



# **Minutes of Trinity House Audit and Risk Assurance Committee**

## **21 September 2020**

### **Present:**

Mrs Amos (Chair) (NED)

Mrs Owen (NED)

### **In attendance:**

Mr Damen (Director of Business Services)

Mrs Roberts (Audit and Performance Manager)

Mr Baldwin (Head of Internal Audit, GIAA) [Items 1-7 and 19]

Mr Kay (NAO [Items 1-6])

Mr Arculus, (Head of Legal and Risk, ARAC Secretary)

#### **1. Apologies for Absence**

Captain McNaught (Chief Executive, Accounting Officer)

Mr Ring (NED)

#### **2. Declarations of Interest**

Nil.

#### **3. Minutes of meeting held on the 2 April 2020**

Agreed for signature.

#### **4. Log of Actions**

The log of actions was presented by the ARAC secretary.

Action of the meeting on the 4 July 2019 No 1 - Remains open.

Action of the meeting on the 2 April 2020 No 3 - An Audit Planning and Risk Management Workshop will be arranged, this action will remain open.

## 5. Draft of Annual Report & Accounts

The Committee reviewed the draft Annual Report & Accounts for the year ended 31 March 2020.

Page 6. The new vessel works mentioned in the Deputy Masters' report; this section will need to be corrected following the events of the previous week.

Page 28, paragraph 2, line 3. The sentence that needs to be changed is as follows: "To that end the Court of Trinity House have approved the appointment of Sir Alan Massey Non-Executive Director of the Lighthouse Board." This needs to change to reflect that he has now been appointed.

Page 30. Which refers to the Nomination Committee, this needs to mention that the Lighthouse Board supported the appointment of Sir Alan Massey and Mrs Amos was a member of the selection committee.

Mr Damen clarified that NAO standard wording on COVID has been included in the Annual Report and Accounts as an unqualified contingent liability.

*[Post meeting note - Subsequently to the meeting Mr. Damen was informed by the Head of Finance and Procurement Mr. Nunn that the while the GLF Accountant Mr. Clarke, was preparing the GLF aggregated accounts, an IFRS reclassification adjustments of c£1.5m in total was identified between two equity reserve components. This adjustments resulted from the application of an earlier version of the Financial Reporting Manual (FRM) which was updated post the IFRS 16 Opening Balance Sheet and Disclosure Audit completed last year which was not picked up in subsequent work].*

**[Action: Mr Damen, to make updates to the Annual Report and Accounts]**

## 6. NAO Draft Audit Completion Report including management letter on the 2019-20 Financial Statement Audit

This report was presented by Mr Kay, who advised that some matters remain outstanding as listed on page 5 of the report. Mr Kay reported that about 3 weeks' more work was required to finalise the report and after that, the Annual Report of Accounts will be available for signature.

The outstanding items: -

1. Inventory

## 2. Royal Sovereign Decommissioning Project

Mr Kay reported that IFRS16 disclosures are going well. The bulk of the work is now complete.

The NAO will provide an updated paper once those outstanding items are resolved.

Mrs Amos and Mr Damen will meet to discuss when to proceed. At this point Mr Kay left the meeting.

**[Action: Mrs Amos/Mr Damen – meet to discuss the FSA Audit Report when finalised]**

## 7. HIA Annual Opinion

Mr Baldwin presented the Head of Internal Audit's Annual Opinion 2020.

A *substantial* opinion has been awarded meaning the framework of governance, risk management and control is adequate and effective.

The Committee noted the report.

## 8. Integrated Internal Audit Plan - Progress Report

Mrs Roberts presented the progress report.

Progress continues on a flex basis due to the perturbations of Covid.

The Committee noted the report and commented in relation to the Schedule of agreed amendments to the plan at Annex B that in relation to the buoy maintenance audit all of the statutory buoy work is happening but the auditors have been prevented from getting on board THV Galatea to verify the work.

## 9. Review of Risk Registers

Presented by Mr Arculus.

This was the standard quarterly report. Risk owners had conducted their quarterly review of departmental risk registers in August and this report went to the Executive Committee on the 9 September 2020.

On the Corporate Risk Register 9 risk descriptors remain as before.

In conclusion, the items on the Corporate Risk Register Risks remain significant matters, mitigated so far as practicable and will be kept under review.

The Committee noted the report and agreed submission of the Corporate Risk Register to Lighthouse Board in October.

**[Action: Mr Arculus, present the CRR to the Lighthouse Board]**

The Executive Committee had asked for a Technological Obsolescence risk to be reflected in the risk registers

[Action: Mr Arculus to consider how best to reflect the Technological Obsolescence Risk in the Risk Registers]

#### 10. Progress on Implementation of Audit Recommendations

Presented by Mrs Roberts.

The Committee noted that some H&S Manual updates have not been completed yet, mainly in relation to the Buoy Maintenance Audit and the Confined Spaces Audit.

The Committee resolved that Mrs Roberts would discuss progress with the H&S manager and update the Committee.

[Action: Mrs Roberts to discuss progress with outstanding H&S Manual Updates with H&S Manager]

The report was noted.

#### 11. Report on Risk Appetite

Presented by Mrs Roberts.

The Committee discussed why the risk appetite for the Confined Space Safe Work Instruction was changed from *cautious* to *minimalist* instead of *averse*. Mrs Roberts was asked to investigate this with the H&S Manager.

[Action: Mrs Roberts to discuss with the H&S Manager the reasons for the risk appetite being minimalist in respect of the Confined Space Audit]

The Committee resolved that Trinity House's Organisational Risk Appetite should be discussed at the December Workshop.

[Action: Mr Arculus to add Organisational Risk Appetite to the agenda for the December Risk Management and Audit Planning Workshop]

#### 12. Fraud / Whistle Blowing / Bribery Return (Verbal Update)

Reported by Mr Damen.

Nil return.

The Committee discussed whistle blowing reporting procedures and Mr Damen clarified that whistle blowing is part of the induction process for new employees and that there is also online training for anti-fraud and bribery which members of staff in certain roles are required to undertake periodically.

### **12.1 Draft Fraud & Bribery Policy**

Proposed changes to the policy were approved for submission to the Lighthouse Board.

**[Action: Mr Arculus to submit Draft Fraud and Bribery Policy to the Lighthouse Board for approval]**

### **13. TH Cyber Security Health Check - Final report**

The Committee noted that a *substantial* opinion had been awarded, the Cyber Security measures in place are performing well.

The Committee discussed Penetration Testing in respect of systems on board Trinity House vessels and discussed whether it could be undertaken by GIAA in 2021-22.

**[Action: Mr Damen to discuss Penetration Testing options with Commodore Dorey & GIAA]**

### **14. Security and Compliance Dashboard**

The Committee noted the Dashboard and was pleased to see the condition it was in bearing in mind the challenges of widespread working at home over the last 6 months. The Committee asked Mr Damen to send a message of appreciation to the IT department.

**[Action: Mr Damen to send a message of appreciation to the IT Department in relation to the Security and Compliance Dashboard]**

### **15. Annual Review of the Trinity House Management System**

Mr Arculus reported on the Annual Review of the Trinity House Management System, which had taken place on the 10 June 2020 and had involved the Executive Directors, and Senior Managers, the Head of Internal Audit and H&S Manager. The primary focus of the meeting was the review of the Management System relative to ISO9001, ISO14001, ISO45001, ISM Code, ISPS Code and the Maritime Labour Convention.

The Directors and Senior Managers, based on the review of the management system, agreed that it continued to be suitable adequate effective and aligned with the strategic direction of the organisation.

### **16. Data Protection Officer's Update Report on Trinity House Compliance.**

The Committee noted the report and praised the work ongoing in the organisation. The Committee asked whether a visual dashboard could be supplied as part of the report in future.

**[Action: Mr Arculus to investigate whether the DPO's report could include a visual dashboard in future]**

The Committee also asked on progress with the Data Protection Steering Group's Terms of Reference, which Mr Arculus reported he is working on with the Data Protection Officer and he will endeavour to finalise before the December Audit and Risk Assurance Committee.

**[Action: Mr Arculus to finalise DPSG's Terms of Reference]**

**17. Counter Fraud Functional Standards – GIAA Bulletin Issue 14 (March 2020)**

Noted.

**18. Annual Counter Fraud Report Action Plan**

Noted.

The Committee requested that the CIPFA counter fraud assessment tool should be reviewed at the December ARAC meeting checking that the latest template is being used.

**[Action: Mrs Roberts to bring the CIPFA tool updated report to the ARAC in December]**

**19. Vessel Replacement Project Management Letter**

The Committee noted the Vessel Replacement Project Management Letter and acknowledged that it was dated 10 June 2020 so reflective of the situation at that time.

Mr Baldwin confirmed that terms of reference will be submitted shortly for the Project and Programme Management and Governance Audit.

Mr Baldwin proposed that the Deputy Master is the sponsor for the audit.

**[Action: Commodore Dorey, Mr Damen, Mrs Amos and Mr Baldwin to meet to discuss the approach to the Project and Programme Management Audit & TOR]**

Mr Baldwin advised the committee that the plan would be to start the fieldwork in January 2021.

Mrs Amos thanked the GIAA and TH Internal Audit teams for all the work they have done this year in difficult circumstances.

**20. Guide for ARACs on Financial Management during Covid-19 Good Practice Guide (NAO)**

The Committee regarded this as a very thorough guide and proposed that Trinity House should do a self-assessment against it for presentation to the December Audit and Risk Assurance Committee.

The Committee also wished to invite Mrs Sarah Harman (Financial Controller) to that meeting.

**[Action: Mr Damen to prepare a self-assessment against the NAO Good Practice Guide]**

**[Action: Mr Damen to invite Mrs Harman to the December ARAC meeting]**

**21. Dates for the ARAC Meetings for 2021 (Proposed)**

The Committee agreed the proposed dates but requested that the location for each of them was amended to say TBC/Remote this is for reasons relating to the COVID situation.

**[Action: Mr Arculus denote locations for ARAC meetings as TBC/Remote]**

The Committee also requested that the length of the September meeting in 2021 should be increased to two hours to allow a full review of Annual Review & Accounts.

**[Action: Mr Arculus, schedule two hours for the September 2021 ARAC meeting]**

**22. Date of Next Meeting**

9 December 2020 followed by the Risk Management & Audit Planning Workshop.

**23. Matters for Escalation to Lighthouse Board**

None.

**24. Any Other Business**

The Committee requested that the cyclical list of agenda items for ARAC agenda's should be provided to the December ARAC.

**[Action: Mr Arculus to provide the cyclical list of agenda items to the December ARAC]**