



TRINITY HOUSE

Minutes of Trinity House Audit and Risk Assurance Committee – 22 March 2024

Present:

Curtis Juman (ARAC Chair) (CJ)

Valerie Owen (NED) (VO)

Alan Moore (NED) (AM) (via Webex)

Lance Batchelor (Lighthouse Board Chair) (LB) (Items 1-3.6) (via Webex)

In attendance:

Rear Admiral Iain Lower (Chief Executive/ Accounting Officer) (IL)

Ton Damen (Director of Business Services) (TD)

Rebecca Roberts (Audit & Performance Manager) (RR)

John Kanés (GIAA) (Trinity House Head of Internal Audit) (JK)

Lisa Gilmour (Head of Maritime Sponsorship & Appointments, Maritime PRSS Division, Department for Transport) (via Webex) (LG)

Jessica Willan (Head of Safety and Environment) (JW)

Marc Chang (NAO Audit Manager) (via Webex) (MC)

Thomas Arculus (Head of Legal and Estates) (ARAC Secretary) (TA)

1. WELCOME

CJ introduced himself as the new ARAC Chair and welcomed those present to the meeting.

1.1 Apologies

None.

1.2 Declarations of Interest

None.

1.3 Minutes of ARAC – 7th December 2023

Approved and signed.

1.4 Log of Actions

Noted.

1.5 Matters Arising

CJ enquired about progress on the Aldis improvements. TD responded that good progress had been made.

2. AUDIT

2.1 Report on Outstanding Audit Recommendations

RR presented the report.

Progress on the GIAA internal audit reports / management letters considered by the ARAC is as follows:

Core Financial and Commercial Controls (2019/2020) – the Financial Controller is currently midway through implementing this and hopes to have the process set up by 31 March 2024.

Light Dues ALDIS System – work on this continues. The Supplier has committed to delivery before 31 March 2024.

Royal Sovereign Decommissioning – a project specific lessons learned log has been created for Royal Sovereign and lessons learned meetings completed (low level finding). The publication of the next stage plan is pending finalisation by the contractor of their approach to Phase 2 (medium level finding).

Vessel Replacement Project – the proposed draft governance arrangements for the new vessel replacement programme were approved by the Executive Committee at their March 2024 meeting and these are now pending Board approval.

Cyber Security - GIAA completed a follow up review in quarter 4 (January to March 2024) to evaluate the effectiveness of the implemented actions. The fieldwork is complete, and the draft report is currently being prepared.

Counter Fraud Review – suggested improvement areas were considered as part of the annual counter fraud assessment (see separate agenda item). Counter Fraud Strategy and Fraud & Bribery Risk Register have been updated. The few improvement areas which remain open have been included on the action plan arising from the counter fraud assessment.

Programme & Project Management (PPM) Follow Up – a joint report by the Head of Planning & Commercial and the Portfolio Coordination Manager on progress against the three outstanding actions was provided to the Board meeting in January 2024.

The ISO 9001 / 14001 and 45001 renewal audit in December 2023 identified four minor non-conformities relating to PAT testing records, ladder inspections and risk assessments.

Attached for noting, was the schedule of open NCNs and overdue PINs from the TH Management Systems Quality Audit programme and the summary by Directorate.

JK reported positive progress on the Cyber Security Audit.

A question was raised in relation to the PPM Audit and whether the audit adequately addressed the issue of persistent underspending against budgeting.

TD confirmed that this issue was not specifically within the audit scope.

The ARAC agreed that this should be included in the scope of a follow-up audit.

[Action: JK to include the issue of persistent underspending in the scope of a follow up to the PPM Audit]

2.2 Internal Audit Plan 2023-24 Progress Report

The 2023/2024 Fully Integrated Audit Plan is close to being delivered.

The status of internal audits not yet fully completed is as follows:

- 20 Year Asset Plan (TH) – fieldwork complete. Draft audit report in progress.
- Time On / Time Off Process (TH) – fieldwork complete. Draft audit report in progress.
- ISM Code Safety Ashore (TH) – now complete. Final report was issued following the closing meeting held on 19 March 2024.
- Facilities Management (TH) – work has only recently been completed at Swansea to address the previous inspection findings. Therefore, audit to be carried forward to 2024/2025;
- Control of Contractors (TH) – review of IT contractors pending;
- Cyber Security CCMS Follow-up (GIAA) – fieldwork complete and draft report being prepared; and
- THV Patricia Reliability Monitoring and Mitigation (GIAA) – fieldwork complete and draft report pending issue.
- The Sustainability Audit scope was cancelled due to timing in view of the recent recruitment of the Environment and Sustainability Lead.

JK reported that the Cyber Security follow up report would be a positive outcome, the Patricia reliability report would be a less positive outcome, but this was to be expected.

2.2.1 Internal audit plan 2023-24 Progress Report Annex A

Noted.

2.2.2 Fully integrated audit plan 2023-24 Annex B

Noted.

2.2.3 Timeline Annex C

Noted.

CJ asked for names to be put in papers in future rather than titles.

[Action: All, use personal names rather than job titles in ARAC papers in future where appropriate]

2.3 Draft GIAA audit plan 2024-25

The ARAC resolved that subject to CEC's decision the CFM Audit will be the preferred choice ahead of an assurance mapping audit.

[Action: Mr Kanes to note and act upon the decision of the CEC that the CFM audit should be the preferred choice ahead of an assurance mapping audit.]

The ARAC noted that this is a balanced plan focussed on areas which the organisation knows it needs to improve upon.

CJ requested JK to add a line on Business Continuity Planning and to add an Audit on enterprise risk management both as indicative long-range audits.

[Action: JK to add a line on Business Continuity Planning and to add an Audit on enterprise risk management both as indicative long-range audits]

The ARAC discussed opportunities to audit vessel reliability which is the key risk facing the organisation in the short term.

The ARAC resolved to ask TD to set out the timeline for controls to be in place and to return with a paper to the next ARAC setting out mitigations, timelines, and ownership, in order to ask the ARAC to consider further treatment of this risk.

[Action: Mr Damen to set out the timeline for controls to be in place in relation to recommendations from the vessel reliability audit]

The ARAC approved the audit plan noting that it would necessarily change during the year.

2.4 Internal audit plan (draft) 2024-25 including Annex A

Introduced by RR.

Approved.

2.5 Draft fully integrated audit plan – Annex B

Introduced by RR.

Approved.

AM questioned the audit of the SLA with TSL and recommended that the entire relationship with TSL needed to be looked at.

CJ declared an interest as a TSL Board member and advised that a fundamental review of the TH-TSL relationship was ongoing at present.

The review will consider the prioritisation of GLA resources above a commercial income stream.

2.6 Internal Audit Charter

Approved for signature.

[Action: IL/CJ/JK to sign internal audit charter]

2.7 Memorandum of Understanding for Provision of Internal Audit Services

Noted and approved.

[Action: TD/JK to sign MOU]

2.8 Fee Letter

Approved.

[Action: TH to sign fee letter]

2.9 GLF Financial Statements 2023-24 Audit Planning Report

Override of Internal controls is a key area of focus.

Materiality levels are for the combined GLAs but are applied to individual GLAs.

TD flagged that timing of the audit last year was an issue and caused problems for the corporate planning round. MC confirmed that lessons had been learnt and would be addressed.

Approved.

3. INTERNAL CONTROL

3.1 Review of Risk Registers

3.1.1 Corporate Risk Register

Noted.

3.1.2 CRR Dashboard

TD explained that the registers are regularly reviewed and reflect the risks faced by the organisation adequately. The Corporate, Organisational, Departmental, Fraud & Bribery Risk Registers are reviewed every quarter.

IL explained ongoing work in the organisation to improve risk management, risk capture and reporting within the organisation.

IL confirmed that climate change and environmental risks in Harwich and Swansea were being focused on and may need to be elevated to the CRR. He was content with all of the others being on the CRR.

The ARAC requested consideration be given to the weighting of the vessel availability risk which the ARAC considered has been underweighted.

IL noted that the Industrial Action risk should be reviewed because there are indications that the risk is increasing and not just in relation to the SVS.

[Action: TD to review the industrial action risk]

The ARAC noted the report and recorded its thanks to the Risk Department for a comprehensive risk deck.

In relation to the GNSS Risk CJ offered to put TD in contact with the relevant director at Ofcom.

[Action: CJ to put TD in contact with relevant Ofcom director]

3.2 Key Financial and Commercial Controls Audit Report (GIAA)

JK reported that the audit report awarded a *substantial* assurance rating.

The ARAC noted the report and asked the minutes to record the Committee's thanks to Trinity House Finance Team.

3.2 Review of Management Assurance Return

The completed Management Assurance Return for 2023/2024 had been circulated by email separately due to its large size.

The draft Return was shared at the IGC forum in Edinburgh. Benchmarking was undertaken between the three GLAs in respect of the current levels of self-assessment with discussion around the degree of assurance and evidence provided.

The Management Assurance Return was submitted to the March 2024 Executive Committee meeting for endorsement prior to formal approval by the ARAC.

The categories which scored '*moderate*' rather than '*substantial*' are:

- Tier 2 & 3 Project Delivery
- Health & Safety
- Cyber Security of Third Party Suppliers
- Knowledge and Information Management

The deadline for submission of the Management Assurance Return to the DfT is 31 March 2024.

The ARAC noted the '*moderate*' in relation to H&S which related to the major incident (emergency doors on Galatea) last year and looked for assurance that lessons had been learnt and action was in hand. JW confirmed that this was the case. The ARAC agreed that '*moderate*' was an accurate assessment for H&S.

The ARAC approved the MAR for submission to DfT.

[Action: RR to submit MAR]

3.3 DPO Update on TH Data Protection Compliance

The ARAC received the overview of TH's compliance with data protection legislation, legal developments on data protection matters, Freedom of Information Act and Environmental Information Regulation aspects.

Topics covered included:-

- Summary of Subject Access, Freedom of Information and Environmental Information Requests.
- Reports arising from the tri-GLA DPO Forum.
- Data breach incidents (TH related and third party)
- New Deputy DPO
- Dashboard report illustrating Data Protection compliance and risk position.

Report noted.

3.3.1.1 DP Dashboard

'J' – The ARAC looked for confirmation that risk 'J' (data minimisation) was being addressed.

TA confirmed that the Data Protection Steering Group was actively working to address it.

3.4 Draft Governance Statement

The ARAC reviewed the draft Governance Statement for 2023/2024 for inclusion in the annual report and accounts.

The Governance Statement follows the format of previous years' Statements.

Key changes reflect the changes to the composition of the Board during 2023/2024 and the changes to the risk profile.

Various details will be updated once the Head of Internal Audit's annual opinion for 2023/2024 is received.

The CJ requested the team check the references to the Orange Book and delegation letter and requested that the risks section should be streamlined to just record strategic risks.

[Action: RR/TA check references to Orange Book and Delegation Letter in Governance Statement]

Approved subject to these comments.

3.5 Annual Fraud Report and Performance against CIPFA including Review of Counter Fraud Strategy

TH noted there had been one incident of whistleblowing /fraud which was being dealt with at supplier level.

CJ said it was reassuring that this work was being done.

The ARAC noted that the risk of data fraud needed to be adequately captured.

[Action: TD to consider how this could be achieved]

Approved, subject to the action above.

3.6 IT Security and Compliance Dashboard

The ARAC periodically reviews a security and compliance dashboard covering performance, attacks/exposure and compliance/ability to recover. The dashboard is RAG rated and short-term trends are shown against the previous month's reporting period.

Report noted.

[Action: TD was asked to restructure report considering the headings in the National Cyber Security Centre Board Report.]

3.8 IT Security and Compliance Dashboard

3.8.1 Gifts and hospitality register for TH

Noted.

3.8.2 Gifts and hospitality register for GRAD

Noted.

The ARAC felt that the importance of recording hospitality offered needed to be reinforced to staff.

[Action: TA reinforce to staff the importance of recording hospitality.]

3.9 Review of Register of Interests

3.9.1 Register of Board Members', Senior Managers', Procurement and Commercial Team's Interests

Noted.

[Action: TA to add a line on the top of the register to ensure that people know that the registers relate to their roles on LHB, Court, TSL etc]

4. ARAC GOVERNANCE

4.1 Annual Review of ARAC Terms of Reference

Approved.

4.2 Review ARA Committee Effectiveness (deferred)

The ARAC agreed that the review would be deferred until July in view of the new members of the Board and ARAC.

Approved.

4.3 GIAA Briefing Pack – New Global Internal Audit Standards

Noted.

4.4 ARAC Supplement (February 2024)

Noted.

4.5 Matters to Escalate

None.

4.6 Any Other Business

LG was asked to give an update on the Pay Business Case.

She is awaiting full feedback from the Cabinet Office.

Cabinet Office (CO) has queried year 2 assumptions and had some questions on the competency framework.

However, on the positive side, HM Treasury has given positive soundings on the Business Case.

More work is required.

TH stands ready to provide as much assistance to CO as required.

The delay is creating an increased risk of industrial action.

4.7 Date of the next Meeting

Wednesday 3rd July at 0930.

[Action: TA to change start time from 0900 to 0930]