



Minutes of Audit and Risk Assurance Committee – 2 April 2020

Present:

Mrs Margaret Amos (NED) (ARAC Chair)

David Ring Esq (NED)

Mrs Valerie Owen (NED)

In attendance:

Captain Ian McNaught (Chief Executive)

Vice-Admiral Sir Alan Massey (Lighthouse Board Chairman (NED))

Ton Damen Esq (Director of Business Services)

Mrs Rebecca Roberts (Audit and Performance Manager)

James Baldwin Esq (GIAA)

Matt Kay Esq (NAO)

Thomas Arculus Esq (Head of Legal and Risk) (ARAC Secretary)

Note: due to the COVID-19 situation, the meeting was held as a teleconference

1. Apologies for Absence

Mrs Liz Rankin (NAO).

2. Declarations of Interest

None.

3. Minutes of ARAC 4 December 2019

Approved for signature.

[Action: ARAC Secretary]

4. Log of Actions

All actions are in hand.

With regard to action, 5 from 4 December the GIAA formally noted this action.

5. Matters Arising

COVID-19 situation, discussed below.

6. Report on Implementation of Matters Arising from Audit Reports

Introduced by Mrs Roberts. The purpose of this report is to update the Committee on progress with regard to implementation of the audit issues arising from the GIAA internal audits, Trinity House management system audits, NAO audits, and third-party certification audits.

The status log in respect of GIAA internal audit reports/management letters considered by the ARAC currently covers the audits of internal communications, GDPR compliance and Triple I Code requirements.

Internal communications audit findings are being dealt with as part of the review of job descriptions comprising part of the TH 2040 project.

The medium priority finding that remained open from the GDPR compliance audit can now be considered complete, the finding of the Triple I Code requirements audit can now also be considered complete.

7. Schedule of Open NCNs and Overdue PINs

The Committee discussed the confined space audit and noted the importance to safety particularly in terms of special measures introduced in response to COVID-19. The Health and Safety Manager is working through all relevant work instructions.

The Committee noted that the due date for NCN 04 from the Buoy Maintenance audit has been changed to 31 May 2020. The temporary Procurement Administrator has been tasked with addressing this NCN.

8. GLF Financial Statements Audit Planning Report for 2019-20

Presented by NAO.

Particular focus is being given to peppercorn leases and their treatment under the new accounting standards (IFRS 16). Trinity House has a lot of such leases but is actually performing well in this respect and there are no particular significant issues to report. Mr Kay explained that risk is divided into a first and second tier. The Royal Sovereign decommissioning

project is in the second tier and the treatment of the residue of the lease post decommissioning needs to be decided. Mr Damen confirmed that the quoted contract value is a *provision* now because we are into the new financial year and is no longer a *contingent liability*. Mr Damen confirmed that a paper on the subject is being produced.

9. Ship Replacement Assurance Work: Update

Presented by GIAA.

The audit commenced on 1 April and should be finished next week. Mr Baldwin praised the cooperation the GIAA is receiving and said that the audit is going well so far.

10. GDPR Compliance Follow-up Final Internal Audit Report

Presented by GIAA.

A *substantial* rating has been awarded in recognition of the very robust processes Trinity House has. The Committee discussed the data protection refresher training which is being delivered across the Service and the close relationship between data protection and cyber-security. Cyber-security refresher training is also currently being delivered across the Service.

11. Core Financial and Commercial Controls Final Audit Report

Presented by GIAA.

A *substantial* rating has been awarded.

The Committee discussed finding number 1, *Travel and Subsistence Merit System*, “*there are ways to circumvent system enforced controls around lines of approval within the system. Employees with super-user privileges consent themselves as approvers of their own expenses and can set other staff members as their own approvers*”.

Mr Damen confirmed that the Finance Department is aware of this and is working to effect a remedy by the end of June.

12. Draft Governance Statement

Mrs Roberts presented the draft governance statement for the Trinity House annual report and accounts.

The Committee discussed the potential applicability of the Companies (Miscellaneous Reporting) Regulations 2018 and noted that there is some question about their applicability to Trinity House since the purpose of these new reporting requirements is to build confidence in the way that large private and quoted companies are run, and that these regulations are not mentioned in the FrEM.

The ARAC Secretary and the Director of Business Services will investigate the applicability of these regulations.

[Action: ARAC Secretary / Mr Damen]

Under the heading, *Risk Categories* the Committee noted that although the organisational risk register divides the significant risks into four main categories, i.e. strategic financial operational and hazard risks, these categories are not referred to in the same terms on the corporate risk register. The ARAC Secretary was asked to consider employing these terms in the corporate risk register.

[Action: ARAC Secretary]

13. Progress Report on the Integrated Internal Audit Plan 2019/20

Mrs Roberts presented a report on progress against the internal audit plan for the current year.

The transfer of approval of Trinity House's ISO 9001 and ISO 14001 certification from ABS QE to LR was carried out at the end of December.

Trinity House has also been certificated to ISO 45001 by LR, the certificate was received on 1 April.

Mrs Roberts explained how the COVID-19 lockdown had made the fieldwork for some of the audits more difficult with inevitable delays. This was currently being addressed by desk top reviews.

The Committee discussed the delays to the new vessel procurement and Royal Sovereign projects, GIAA explained the difficulties with government procurement. Mr Damen explained that Trinity House is looking closely at these areas. It was noted that GIAA had 12 days allocated on the 2020/21 internal audit plan to review project and programme management and governance.

The timeline which comprised Annex 3 will be updated to reflect COVID-19 delays, but the plan should nevertheless be completed by the end of next week.

14. Draft Integrated Internal Audit Plan 2020/21

Presented by Mrs Roberts.

The areas for audit have been identified based on organisational risks and/or compliance of statutory requirements and with an appreciation of other assurances available. Efforts have been made to reduce the number audit days from previous years. The number of GIAA resourced internal audit days remains at 40 days but may reduce depending on whether the five audit days for the annual cyber security health check can be reduced. Likewise, for 2019/20, ten additional days have been allocated for a one-

off advisory review by GIAA of the replacement finance, stock and procurement system. The total number of proposed audit days for Trinity House resourced audits is 69 days, which is two days fewer than the previous year.

The Committee noted that the plan will need to flex due to the difficulties presented by COVID-19.

The Committee noted the report and approved the 2020/21 integrated internal audit plan.

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

The ARAC Secretary presented this report.

The corporate risk register features eight key risk descriptors. Risk scores are the product of probability and impact. Half of these are very high in their raw state (i.e. resourcing, Royal Sovereign decommissioning, Brexit uncertainties, new vessel procurement), the other four risks are all high (i.e. cyber security, GNSS vulnerability, recruitment and retention, workforce demographic). Risks appear on the corporate risk register if they have been elevated there by the Lighthouse Board or if they remain above the line on the risk tolerance matrix (all such risks remain *very high* or *high* probability and *medium* to *very high* impact). Risks remain on the corporate risk register until such time as they cease to be a risk or until they are escalated there by a decision of the Lighthouse Board. Currently all mitigated risks on the corporate risk register are in the *high* category.

Key changes since the last quarterly review by the ARAC are as follows:

The Ship Resources risk has been updated to feature the impact of COVID-19 and the increased possibility of industrial action as a result of pay settlements across the GLAs. This risk descriptor also includes the increased risk of mechanical failure inherent in operating the ageing THV Patricia and the difficulty in getting spare parts due to her age.

The Brexit Uncertainty risk descriptor has been updated to reference the current transition period.

Since the last meeting of the ARAC no new risks have been elevated from the organisational risk register to the corporate risk register.

The ARAC noted the contents of the report and agreed its submission to the Lighthouse Board for consideration.

[Action: ARAC Secretary]

The ARAC Chair explained the intention of holding a risk management workshop during the summer and how COVID-19 could impact on this. She will discuss with the ARAC Secretary.

[Action: ARAC Chair/ARAC Secretary]

16. Annual Counter Fraud Report

Presented by Mrs Roberts who described the progress with actions which arose from completion of the counter fraud assessment tool.

The Committee discussed the possibility of non-financial fraud, such as misreporting statistics, and whether the ongoing work on policy and training also relates to data fraud.

Mrs Roberts explained that mandatory online training is being rolled out across the Service for targeted managers. The Committee believes that the Non-Executive Directors should take the training as well. Post meeting note: the Training Coordinator has confirmed that this new training covers data fraud.

17. Memorandum of Understanding for the Provision of Internal Audit Services

Introduced by GIAA.

Noted and approved for signature.

[Action: Mrs Roberts/Mr Baldwin]

18. Trinity House Internal Audit Charter for 2020/21

Presented by Mrs Roberts.

The Charter is very similar to previous years except for some minor textual changes.

Mrs Roberts was asked to make a correction in section 3 which still refers to the former Executive Chairman.

[Action: Mrs Roberts]

Noted and approved for signature.

[Action: Captain McNaught, ARAC Chair, Mr Baldwin]

19. Management Assurance Return (MAR)

The MAR had been approved out of committee prior to the meeting in order to allow it to be submitted to the DfT before the deadline of 31 March, which it was. One change had been made to it by the Committee in relation to item 1.2 *Fraud* which was upgraded to *completely*, from

mostly, in light of the work recently done on policy and training in this matter.

The Committee commented on the layout of the MAR which is difficult to read, noting that the template is generated by DfT.

20. Data Protection Officer's Update Report.

This is a new standing agenda item.

The Data Protection Steering Group (DPSG) continues to meet although the frequency has changed to every other month from monthly, and the March meeting was cancelled due to COVID-19.

There have been no breaches since the last meeting. Two subject access requests have been received; both were dealt with the statutory time limit. Refresher training is being delivered across the Service, although this has been disrupted by COVID-19. Work continues to investigate a replacement for the existing surveillance camera system. Two Freedom of Information Act requests have been dealt with. No requests have been received under the Environmental Information Regulations. In pursuance of the objective of data minimisation, a cull of email archives beyond a certain age had been arranged to commence on 1 April but this has been postponed due to COVID-19.

The Committee noted the report.

The ARAC Secretary was asked to consider, via the DPSG, presenting the report as a dashboard in future.

[Action: ARAC Secretary]

21. Whistleblowing Return

Nil return.

22. IT Security and Compliance Dashboard

Mr Damen reported the dashboard which recorded the period before COVID-19 lockdown happened.

Server patch compliance is a particular concern and is being looked at.

Phishing tests continue to be deployed covertly across the Service.

IT security training is being delivered across the Service.

23. COVID-19

Mr Damen reported on the Executive Committee's email to the Department for Transport (DfT) dated 1 April in response to DfT's request for information. The email contained a copy of Trinity House's principal communication with staff which reiterated the importance of

homeworking at the present time noting that some tasks still have to be done at Trinity House premises.

In respect of aids to navigation casualties, a review is ongoing at director level looking at prioritisation and criticality.

The Planning Centre is currently working with reduced manning and appropriate social distancing precautions. There is a risk that if monitoring has to become home-based, then the monitoring of NLB and IL aids to navigation out of hours, which is currently done by Trinity House, will need to be resumed by those authorities.

In respect of the Support Vessel Service, there are currently no cases of COVID-19. The ships are fully manned and fully operational. THV Patricia is out of dry-dock. Recent crew changes have been done in a very careful way. A very strict health regime is being followed in accordance with official advice.

The Buoy Yards are operating but with much reduced activity. A rota is in place. Field Operations are maintaining social distancing and travelling to station separately and undertaking critical husbandry and casualty response based from home.

As far as Commercial activities go, all visitor centres have closed, Patricia Voyages have been cancelled for the season and Trinitas holiday cottages have been closed.

Supplies are practising social distancing and are only coming into the office for prearranged deliveries and work which cannot be done at home.

A COVID-19 risk assessment has been drawn up and is being kept up to date.

The Crisis Management Team meets weekly on Wednesday mornings or more frequently as necessary.

The number of people self-isolating is now 20 and was previously 40.

The Committee requested that the Chief Executive should provide such advice to the NEDs as he thinks would be useful to them.

24. Review of ARAC Effectiveness 2019 /20

The ARAC Chair presented the report on the ARAC's annual review of its effectiveness. The results of the survey were very good and the conclusion was that the ARAC is operating effectively.

One respondent suggested that the ARAC should look at how it should escalate matters to other stakeholders such as the Lighthouse Board, JSB, DfT if it perceives an issue. The ARAC's response to this is to add, "matters for escalation" as a standing agenda item.

Report noted.

[Action: ARAC Secretary to prepare a report on ARAC effectiveness for the Lighthouse Board]

25. Matters for Escalation

The organisation's response to the COVID-19 crisis will be considered by the Lighthouse Board.

26. Any Other Business

None

27. Date of Next Meeting

2 July at 10 AM – location / media to be confirmed depending on COVID-19 status.