noted that GIAA were able to draw from the range of internal audits carried out by the TH internal audit team and also the independent certification reviews undertaken during 2018/2019. The placement of reliance on these additional assurances, results in fewer GIAA auditor days being required.

Report noted.

12. Internal Report on Risk Appetite.

Mrs Roberts presented a report to update the Committee on risk appetite findings from the audits carried out on the 2018/19 internal audit plan.

The Committee noted the report.

13. Integrated Internal Audit Plan 2019/20 - Progress Report.

Presented by Mrs Roberts.

It was noted that three out of the five audits scheduled for quarter 1 on the Plan were complete. The delays to the Potential Conflict of Interest and the Minor Works audits were currently not of concern. The Audit & Performance Manager will continue to follow these up.

The Committee noted the report.

14. TH Vessel Replacement Project (511) Business Case Brief - Internal Audit Review -Management Letter.

Presented by Mr Baldwin.

The GIAA concluded that the process of governance risk management and control for the vessel replacement project-business case brief phase merits a '*substantial*' rating. Further work is planned as the project proceeds which will include testing of the working of the controls in place.

Report noted.

15. Triple I Code Audit

Mr Baldwin introduced the final terms of reference, version 2.

The MCA wishes to look into how the Government's SOLAS responsibilities are implemented on its behalf by its agencies and Arm's Length Bodies. This will form an integral part of the UK's mock audit of its III Code compliance ahead of the mandatory IMO audit of the UK flag state in September 2020.

Action – ARAC Secretary and Mr Baldwin to discuss minor improvements to the wording on page 2 of the Triple I Code Audit terms of reference.

The Committee noted and was content with the terms of reference subject to minor textual alterations.

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

The ARAC Secretary presented a report on the current status of the corporate and organisational risk registers and provided an overview of the departmental risk registers.

The Committee discussed the cyber risk and work being done to mitigate it, the ongoing industrial dispute (in connection with the ship resources risk), and confidential HR matters in respect of the recruitment and retention risk.

The Committee also discussed the new vessel procurement risk. The Committee believes that this risk should significantly alter once the financial approval has been obtained.

Action ARAC Secretary - to review the new vessel procurement risk with the Risk Manager once financial approval has been obtained.

It was noted that a risk management workshop would be held in autumn 2019.

The Committee noted the report.

17. Implementation of Matters Arising from Audit Reports including the Schedule of Open Non-Conformities and Overdue Potential Improvement Notes.

Presented by Mrs Roberts.

Noted by the Committee.

18. Whistleblowing Return

Nil return.

19. Fraud and Bribery Return

Nil return.

20. Counter-Fraud Strategy 2019-23

Presented by Mr Damen. The Committee considers that the strategy needs to make clear that it needs to be read not just in financial terms but in terms of things other than finance e.g. data fraud, purloining of equipment. Any training for employees on counter fraud would need to be explicit on this.

Action Mr Damen to update the Counter-Fraud Strategy 2019-23.

21.IT Security Compliance Dashboard

Presented by Mr Damen.

The number of successful server backups in June 2019 was of concern but work is being done to improve this in future.

Incidences of phishing have increased, showing how important it is to keep awareness levels high.

Action – ARAC Secretary - in future only provide dashboards for the months since the previous Committee meeting.

22. Annual Review of the Management System

The ARAC Secretary in his capacity as Management Representative presented his report on the Annual Management Review, which had taken place on 20 June at which the Executive Directors and Senior Managers agreed upon the Management System's continuing suitability, adequacy, effectiveness and alignment with the strategic direction of the organisation.

The Committee noted the report.

23. Annual Review of ARAC Terms of Reference

Minor textual changes agreed.

24. Dates for 2020 ARAC Meetings (Proposed)

Agreed.

25. Date of Next Meeting

26 September 2019 at 1000.

26. Any Other Business

None.