



# **Minutes of Trinity House Audit and Risk Assurance Committee - 8 March 2021**

## **Held via Remote Media**

### **Present:**

Mrs Margaret Amos (NED) (ARAC Chair)

Mr Alan Moore (NED)

Mrs Valerie Owen (NED)

Vice Admiral Sir Alan Massey (Non Executive Chairman)

### **In attendance:**

Captain Ian McNaught (Chief Executive/ Accounting Officer)

Mr Ton Damen (Director of Business Services)

Mr Marc Chang (NAO) (Items 1 – 4; 16, 19)

Ms Gurjeet Rai (GIAA) (Items 1-4; 19; 21-24)

Mrs Rebecca Roberts (Audit and Performance Manager)

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

Commodore Rob Dorey (Director of Operations) (Items 1-4; 19)

#### **1. APOLOGIES:**

Mr James Baldwin (GIAA)

#### **2. DECLARATIONS OF INTEREST**

None, other than already declared.

#### **3. MINUTES OF ARAC ON 9 DECEMBER 2020**

The minutes of the meeting on 9 December 2020 were approved.

#### **4. LOG OF ACTIONS**

21 Sept 2019/No 18 – Penetration Testing - complete.

21 Sept 2020/No 24 – NAO self-assessment – ongoing- report due at September ARAC

9 Dec 2020/No 31 – Stock position - ongoing.

9 Dec 2020/No 32 – Risk appetites - in progress.

9 Dec 2020/No 39 – Whistleblowing- to be added as a standing agenda item

**[Action: ARAC Secretary - Add Whistleblowing as a standing agenda item]**

## **5. MATTERS ARISING**

None.

## **6. REPORT ON OUTSTANDING AUDIT RECOMMENDATIONS**

Mrs Roberts introduced the progress report on implementation of matters arising from audit reports.

In relation to the Core Financial Controls Audit, the draft opinion is *substantial*, with a few recommendations which are being addressed, including an issue with checking of expense claims whilst remote working.

**[Action: ARAC Secretary - Arrange a meeting of the ARAC in July to be held via remote media. The main focus of the meeting will be to discuss the plan of audits]**

## **7. MoU FOR PROVISION OF INTERNAL AUDIT SERVICES**

The Committee reviewed the Memorandum of Understanding (MoU) for Provision of Internal Audit Services by the GIAA for the year ahead. There are 57 auditor days in the programme, this includes consultancy and management time.

The fees remain at £479 per day plus £1000 expenses for 2021/2022.

The MoU was approved for signature.

**[Action: Mrs Roberts / Mr Baldwin (GIAA) to sign the MoU].**

## **8. INTERNAL AUDIT PLAN 2020-21 PROGRESS REPORT**

The Committee discussed concerns with meeting the programme during the pandemic.

Report noted.

## 8.1 INTERNAL AUDIT PLAN 2020-21

The Committee considered that the buoy maintenance at sea audit should be flagged as a concern. This is because it has not been possible for the auditors to get aboard the ships due to Covid restrictions. Mrs Roberts explained that the audit of buoy yard processes and maintenance at sea documentation had been completed during 2019/2020 as planned. It was the physical observation of buoy maintenance processes at sea that had been deferred due to Covid restrictions. The audit has been reallocated to 2021-22.

## 8.2 FULLY INTEGRATED AUDIT PLAN

Noted.

## 8.3 TIMELINE

Noted.

## 9. DRAFT INTERNAL AUDIT PLAN 2021-22

Mrs Roberts introduced the draft Fully Integrated Audit Plan for 2021-22 which has been produced with the objective of reducing the impact of audits on everyday activities.

The areas for audit have been identified based on statutory requirements and risks faced by the organisation and recognising other assurances available.

The total number of audit days for Trinity House resourced audits is 64.5 days (of which 17.5 days are carried forward from 2020-21) compared with 69 days for 2020-21.

The number of GIAA audit days has increased from 50 to 57, enabling an increase in assignments from 6 to 8, with an increased focus on consultancy support and continuance of project support and risk-based assurance elements.

The Committee noted the report and approved the Fully Integrated Audit Plan 2021-22 at Annex B.

[Action: ARAC Secretary to add an update on progress against the plan to the July ARAC meeting agenda]

## 9.1 DRAFT FULLY INTEGRATED AUDIT PLAN 2021-22

Approved.

## 9.2 DRAFT GIAA AUDIT PLAN 2021-22

The Committee reviewed and noted the GIAA Trinity House Draft 2021-22 Audit Plan.

The ARAC Chair agreed to circulate Mr Baldwin's proposed approach to the Board Governance Review.

[Action: ARAC Chair to circulate Mr Baldwin's approach to the Board Governance Review]

## 10. REVIEW OF THE CURRENT STATE OF THE CORPORATE AND ORGANISATIONAL RISK REGISTERS

The ARAC Secretary presented his report on the current status of the Corporate and Organisational Risk Registers, including the Organisational Fraud and Bribery Risk Register, the Environmental Aspects and Impacts Register and Corporate Environmental Plan 2020-21 and a PESTLE (Political, Economic, Social, Technological, Legal and Environmental) horizon scanning exercise undertaken by risk register owners.

The Committee considered the PESTLE analysis to be valuable and asked for it to be repeated on an annual basis.

The Committee also reviewed the Corporate Risks Dashboard.

The Committee noted the contents of the report and approved the CRR for submission to the Lighthouse Board in May.

[Action: ARAC - Repeat the PESTLE analysis on an annual basis and bring to annual risk management and audit planning workshop]

[Action: ARAC Secretary - Submit CRR to Lighthouse Board in May]

### 10.1 CORPORATE RISK REGISTER

The Committee reviewed the CRR and resolved to discuss the nature of an environmentally focussed risk to be added to the CRR.

[Action: ARAC Chair - At July ARAC meeting discuss the nature of an Environmental Risk]

[Action: ARAC Chair - Review the Lighthouse Board's risk appetite at risk management and audit planning workshop in December]

## 10.2 CRR DASHBOARD

The Committee reviewed the CRR Dashboard. The Committee noted that the recruitment and retention risk has been downgraded. This decision was made by the Executive Committee because the organisation is generally not finding it difficult to recruit suitable candidates when jobs arise.

## 11. REVIEW OF ARAC EFFECTIVENESS 2020-21

The ARAC Secretary presented the annual review of the Committee's effectiveness.

The results from the questionnaire show that respondents believe that the Committee is operating effectively, in most areas significantly so.

The Committee noted the report.

The ARAC Secretary will draft a formal report on the Committee's effectiveness, work and performance during 2020-21 for agreement and submission to the Lighthouse Board. This report will support the Governance Statement and will include the ARAC's opinion about the comprehensiveness of assurances in meeting the needs of the Board and Chief Executive in his role as Accounting Officer.

[Action: ARAC Secretary to draft report on ARAC Effectiveness for the Lighthouse Board]

## 12. INTERNAL AUDIT CHARTER

Presented by Mrs Roberts.

Agreed.

[Action: Mrs Roberts to circulate Internal Audit Charter to Captain McNaught, Mrs Amos and Mr Baldwin for signature]

## 13. MANAGEMENT ASSURANCE RETURN 2020-21 (MAR)

Presented by Mrs Roberts.

The Committee reviewed the Management Assurance Return (MAR) which included input from Senior Managers and endorsement by the Executive Team.

The Committee requested for the answer given in respect of Line Manager Development to be upgraded to '*substantial*'.

The Committee approved the MAR.

[Action: Mrs Roberts to change Line Manager Development to '*substantial*' and submit MAR to DfT.]

#### 14. DATA PROTECTION – DPO UPDATE ON COMPLIANCE

The Committee noted the Data Protection Officer's update report on Data Protection Compliance.

#### 15. IT SECURITY AND COMPLIANCE DASHBOARD

Noted.

#### 16. GLF FINANCIAL STATEMENTS 2020-21 AUDIT PLANNING REPORT

Presented by NAO.

Areas of focus:

- Continued adoption of IFRS 16.
- Input of Brexit on Tri-GLA helicopter contract.
- Royal Sovereign decommissioning provision.
- Estate revaluation assumptions.
- Stock balances at Swansea and Harwich.

Interim Audit is due to commence week 21 March.

The Committee discussed preparations for the introduction of IFRS 17.

Report noted.

#### 17. DRAFT GOVERNANCE STATEMENT

Approved.

#### 18. FRAUD & BRIBERY RESPONSE PLAN

Noted.

##### 18.1 COUNTER FRAUD REPORT PLAN (Annex A)

Noted.

#### 19. BUDGET PRESENTATION 2021-22

Presented by Mr Damen and Commodore Dory.

Outlining significant assumptions and challenges including COVID, seasonality of work, PAKNET replacement, Brexit and helicopter operations challenges.

It will be a busy year. There is also a contingency list of works which will be done if there is an opportunity to do so.

The Committee discussed the difficulties inherent in predicting fuel costs and also discussed contingency planning and the agility of the approvals process.

There followed a discussion about the operational changes resulting from COVID homeworking and how permanent changes can be made for the better.

A discussion followed about timelines on delivery of stock due to suppliers being stretched. This is being closely monitored.

Staff cost and head count are as per the Corporate Plan. The Corporate Plan assured a CPI pay increase. This will now be a pay freeze due to Government policy.

The Committee requested Mr Damen to prepare a summary listing contingencies, cost improvements and other initiatives.

**[Action: Mr Damen to prepare a summary listing contingencies, cost improvements and other initiatives]**

In future, the Committee will discuss the budget for the year ahead prior to the Lighthouse Board.

The ARAC Secretary was asked to update the list of standing agenda items to ensure that the year-end accounts will be approved by the ARAC prior to the Lighthouse Board.

**[Action: ARAC Secretary to update the list of standing agenda times to ensure that the year-end accounts will be approved by the ARAC prior to the Lighthouse Board.]**

## 20. ANTI-MONEY LAUNDERING UPDATE

Update from Mr Damen.

Trinity House has received legal advice regarding the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017/SI No. 692*.

In summary the advice concurred with Trinity House's view that the regulations are *not* applicable to Trinity House.

In so doing the lawyers helpfully, scrutinised the relevance of Light Dues collection arrangements (this probably being the most significant financial instrument that was potentially in scope) together with more ancillary aspects relating to income derived from holiday lets, commercial work and other activities.

The advice signposted as to how Trinity House might opt to comply on a voluntary basis, although recognising that Trinity House's assessment of its exposure to money laundering risks is very low, and that to adopt such a regime would likely involve a not insignificant additional layer of compliance resource.

## **21. SOFTWARE LICENSING – AUDIT REPORT**

Ms Rai (GIAA) provided updates on progress with items 21-24.

The draft report for the Core Financial Controls Audit has been issued. The other three audits are at the fieldwork stage currently. Draft reports and exit meetings will be happening soon.

## **22. CYBER SECURITY AUDIT REPORT**

See above, 21.

## **23. CORE FINANCIAL AND COMMERCIAL CONTROLS AUDIT REPORT**

See above, 21.

## **24. PROGRAMME AND PROJECT MANAGEMENT AUDIT REPORT**

Fieldwork has gone well, no significant weaknesses have been identified and best practice from other areas of government will be identified.

The ARAC Chair expressed a desire to discuss progress with Mr Baldwin.

[Action: Mr Baldwin to speak to ARAC Chair about progress with audits]

## **25. REVIEW OF GIFTS AND HOSPITALITY REGISTERS**

The ARAC Secretary presented the registers for Trinity House for the period March 2020 to March 2021 and for GRAD going back to January 2018. The previous register for Trinity House going back 2 years was also



presented to give wider context. Due to the Covid-19 pandemic, hospitality received in 2020-21 has been almost nothing.

The Committee noted the registers, requested as in previous years that a reminder be sent to staff that they should declare any gifts in accordance with the Anti-Bribery Policy within the HR Policy and Procedure manual, and asked to receive updated registers in 12 months' time.

**[Action ARAC Secretary - issue reminder to staff that any gifts should be declared in accordance with the Anti-Bribery Policy]**

#### **26.REVIEW OF REGISTERS OF INTEREST FOR DIRECTORS, NEDS, SMT, AND COMMERCIAL AND PROCUREMENT TEAMS 2021-22**

Noted.

#### **27.REVIEW OF ARAC TERMS OF REFERENCE**

The Committee approved the updated Terms of Reference.

#### **28.MATTERS TO ESCALATE**

None.

#### **29.ANY OTHER BUSINESS**

None.

#### **30. DATE OF NEXT MEETING**

14 September 2021 at 1000

**[Action: ARAC Secretary to propose a date for a summer meeting of the Committee in July]**

**[Action: ARAC Secretary in liaison with Mr Damen and Mrs Roberts to identify the agenda items for the July meeting]**