



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

## **Trinity House – 9 December 2020 – Held via Remote Media**

### **Present:**

Margaret Amos (NED) (Chair)

Alan Moore (NED)

Valerie Owen (NED)

### **In attendance:**

Captain Ian McNaught (Chief Executive/ Accounting Officer)(Items 1-11)

Ton Damen (Director of Business Services)

Rebecca Roberts (Audit and Performance Manager)

James Baldwin (GIAA) (Items 1 -21)

Matt Kay Esq (NAO) (Items 1 - 9)

Sarah Harman(Financial Controller)

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

### **PART 1**

The ARAC members met with NAO, GIAA and the Audit and Performance Manager without the other attendees being present.

### **PART 2**

#### **1. Apologies:**

None.

## **2. Declarations of Interest**

None.

## **3. Minutes of ARAC on 21 September 2020**

Agreed as a fair and accurate record of the meeting.

## **4. Matters Arising**

None other than already featuring on the agenda.

## **5. Log of Actions**

4 Sept 2019/No1 – To remain open.

21 Sept 2020/No11 – Complete.

21 Sept 2020/No18 – To remain open but the reference to GIAA should be removed.

21 Sept 2020/No 24 – On the agenda.

21 Sept 2020/Nos 26, 27, 28 – Complete.

[Action- Secretary to update log of actions]

## **6. Progress Report on the Integrated Internal Audit Plan 2020/2021**

Presented by Mrs Roberts.

The ISO Audits had been successfully concluded entirely remotely with recertification to the three standards being recommended with one minor non conformity.

Health and safety audits have been delayed due to the pandemic preventing fieldwork but the ISO auditors accepted that other assurances are in place such as OP57 checklists.

Report noted.

Mr Moore will be the NED with special oversight of health and safety.

The Committee discussed whether training could be increased to compensate for the delayed health and safety audits.

[Action – Mr Moore to discuss with the Head of Legal and Risk and the H&S Manager whether training could be increased to compensate for delayed health and safety audits]

The Committee questioned why two vessel procurement audits were on the Plan and whether the outstanding one planned for Quarter 4 may not be necessary now.

## **Annex A – Progress on Delivery of Planned Assignments by GIAA Audit Team**

Presented by Mr Baldwin. Mr Baldwin is confident that his team can meet the timeline. It will be busy but GIAA resources are in place.

## **Annex B – Progress on Achievement of Overall Integrated Internal Audit Plan**

Presented by Mrs Roberts. Noted.

## **Annex C – Timeline on delivery of in-house resourced internal audits and GIAA resourced internal audits**

Noted.

## **7. NAO Audit Strategy and Financial Statements Audit Report 2019-20**

Mr Kay presented the revised report which addressed the areas which were outstanding at the previous ARAC meeting, Royal Sovereign and Inventory.

Report noted.

At this point Mr Kay left the meeting.

## **8. Data Protection Officer's Annual Update Report on Data Protection**

The Secretary presented the Data Protection Officer's annual report, this being the second occasion on which such a report has been delivered.

The Data Protection Officer has access to the highest levels of management.

The report looks at: (i) compliance, including data breaches; (ii) significant areas considered by Trinity House; (iii) future actions.

Trinity House has appointed a Data Protection Officer for both the general lighthouse authority and the Corporate charities. The Data Protection Officer is careful to avoid conflicts of interest with his other role as Legal Advisor. A network of Data Champions has been established. A Data Protection Steering Group exists and meets monthly.

A Risk Dashboard was also provided in support of the report.

Report noted.

## **9. Data Protection Steering Group Terms of Reference**

The Committee reviewed the Terms of Reference of the data protection steering group and considered that they should include a statement to the effect that the Data Protection Officer has a direct reporting line to the Chairman and Chief Executive.

[Action – Secretary to update DPSG ToR to include direct reporting line from DPO to highest level of management]

## **10. Report on Implementation of Matters Arising from Audit Reports**

Mrs Roberts presented an update report on progress with regard to the implementation of the audit issues arising from the GIAA internal audits, TH management system audits, NAO audits, and third-party certification audits.

The Committee noted that cybersecurity work is still outstanding and is being actioned and recognised that work has had to be prioritised due to lack of resources during the pandemic.

The Committee noted the report and the schedule of open nonconformities and overdue potential improvement notices arising from the Trinity House management system quality audit programme.

## **11. Guide for Audit and Risk Assurance Committees on financial resources management during COVID 19.**

Mrs Harman reported on the results of the questionnaire. Reporting that valuations had been done by the valuation office agency and by Braemar in relation to the ships. The committee discussed Inventory and the challenges faced by the organisation due to many bespoke items.

Mrs Harman was asked to assess the current position in relation to stock and to look at how it is reflected in the audits.

[Action-Mrs Harman to assess the current position in relation to stock and to look at how it is reflected in the audits]

The committee noted it as a useful report showing effective management controls.

At this stage Captain McNaught left the meeting.

## **12. Report on the Current Status of the Corporate and Organisational Risk Registers and the Departmental Risk Registers**

The Secretary presented this report. Certain risks were discussed by the Committee, noting that the risk registers had been discussed in detail at the audit and risk planning workshop earlier in the month. There had also been a review of organisational risk appetites and the Secretary would

submit a proposal for revised risk appetites to the executive committee in December and then to the Lighthouse Board in January.

**[Action – Secretary to submit a proposal to the ExCo, and LHB regarding the review of organisational risk appetites]**

The Secretary also presented a risk dashboard which featured a velocity component being the speed at which the risk if it materialised could affect the organisation in a major way. The committee saw merit in the velocity element. The Committee approved the dashboard showing the corporate risks for submission to the Lighthouse Board in January.

**[Action – Secretary to submit corporate risks dashboard to LHB]**

The Committee wished the vessel replacement risk to reflect the fact that the Northern Lighthouse Board's vessel replacement project has now caught up with Trinity House's vessel replacement project and there is now no temporal separation which is a risk in itself.

**[Action – Secretary to recommend that VRP risk register reflects the lack of temporal separation between TH and NLB's VRPs risk; Secretary also to ensure this risk is reflected in the CRR]**

The Committee recognised that there is a capacity risk due to the volume of work and the resources available within the organisation which might result in overload and failure to prioritise. The Committee proposed that the capacity risk should be flagged to the Lighthouse Board in January supported by a paper. Mr Damen will lead.

**[Action - Mr Damen to prepare a paper for the LHB on resourcing challenges and the capacity risk]**

The Committee noted that there is work ongoing on improvements to the risk registers throughout the organisation. The Committee proposed that the Lighthouse Board should hold a strategic risk workshop in late 2021. Prior to that work should continue to see whether the way we do risk within the organisation can be improved. Particular attention should be paid to the new style of departmental registers which had been developed by the Engineering and Operations department.

**[Action - Secretary to continue investigating improvements to risk registers and to schedule a strategic risk workshop for the LHB in late 2021]**

The Committee noted the report and agreed submission of the CRR and ORR to the Lighthouse Board for consideration.

**[Action- Secretary to submit CRR and ORR to LHB]**

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

The Committee noted the dashboard recognising that performance had been good during the pandemic when working from home has been widely practiced.

### **15. Progress Report on the Counter Fraud Strategy and Performance against CIPFA Counter Fraud Code**

Mrs Roberts presented the report, the purpose of which is to provide the Committee with a progress update on the Trinity House counter fraud strategy and action plan arising from the 2020 performance assessment against the Chartered Institute of Public Finance and Accounting (CIPFA) counter fraud code.

2019 was the first year in which we used the CIPFA tool.

Much progress has been made and the delivery of improvements on the 2019 action plan have resulted in a score of 95% compared with 84% last year.

The Committee approved the action plan and the strategy.

Mr Damen was asked to investigate and explore whether Trinity House should have an Anti-Money Laundering Policy.

[Action- Mr Damen to investigate and explore whether Trinity House should have an Anti-Money Laundering Policy]

### **16. Whistleblowing Return**

Nil return.

The Committee requested that staff members should be reminded of the Whistleblowing Policy which is section 10.2 of the HR Manual.

[Action – Mr Damen to arrange for HR to remind staff about the Whistleblowing Policy]

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

The Terms of Reference had been updated to reflect changes in Committee membership.

Agreed subject to being updated in line with Agenda item 20 below.

[Action – Secretary to update ARAC ToR in relation to the summer meeting being forgone]

### **18. Annual Risk Management and Insurance Scrutiny 2019 (ARMIS)**

The Secretary presented the executive summary of the ARMIS.

The ARMIS is carried out in the years between triennial risk management and insurance reviews the most recent of which occurred in 2018.

The main purpose of the ARMIS as to identify and measure major business risks, consider the GLA's risk exposures, consider adequacy of insurance cover, and consider the level of reserve in the GLF for uninsured losses.

The executive summary is presented to the respective GLAs' ARACs.

The ARAC agreed with the recommendations as follows:

1. The GLAs should continue to co-operate and share insurances were appropriate and cost-effective to do so.
2. Another triennial risk management and insurance review should be carried out by an external expert in 2021.
3. The GLAs should continue to review the suitability of the limit of general liability cover of £250 million to ensure it is sufficient to meet GLA requirements.
4. The GLF contingency reserve for uninsured losses should remain at £5 million.

[Action – Secretary to progress ARMIS recommendations]

## **19. Outputs from the Annual Risk Management and Audit Planning Workshop**

Reported under item 12 above.

## **20. Cyclical list of Agenda Items**

The ARAC Secretary presented the cyclical list of agenda items for consideration by the Committee.

In future the Committee wishes to meet thrice yearly and to forgo the June/July meeting. Instead, the September meeting will be extended to two hours.

[Action – Secretary to update the cyclical list of agenda items to reflect that the summer meeting will be forgone and the autumn meeting will be extended to 2 hours]

## **21. Any Other Business**

Mrs Roberts reported that the Management Assurance Return will be launched by the DfT shortly. The timelines for it are not known yet, it may be necessary to circulate out of committee.

## **22. Date of Next Meeting**

18 March 2021 at 1000 at Trinity House London.

### **PART 3**

The ARAC met with the ARAC Secretary, Mr Damen, Mrs Roberts and Mrs Harman and without the NAO or GIAA.

## **23. Review of GIAA Contract**

The ARAC appreciated the continuity brought to the Head of Internal Audit role by Mr Baldwin and recognised the continuing improvement in service.

The ARAC was content with the level of GIAA fees.

The Plan will feature 50 days again next year. 40 days for core work plus 10 days for *ad hoc* work.

The ARAC's most significant concern relates to the congestion of the internal audit plan in the final quarter of this financial year which has resulted from the postponement of audits earlier in the year due to the pandemic. The risk would be that if not enough of the plan is completed the Head of Internal Audit will not be able to provide an opinion. The Committee took comfort from Mr Baldwin's assurances during the meeting that resources were in place to complete the plan on time.

## **24. National Audit Office**

The ARAC expressed contentment with the service provided by the NAO.