MINUTES OF AUDIT AND RISK ASSURANCE COMMITTEE (ARAC) MEETING HELD IN TRINITY HOUSE LONDON ON 15 SEPTEMBER 2016

Present: Mrs E D Johnson (Chair)
                 Professor P Matthews
                 Mr D J Ring

In attendance: Captain I McNaught - Executive Chairman (EC)
                 Mr A Damen – Director of Business Services (DBS)
                 Mr T Le Mare – Head of Internal Audit
                 Mr N Banks – Internal Audit
                 Mrs R Roberts – Audit & Performance Manager (APM)
                 Mr J D Price – Legal & Risk Manager & Secretary (LRM)
                 Captain R H Barker – Director of Navigational Requirements
                 Commodore R Dorey – Director of Operations
                 Mr K Dace – IT Manager (for Item 10)
                 Mr G Race – IT Network Engineer (for Item 10)

1. Apologies
Apologies were received from Mr Blake of the NAO.

2. Declarations of Interest
There were no declarations of interest beyond those already declared in the Register of Interests.

3. Minutes of Meeting – 7 July 2016
Approved and signed.

4. Matters Arising
4.1 Arising from item 4.1, Mr Le Mare reported that he had still to set up more frequent meetings with EC. He would liaise with APM in terms of securing some suitable dates.   **[Action: Mr Le Mare/APM]**

4.2 Arising from item 7, Mr Le Mare reported that customer feedback on the IT Systems and User Management Audit had still to be sought. The outcome would be shared with APM.

5. Internal Audit Plan – Progress Report
APM presented the progress report on the 2016/17 Integrated Internal Audit Plan. Since submitting it, the Light Vessel Maintenance and Change Control audits had commenced. Scoping discussions on the Governance and Communications audit were still ongoing. It was hoped to use some of the time allocated for this audit for GIAA to undertake some assurance work on the Fleet Review Phase 2 Project Initiation Document, which the Fleet Review Project Management Working Group had asked be carried out as soon as possible.

APM also reported that the next ISO 9001 / ISO 14001 and OHSAS 18001 surveillance audit would take place at Swansea and Mumbles Lighthouse on 18 to 20 October. In addition, the ISM Code Safety Management Certificate, International Ship and Port Facility Security Code and Maritime Labour Convention renewal audit of THV ALERT was to take place on 26 and 27 September. Mr Le Mare confirmed that he took into account in forming his Annual Head of Internal Audit Opinion the outcome of all work carried out under the Integrated Internal Audit Plan.

6. **Report on Outstanding Audit Recommendations**
   APM presented her report on Outstanding Audit Recommendations. One low priority finding remained open from the Business Continuity audit in that the Buoy Yard Team Member with facilities management responsibilities through the Engineering and Operations Manager had still to be involved in a business continuity exercise. This would be addressed at the next exercise in the autumn. Four of the non-conformities arising from the OP.57 Safety Management Audit of THV PATRICIA had been closed out that week. The Committee noted the position.

   EC added that TH was to participate in an emergency exercise involving third party agencies including SOSREP in the autumn.

7. **GLF Accounts – Update on Issues**
   DBS reported that the work on the GLF Accounts was behind the original schedule due to a delay in the production of the NLB Accounts, which had now been finalised. Consolidation of the accounts of the three GLAs would now take place.

8. **Gifts and Hospitality Register**
   DBS presented the Gifts and Hospitality Register. In noting the Register the Committee agreed that the policy on gifts and hospitality should be amended to state that gifts of cash should not be accepted under any circumstances. The Register should continue to be resubmitted annually.
   [Action: DBS]

9. **Register of Interests**
   The Committee noted the Register of Interests, which covered those of Board Members, Senior Managers and Commercial Department staff. The Register should continue to be resubmitted annually.   **[Action: LRM]**

10. **Report on IT Security & Presentation from IT Network Engineer**
    DBS introduced Mr Dace, IT Manager, and Mr Race, IT Network Engineer. He then set out the purpose of the paper and presentation which was to provide an update on TH's annual penetration testing and cyber security risks; the current position in terms of network security; and the approach to be adopted going forward.

    Mr Race opened the presentation by explaining that network or cyber security was the protection of information systems from theft or damage to the hardware, software and the data on them as well as disruption of the services they provided. The cyber threat landscape was ever evolving. TH's aim was to ensure that evolving threats did not disrupt or adversely affect TH. This was done using a multiple layer approach to its network security which he then described. He also set out the security arrangements for the different applications and systems used by TH. Some were managed on a tri-GLA basis. Overall, TH considered that its existing security arrangements were on a par or more robust than those of many other organisations of similar size.

    In terms of the use of TH IT equipment for personal use, Mr Dace confirmed that limited use was permitted as part of TH's commitment towards a work life balance. IT Security in terms of corporate credit cards and banking in general was handled by the TH bank backed up by checks made by TH.

    Captain Barker added that in terms of electronic aids to navigation, TH did not have full control of their operation. TH was therefore cautious about their deployment and

the reliance which the mariner should place on them. Furthermore, hackers could aim to influence the operation of ships themselves by remotely influencing operational engine performance. Mr Dace added that R&RNAV did undertake work on radio-based solutions in terms of aids to navigation vulnerabilities. Mr Race confirmed that many of the attacks were opportunistic looking for vulnerabilities in the system generally. Such attempts were logged by the software used by TH, which enabled such events to be analysed. Such work was resource intensive. Captain Barker supported this view adding that the resourcing required could not be under-estimated.

DBS concluded that IT Security required continuous investment and more IT resource would be provided to enable an increased proactive approach to IT security. The recent penetration testing had flagged a few issues in terms of the tri-GLA DGPS arrangements and the ships and were being addressed. Amongst other things there would be closer working with those responsible for those systems to provide assurance in terms of the overall security environment.

Mrs Johnson thanked DBS and his team for a very informative presentation.

11. Report on IT Systems and User Management

Mr Le Mare presented GIAA's audit report on the Review IT Resilience, User and Rights Management. The objective had been to provide assurance on the adequacy and effectiveness of controls over TH's IT disaster recovery including the centralised monitoring and control system (CMCS) and user and rights management on key systems. The audit had resulted in an overall rating of 'moderate'. Four low priority findings had been identified relating to IT and CMCS Service Level Agreements; reserve power infrastructure; IT monitoring; and documentation and alignment with best practice. In addition it had been noted internally that three IT user accounts had full access rights to the finance system and could amend information. TH had however put new internal controls in place, the design of which his team believed to be satisfactory. No issue had therefore been raised. However, it was recommended that their effectiveness be tested by Internal Audit before the end of the financial year. Based on the results and follow up, Mr Le Mare would reflect again on the overall audit opinion before issuing his Head of Internal Audit Opinion for the year.

DBS added that in the circumstances he believed the rating to be harsh and not an accurate reflection of the systems in place. Overall, the audit had provided limited value to Management. The recommendations would be reviewed but they would not all necessarily be implemented. The Committee noted the position accordingly.

12. Fraud & Bribery Response Plan

DBS presented the revised Fraud and Bribery Response Plan, which was based on the DfT model and which had been updated. The Committee approved the Plan accordingly. **[Action: DBS]**

13. Review of Risk Register

LRM reported on the outcome of the latest review of the Corporate Risk Register (CRR) and the Organisational Risk Register (ORR) beneath it. The risk of an adverse outcome to the Fleet Review remained the most significant risk but was being tightly managed and remained stable. The main change was the SVS recruitment and retention risk which had fallen reflecting inter alia the fact that turnover rates had lowered. The risks associated with MyCSP had also fallen a little due to some improvement in the service provided. The main issues in terms of the ORR were as described in the report. The Committee noted the report and the current issues in

terms of Brexit and agreed the CRR for submission to the Board.
[Action: LRM]

14. Any Other Business
None.

15. Date of Next Meeting
It was agreed that the next meeting would be held in Trinity House London on 15 December 2016 commencing at 1000.