



TRINITY HOUSE

Minutes of Trinity House Audit and Risk Assurance Committee – 14 September 2022

Present:

Dr Margaret Amos (NED) (ARAC Chair) (Via remote media)

Mr Alan Moore (NED)

Mrs Valerie Owen (NED)

Vice Admiral Sir Alan Massey (Lighthouse Board Chair)

In attendance:

Captain Ian McNaught (Chief Executive/ Accounting Officer)

Mr Ton Damen (Director of Business Services)

Mrs Rebecca Roberts (Audit and Performance Manager)

Mr James Baldwin (GIAA) (HIA)

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

Ms Lisa Gilmour (DfT)

Mr Matt Paramor (NAO) (Via remote media)

Mr Marc Chang (NAO) (Via remote media)

Ms Sarah Ché (NAO) (Via remote media)

PRELUDE

1. Apologies

None.

2. Declarations of Interest

None.

3. Minutes of ARAC - 8th March 2022

Approved.

4. Log of Actions

All outstanding actions are covered in the agenda.

AUDIT

5. Light Dues ALDIS System and Pensions Compliance Management Letter

GIAA report noted.

The current supplier of this bespoke system is believed to be content to continue. The risk of losing the supplier is being managed.

6. Cyber Security User Awareness Audit Report

The GIAA has awarded a '*Moderate*' opinion and in doing so noted that the creation of the Cyber Security Steering Group was a positive step.

Cyber awareness training progress will be added to the Cyber Dashboard.

7. Report on Outstanding Audit Recommendations

Mrs Roberts reported on progress with audit recommendations since the last meeting of the Committee in March including the following:

- Internal Communications – to be decoupled from the TH2040 project. TH will need to formally consult with the affected staff members again due to the time elapsed.
- Core Financial and Commercial Controls (2019/2020) – The supplier has done some bespoke work to provide TH with the tools to do the monthly review of lines of approval. Not yet implemented due to resource issues.
- Programme & Project Management – follow-up audit postponed to Quarter 4.
- Governance – a summary of Board accountabilities and interactions has been created and uploaded to the Lighthouse Board Directors' Handbook and a new agenda format agreed which closes out the medium and one of the high level findings. The review of the boundaries of responsibility for and /or support to the role of Board Secretary / Head of Legal and Risk remains outstanding.
- Risk Management consultancy – see agenda item 19.
- KPI consultancy – see agenda item 20.
- Light Dues ALDIS System review – no progress on development of an ALDIS business case due to a stalled procurement exercise which has been unable to find a new software support contractor.
- Cyber Security User Awareness – both medium findings complete. A new training campaign has been set up and rolled-out to all staff. Progress on this training will be monitored and reported to the ARAC.

7.1 Annex 1 - Schedule of Open NCNs and Overdue PINs

The Committee asked how the risks associated with the ALDIS system are being managed. Mr Damen said the aim was to keep the current system running and in time to go to the market.

[Action: Mr Damen will report back to Lighthouse Board on the detailed ALDIS risk management plan]

8. HIA Annual Opinion and Report

Mr Baldwin reported that GIAA has awarded a '*Substantial*' opinion.

The number of assignments gave GIAA significant added comfort.

Mr Baldwin praised the excellent support by the Audit and Performance Manager.

9. GIAA ARAC Report Supplement August 2022

Mr Baldwin presented a paper for noting.

Ms Gilmour clarified that a common-sense approach will be adopted in respect of the Functional Standards, this will be reflected in the new Framework Document. Where an entity has alternative measures in place which meet the same standard it will not be expected to duplicate by reporting against the Functional Standards. The principle of "*comply or explain*" will apply.

10. Internal Audit Risk Appetite

The Committee received a report on Risk Appetite.

The Committee noted that of the majority of Corporate Risks on the CRR are increasing so the overall trend is towards more risk. This is seemingly at odds with the Risk Appetites described in the paper which are actually quite low.

The Committee discussed the reasons for this and the fact that as risk appetite escalates the mitigation actions put in place by the organisation will increase. The risk appetite drives how much mitigation the organisation wants to put in place or is able to put in place.

11. Internal Audit Plan 2022-23 Progress Report

Noted.

12.1 [Annex A](#)

Noted.

12.2 [Annex B Fully Integrated Audit Plan 2022-23](#)

Noted.

12.3 [Annex C Timeline](#)

Noted.

12. NAO Audit Report - Progress on GLF Financial Statements Audits 2021-22

Presented by Mr Chang.

Materiality levels have been kept constant with previous years.

With regard to the risks for the GLF as a whole, the Inventory risk has reduced as in-person stock taking has resumed post Covid.

A discussion followed on Management Override of Controls, and the rare circumstances in which it could occur.

Since the report was issued the IFRS and Royal Sovereign audits have concluded.

The GLF Report and Accounts is due to be signed off by Parliament in October.

Also mentioned: -

- Staffing for TH
- PPE and quinquennial estates valuation and the Depreciated Replacement Cost method of valuation used for operational lighthouses.

Report noted.

INTERNAL CONTROL

13. Review of Risk Registers

14.1 Corporate Risk Register and Dashboard

Report noted.

Royal Sovereign risk has increased.

The Committee noted how the recruitment/retention risk runs through a great many other risks and discussed whether the way it was being addressed was likely to work, given the impact that it has on so many other risks. Capt. McNaught described the measures which have been put in place to address the risk.

Mr Moore asked whether it would help to prioritise risks/projects as a further mitigation. Prioritisation will also become necessary during times of budgetary challenge. The ARAC agreed that in the Corporate Plan these things would need to be prioritised.

14. DPO's Update on TH Data Protection Compliance

The Committee noted that most Freedom of Information (FoI) requests that are received - typically by email (with many now generated by online engine) - continue to be of a speculative nature, relating to aspects that do not directly relate to TH's statutory duties or activities as a GLA. As such, whilst TH continues to take action to identify, log and, where appropriate, respond to requests citing FoI the intention is that TH will consider (subject to Board approval) amending the statement on its website as regards complying with the *spirit* of the legislation. This statement is believed to encourage speculative enquiries and this consequence was not envisaged when the legislation was first enacted almost 22 years ago. In practice, complying with the spirit of the statute would effectively now require TH to put in place the same level of management and information governance resources as if it were directly subject to the legislation.

The Committee accepted the recommendation relating to Freedom of Information Requests above which was also endorsed by the DfT.

[Action: ARAC Secretary – Recommend action in respect of FoI to Lighthouse Board]

15. Data Protection Dashboard

Noted.

16. Management System Annual Review Report

Noted.

17. IT Security and Compliance Dashboard

Noted with approval.

18. Risk Management Review follow up

Noted.

19. KPI Review Follow up

Presented by Mr Damen.

Mr Damen said questions remain about precisely what the Board needs to know to help it to get the assurance it requires.

Noted.

ARAC GOVERNANCE

20. Environmental, Social, Governance

The Committee agreed that in future ESG will be handled by the Nominations-Governance Committee so does not need to appear on the ARAC agendas as a standing item.

21. Draft Annual Report and Accounts (ARA)

Mr. Damen advised that the ARA is in production.

Noted.

22. Fraud, Bribery Whistleblowing

None.

23. Matters to Escalate to Lighthouse Board

- Risk
- Health and Safety Resourcing

[Action: ARAC Secretary – Add Risk, Health and Safety Resourcing to the Lighthouse Board agenda for discussion]

24. Any Other Matters

None.

25. Date of the next meeting

7th December 2022 at 10.00.