HS2 Ltd Audit and Risk Assurance Committee - Terms of Reference

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1 Objectives

The Board has established an Audit and Risk Assurance Committee (the "Committee"), as a Committee of the Board, to support it in its responsibilities for issues of HS2 Ltd ("the Company")'s risk, assurance and governance. This Committee reviews the effectiveness of audit and risk management processes in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

2 Responsibilities

2.1 The Committee will advise the Board and Accounting Officer on:

- the Company's processes for risk, control and governance;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit or risk management services or for purchase of non-audit services from contractors who provide audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- the Committee will also periodically review its own effectiveness and report the results of that review to the Board.

2.2 Wider HS2 Programme Risks

The responsibilities of the Committee do not extend to wider HS2 programme risks belonging to any body other than the Company. However, the Committee acknowledges that there is an environment of wider programme risks (sitting with the Department for Transport and other government bodies) that may also constitute threats to the Company. It will therefore seek assurance, on behalf of the Board that these risks are being adequately identified and reported. It will also, where it is aware of such risks, provide the Board with assurance that such risks are being adequately escalated to the appropriate body to be addressed.

3 Reporting

The Committee will report to the Board and Accounting Officer after each meeting, and will provide a record of its meetings.
The Committee will identify any matters in respect of which it considers that action or improvement is needed and makes recommendations to the Board as to the steps to be taken. The Committee will provide the Board and Accounting Officer with an Annual Report, timed to support the finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has undertaken during the year.

4 Committee Membership

The members of the Committee are:
- Neil Masom (Chairman)
- Roger Mountford
- Jo Valentine

Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least 3 members, all of whom shall be independent non-executive directors.

The Chairman of the Committee will be appointed by the Board.

The Committee will be provided with a Secretariat function by the Company Secretary.

5 Committee Process

5.1 The main role of the Committee is:

- to monitor and review the Company’s business assurance framework including processes for risk assurance and governance;
- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company’s financial performance, reviewing significant financial reporting judgements contained in them;
- to monitor and review the Company’s compliance audit function, including quality, health and safety audit.
- to monitor and review the effectiveness of the Company’s internal audit function;
- to approve the remuneration and terms of engagement for its audit services. It will also be for the Committee to review performance in the delivery of the audit;
to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

to advise on the scope of non-audit services to be delivered by the external auditor, and ensure that the supply of such services does not compromise the independence and objectivity of the external auditor;

note – the risk management function is part of the Programme and Strategy Directorate and also maintains a close working relationship with the Finance Director.

5.2 Additional Members
The Committee may, with the consent of the Board:
- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience;
- procure specialist ad hoc advice at the expense of the Company, subject to budgets agreed by the Board.

5.3 Access to Committee Chair:
The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Committee.

5.4 Committee Meetings:
- The Committee will meet at least four times a year. The Chair of the Committee may convene additional meetings, as s/he deems necessary;
- A minimum of 2 members of the Committee will be present for the meeting to be deemed quorate;
- Committee meetings will normally be attended by the Accounting Officer, the Finance Director, the Director of Finance Operations, the Programme and Strategy Director, the Director, Risk and Assurance, the Head of Internal Audit, a representative of External Audit and the Committee Secretariat.
- The Committee may require any other officials of the organisation to attend to assist it with its discussions on any particular matter;
- The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- The Board or the Accounting Officer may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee’s advice.
5.5 Reports to each Meeting:

For each meeting the Committee will be provided with:

5.5.1 a progress report from the Company’s Director, Risk and Assurance summarising:
- key issues emerging from risk and assurance work;
- development of risk and assurance frameworks;
- key risks and mitigation;
- any significant changes to the organisation’s Risk Register;
- progress implementing significant risk control and mitigation actions

5.5.2 a progress report from the Head of Internal Audit summarising:
- work performed (and a comparison with work planned);
- key issues emerging from Internal Audit work;
- management response to audit recommendations;
- changes to the Periodic Plan;
- any resourcing issues affecting the delivery of Internal Audit or risk management objectives

5.5.3 a progress report from the External Audit representative summarising work done and emerging findings.

5.5.4 From the Company’s Head of Quality:
- a progress report (tracker) on the implementation of internal and external audit actions by management; and
- a report on significant compliance audit findings and compliance audit overdue Corrective Action Reports (CARs)

5.6 Other Reports

5.6.1 Every quarter the Committee will be provided with a fraud and whistleblowing report

5.6.2 Every six months the Committee will be provided with a SIRO (Senior Risk Information Owner) report

5.6.3 As and when appropriate the Committee will also be provided with
- proposals for the Terms of Reference of Internal Audit;
- the Internal Audit Strategy;
- the Head of Internal Audit’s annual opinion and report;
- quality assurance reports on the Internal Audit and risk management functions;
• the draft accounts of the organisation;
• the draft Annual Governance Statement;
• a report on any changes to accounting policies;
• External Audit’s management letter;
• a report on any proposals to tender for audit functions;
• a report on co-operation between Internal and External Audit and
• “deep dive” risk reviews