



TRINITY HOUSE

## **Minutes of Trinity House ARAC – 13 March 2025**

### **Present:**

Curtis Juman (ARAC Chair) (CJ)

Captain Lance Batchelor (LHB Chair) (LB) by Webex

Valerie Owen (NED) (VO) by Webex

### **In attendance:**

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

Captain Andy Holt (Director of Operations) (AH)

Barry Nunn (Head of Finance & Risk) (BN)

John Kanes (Head of Internal Audit; (GIAA) (JK) by Webex

Alex MacNab (NAO) (AMac) by Webex

Rachel Farnsworth (NAO) (RF) by Webex

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

Rebecca Roberts (Audit & Performance Manager) (RR)

Jessica Willan (Head of Safety & Environment) (JW) Items 1-3.4

## **1. PRELIMINARIES**

### **1.1 Apologies**

Alan Moore (NED) (AM)

Ton Damen (Director of Business Services) (TD)

### **1.2 Declarations of Interest**

CJ declared that he is a member of CIPFA.

### **1.3 Minutes of ARAC Meeting 16 December 2024**

Approved as an accurate record.

## 1.4 Log of Actions

No2 - Executive Committee has work in hand including a workshop with the SMT in July to consider whether there may be areas in which the Board may want to take more risk.

**[Action: ARAC Secretary to invite the Lighthouse Board to consider whether there are areas in which it may want to take more risk]**

No4 – PPAC to provide an update to the ARAC on its work should ARAC require reassurance. PPAC should look at the outcomes and whether the direction of travel is positive.

No8 – Digital First Strategy

- This is work in progress. A Pipeline has been developed and implementation has commenced.
- Ongoing monitoring of technological developments.
- Consultation with DfT will take place where it is felt it can add value.

## 2. AUDIT

### 2.1 Report on Outstanding Audit Recommendations

The Committee received a report on progress with regard to implementation of the audit issues arising from the Government Internal Audit Agency (GIAA) internal audits, Trinity House (TH) Management System audits and Third-Party certification audits.

In respect of progress against the two actions that remain open from the Programme & Project Management follow up audit, work has continued to both finalise the approval process and develop the Project Categorisation tool.

The recommendations from the Cyber Security Design audit will be addressed once the cyber resource is recruited.

The key financial controls audit raised three low level findings, of which two are complete.

The two minor non-conformities from THV Alert's ISM Code / SMS / ISPS / MLC intermediate verification audit, to which the MCA provided a 3-month extension for addressing these, have both been completed and subsequently closed-out by the MCA. The other two minor non-conformities had already been addressed and closed-out in accordance with the original deadline of November 2024.

THV Patricia's ISM Code SMS / ISPS / MLC intermediate verification audit in February 2025 raised one minor non-conformity.

### 2.2 Internal Audit Plan 2024-25 Progress Report

The Committee received an update on the current year's internal audit plan which is coming to a close.

The new Auditor Lead is now in post to provide an additional resource to complete the outstanding audits.

The requirement for the Control of Contractors audit has been superseded by the gap analysis in terms of the Building Safety Act and TH's processes.

The Buoy Maintenance audit was deferred from December 2024 due to competing priorities of THV Galatea. The audit has been carried forward to the 2025/2026 audit plan.

The GIAA Counter Fraud & Investigation Team has been engaged to complete a review of purchase and travel card expenditures. This review is underway.

THV Patricia's ISM Code SMC / ISPS / MLC Intermediate Verification audit took place on 10 February 2025.

The NAO Interim Audit is scheduled to take place during the week commencing 24 March 2025.

The Committee noted the moderate opinion on the Key Financial and Commercial Controls audit noting the two out of three actions relating to the ALDIS system. BN explained actions which had been taken to address these risks. The Committee discussed the moderate rating and understood that this was borderline.

CJ asked the ExCo via the IT team to check that administration access rights have been revoked for anyone who has left TH employment.

**[Action: BN– Check that only current employees have administration access to TH IT systems.]**

### **2.3 Draft GIAA Internal Audit Plan 2025-26**

JK reported that the report on the one remaining audit from the current year's plan, Futures Afloat, will be very positive and will be published shortly. The Committee noted with approval the good work being done by the Futures Afloat team.

GIAA proposes a significant increase in fees next year due to an increase in day rates (which, JK confirmed, were competitive) and the number of audits planned. JK asked for the ARAC to give him guidance on the effect of this on audit planning. CJ noted that the risk environment has not changed much, nor has the size of the organisation so the increase in audit days will need to be justified. JK said that he was open to discussing it.

CJ proposed reviewing TH's key risks and proposed for JK to devise a plan for circa 55 days plus 5 days management time for the year, such plan would include all the essential cyclical audits.

**[Action: JK to return to ARAC with a proposal for a 60 day dynamic audit plan (some flexibility allowed) based on key corporate risks]**

In reply to a question from VO, JK confirmed that TH is not legally required to use GIAA but it is the normal practice for ALBs to use GIAA.

CJ proposed, next year, doing a benchmarking exercise on fees ahead of the 2026-27 plan.

**[Action: BN to conduct a benchmarking exercise on fees ahead of the 2026-27 internal audit plan]**

JK also confirmed that the Aviation Services Project would be audited under the NLB audit plan.

#### **2.4 Internal Audit Plan (draft) 2025-26**

The 2025-26 Internal Audit Plan had been reviewed by the Executive Committee (ExCo) the preceding day and the ExCo had recommended it to the ARAC for approval.

The ARAC duly approved the plan.

#### **2.5 Draft fully integrated audit plan - Appendix 1**

Noted/approved.

#### **2.6 Internal Audit Charter**

JK confirmed that the Internal Audit Charter had been updated to bring it in line with the new Global Internal Audit standards.

The Internal Audit Charter was approved by the ARAC.

#### **2.7 Memorandum of Understanding for Provision of Internal Audit Services**

Approved.

#### **2.8 Fee Letter**

Discussed above, under 2.3.

#### **2.9 GLF Financial Statements 2024-25 Audit Planning Report**

RF highlighted Management Override of Controls as a key area of focus. Other key focus areas would be Futures Afloat, PPE and Inventory Valuations. NAO does not have any specific concerns at this stage.

RF advised that the materiality thresholds are based on Assets but there is a separate materiality based on Cash and the total value of Light Dues receipts.

The Committee discussed Material misstatement. The Committee did not feel that TH was exposed to particular risks in this regard.

CJ requested for sign-off by NAO to be achieved with more alacrity next year.

### **3 INTERNAL CONTROL**

#### **3.1 Review of Risk Registers**

##### **3.1.1 Corporate Risk Register**

The Committee received a report on the current status of the Corporate Risk Register.

The risk trend for the impact of Recruitment and Retention in key posts (SQEP - Sufficient, Qualified, Experienced, People) risk remains very high and on an increasing trend, due to TH vessels being unable to sail recently and challenges in keeping sufficient crew available on the rota.

The risk trend for the impact of Health & Safety risk has reduced to level in light of recent H&S initiatives which have been implemented to increase awareness of H&S issues across the Service in response to several incidents early this year which (but for the vagaries of fortune) could have caused significant injuries to the staff involved.

The risk trend for the impact of geopolitical turmoil causing disruption to supply chain has increased to a high probability in light of concerns with regard to ongoing armed conflicts and the recent increase in the probability of trade tariffs being imposed which could impact on THs ability to procure all the supplies required to conduct all operational duties.

The risk trend for the emerging risk, Operational Estate – St Just, is showing a reducing trend due to the new 12 month extension to the current lease agreement but will need to be monitored closely.

### **3.1.2 CRR Dashboard**

Noted.

CJ requested the Risk team to look at the possible effects of a trade war and tariffs on key suppliers.

**[Action: BN – Review the possible effects of a trade war and tariffs on key suppliers]**

CJ asked about the effect of geopolitical events on TH's ability to recruit and retain seafarers. AH explained ongoing work to ensure the vessels are properly manned.

The Committee discussed the potentially increasing risk of conflicts of interest amongst the Court as a result of some large contracts being on the horizon. IL confirmed that a register of interests has been introduced for the Court and explained the other measures being taken to bolster Court governance.

### **3.2 Key Financial Controls Audit Report**

Discussed above under 2.2 in relation to ALDIS.

### **3.3 Review of Management Assurance Return (MAR)– Appendix 1, Appendix 2**

The MAR 2024-25 was presented to the Committee for approval.

The MAR was submitted to the Executive Committee on 12 March 2025 for endorsement.

Out of the forty categories applicable to TH, twenty-seven scored substantial, twelve scored moderate and one limited.

The Committee approved the MAR for submission to DfT before 31 March 2025.

### **3.4 DPO Update on TH Data Protection Compliance**

The Committee received a report from the Data Protection Officer to provide a summary on (i) TH's compliance with data protection legislation and (ii) significant legal developments on data protection matters of importance to TH.

A dashboard illustrating the current status of GDPR / Data Protection compliance activity and significant Data Protection risks was also attached.

CJ requested the DP team to be ready in case a parliamentary question is received about the DP aspects of the Futures Afloat project.

Report noted.

### **3.5 Draft Governance Statement**

The Draft Governance Statement which will appear on the Annual Report and Accounts for the year ended 31 March 2025 was presented to the Committee for review. The Statement will be subject to editing and re-formatting in accordance with modern presentational best practice.

### **3.6 Annual Fraud Report and Performance Against CIPFA/Review of Counter Fraud Strategy including Appendix 2 & 3**

The Committee was provided with a report giving an overview of the TH Counter Fraud Strategy and an assessment of performance against the Chartered Institute of Public Finance and Accounting (CIPFA) Counter Fraud Code.

The Committee noted the work undertaken and the good scores.

The Committee approved the Counter Fraud Strategy and the 15 actions.

### **3.7 IT Security and Compliance Dashboard**

Noted.

CJ requested the 'Microsoft Secure' score to be displayed in future and also recommended a refresh of the scorecard to ensure it meets presentational best practice. CJ recommended the IT team to engage with the DfT cyber team to understand the latest best practice.

### **3.8 Gifts and Hospitality Registers**

#### **3.8.1 Gifts and hospitality register for TH**

Noted.

#### **3.8.2 Gifts and hospitality register for GRAD**

Noted.

### **3.9 Review of Registers of Interests**

Noted.

## **4. ARAC GOVERNANCE**

### **4.1 Annual Review of ARAC Terms of Reference**

The ARAC Terms of Reference had been updated to reflect the model Terms of Reference in HM Treasury Audit and Risk Assurance Committee Handbook.

Proposed updates were considered and endorsed for onward transmission to the Lighthouse Board for approval.

#### **4.2 Review of ARAC Effectiveness**

Committee members were invited to complete the questionnaire on ARAC Effectiveness which had been circulated to them in advance of the meeting.

NAO and GIAA were also asked to provide observations on the conduct of meetings.

**[Action: NAO and GIAA to provide observations to the ARAC Chair on the conduct of ARAC meetings]**

#### **4.3 GIAA Cross Government Insights Report Summary – Supplier Resilience**

Noted.

#### **4.4 GIAA Cross Government Insights Report – Supplier Resilience**

Noted.

#### **4.5 Matters to escalate**

Nil.

#### **4.6 AOB**

The Committee invited IL to check robustness of AtoN availability reporting, transparency, truthfulness and fairness with special reference to the Foxtrot 3 break-adrift.

**[Action: CEO to check robustness of AtoN availability reporting, transparency, truthfulness and fairness with special reference to the Foxtrot 3 break-adrift ]**

##### **4.6.1 Procurement Act 2023 Information Paper**

The Committee received a paper on the organisation's approach to the implementation of the Procurement Act 2023. CJ requested the members to provide their observations.

##### **4.6.2 Building Safety Act 2022 (as amended) Paper**

The Committee received a paper on the organisation's approach to the implementation of the Building Safety Act 2022 (as amended). CJ requested the members to provide their observations.

**[Action: Committee Members to provide observations on TH's approach to the implementation of the Procurement Act 2023 and the Building Safety Act 2022 (as amended)].**

##### **4.6.3**

The Committee noted the new IFRS standards and requested the NAO to circulate an information paper on them separately.

**[Action: NAO. Circulate IFRS paper out of committee]**

#### **4.6.4**

CJ requested TA to send him the agendas of meetings held the previous year, for reference purposes.

**[Action: TA -send previous year's ARAC agendas to CJ]**

#### **4.7 Date of next meeting.**

The meeting needs to be rescheduled from 1 July at 10:30 to avoid a clash with World Aids to Navigation Day which is being hosted by TH on behalf of the UK Government.

**[Action: TA – Reschedule date of July ARAC to avoid WAND clash]**