



Audit and Risk Committee Meeting Minutes

Thursday, 22 February 2018

3.9 Two Snow Hill, Birmingham and Franklin Room, One Canada Square

Members	Attendees	Apologies
Neil Masom (Committee Chair) Non-executive Director	Steve Allen Chief Financial Officer	
Roger Mountford (by phone from item 07) Non-executive Director	Nicole Geoghegan General Counsel and Company Secretary	
Jo Valentine Non-executive Director	[REDACTED] Finance Director	
	[REDACTED] Director of Risk and Assurance	
	[REDACTED] Senior Internal Audit Manager	
	[REDACTED] NAO	
	[REDACTED] Deputy Company Secretary	
	[REDACTED] NAO	
	[REDACTED] Head of Assurance	
	Mark Thurston CEO	
	[REDACTED] Head of Internal Audit	

Signed:

Chair:

Date:

Security classification: OFFICIAL

1 WELCOME AND DECLARATION OF INTERESTS AND VALUES MOMENT

- 1.1 There were no declarations of interest other than those already recorded in the register.
- 1.2 The Committee noted the values moment given by the Chair of the Committee on a business trip regarding an inspirational and diverse workforce.

2 MINUTES OF THE PREVIOUS MEETING, ACTIONS AND MATTERS ARISING

- 2.1 The Committee approved the minutes of the meeting of 08 November 2017 and 11 January 2018 as a true record.
- 2.2 The Committee noted the actions and the following key points:
 - 2.2.1 Action 17/89 – The Committee noted that the report contained recommendations. The Executive will review to provide a formal response and appropriate tracking of actions.

Action: [REDACTED]

- 2.2.2 Action 17/94 – The Committee noted that since the issue of the actions, a response had been received from the DfT.
- 2.2.3 Action 17/86 – It was agreed that a paper will be submitted to the May meeting on Undertaking and Assurances.

Action: Co Sec to plan on agenda

3 INTEGRATED ASSURANCE AND APPROVALS PLAN AND ASSURANCE DASHBOARD

- 3.1 The Committee received an update on the Assurance Dashboard which is being reviewed in order to improve Management Information;
- 3.2 The Integrated Audit and Assurance Plan will be reviewed at a workshop w/c 26 February 2018;
- 3.3 The Committee note that the Executive team have been engaged to review and refine the dates for completion of activities which has been an important exercise. It is key to close out activities on these revised dates;
- 3.4 The Committee queried whether the previous limited internal audit opinions would change. It was confirmed that these would not due to having been conducted at a period in time and due to the activity which has been ongoing since this point;
- 3.5 The Committee were assured in the level of confidence at this further stage.

4 AUDIT AND ASSURANCE TRACKING

4.1 The Committee received the latest versions of the NAO and GIAA action trackers. ARAC had considered both action plans in detail at the extraordinary meeting on 11 January 2018

4.2 The Committee noted below updates:

4.2.1 NAO Action 3: Finance – Loan to College: [REDACTED]

4.2.2 NAO Action 4.1: Finance – ERP configuration: The Chair of the ARAC has met with the ERP team to feed in to a red team review of the system. The Committee noted that the Executive have requested a risk review ahead of implementation of the system;

4.2.3 NAO Action 9.3: Additional areas of review – Communication: The Committee noted that there are communication protocols with the DfT being discussed in order to have a formal process documented, which is due for completion by the end of March. The Committee queried the Nominations Committee relationship to this action and it was clarified that the Corporate Sponsorship Director leads on the coordination of Development Agreement and the sponsor relationship. The Framework Document is handled as Shareholder management and led by General Counsel and Chief of Staff.

5 MAS 09 MONTH SUBMISSION

5.1 The Committee noted that the submission of the nine month Management Assurance Statement has been completed with bilateral meetings with each owner, followed by a moderation session with the Executive.

5.2 The Committee discussed that it is difficult to correlate the information with the NAO and GIAA actions. Management advised that this was due to the MAS being formulaic in nature and a generic tool for arms' length bodies of the DfT which, in part, drives scoring on the questions asked, which may not be the questions management might as to test various aspects.

5.3 The Committee went onto to suggest that the level of assurance for the CEO might be considered and whether a written statement to accompany the MAS might be sensible.

6 RISK DEEP DIVE: GOVERNANCE

6.1 The Committee noted the deep dive on governance and decision making, taken from the 13 strategic risks.

6.2 The Committee noted the findings of the deep dive, providing comment that the flightpath severity should be reviewed as to the timing of the decrease in severity.

- 6.3 The Committee were advised that the Executive will be conducting a risk review and the approach to risk will be presented to the May ARAC.

7 NAO UPDATE AND INTERIM AUDIT

- 7.1 The National Audit Office presented a summary of the audit progress report on the 2017-18 financial statement audit.
- 7.2 The NAO expressed thanks for the engagement and responsiveness of Finance, Human Resources and Business teams and commented that progress was positive.
- 7.3 The NAO summarised the significant risks highlighted in the report and the following key points were raised:
- 7.3.1 Capitalisation – due to the nature of estimation and judgement involved, the NAO are looking for robust detail to support the accounting treatment;
 - 7.3.2 Undertakings and Assurances (U&A's) – this has been flagged from an accounting point of view and documentation of the trigger point for inclusion in HS2 Ltd's accounts. Management will provide a paper to the May Committee presenting a holistic overview of U&A's in order to summarise the requirements in the round together with the relationship for accounting.
 - 7.3.3 Land and Property: principal versus agent – the NAO have asked for judgement on the nature and judgement for land acquisition, rental income and expenditure;
 - 7.3.4 VAT – The Committee noted the ongoing discussion with HMRC and that the finance team are working on a proposal and disclosures required.
 - 7.3.5 The Committee noted interim findings on management override controls and purchase to pay.
- 7.4 The Committee discussed the handling of the annual report, noting that the report will be a more stripped back and reference the Corporate Plan, which will be released first and will be cross referencing to the Annual Report and Accounts.

8 INTERNAL AUDIT ACTIVITY REPORT

- 8.1 The Committee noted the quarterly update from the Head of Internal Audit and were advised of a good level of confidence to close current year audit activity.
- 8.2 The Committee noted the internal audit plan for 2018/2019.
- 8.3 The Committee agreed that the plan will be taken to the HS2 Ltd Board and will be advised that there is opportunity for engagement with the Terms of Reference/ scope of the audits suggested and whether any additional audits are felt as necessary by the Board.
- 8.4 The Committee commented on the view of the Group Audit and Risk Assurance Committee (GARAC) that HS2 Ltd audit content is too light, however the Committee have feedback that the internal audit is only one line of defence aspect undertaken.

9 APPROACH TO FINANCIAL YEAR END

9.1 The Committee noted the approach and timeline for the ARAC as to what to expect and when for the Annual Report and Accounts. The Committee noted that the Board will receive a themes and content update at the April Board.

10 EXECUTIVE RISK AND ASSURANCE REVIEW

10.1 The Committee received an update paper on the review of management arrangements, processes and procedures for risk and assurance.

10.2 The Committee will receive further reporting at the May meeting.

11 COMMITTEE ANNUAL EFFECTIVENESS REVIEW

11.1 The Committee noted the paper and compiled results from the Committee annual effectiveness review.

11.2 The Committee will highlight the results of the review at the HS2 Ltd Board.

12 COMMITTEE FORWARD LOOK

12.1 The Committee noted that they will receive an update on the Integrated Management System at the May meeting

13 ANY OTHER BUSINESS

13.1 The Committee were advised that there will be a value for money scoping update from the NAO at the May meeting.