

**High Speed Two (HS2) Ltd Audit and Risk Assurance Committee
Meeting held on 08 November 2017**

**Minutes
Berners Lee, One Canada Square**

Members	In Attendance	Apologies
Neil Masom (Committee Chair) Non-executive Director	Steve Allen Chief Financial Officer	
Roger Mountford Non-executive Director	[REDACTED] Head of Counter-Fraud and Business Ethics	
Jo Valentine Non-executive Director	[REDACTED] Interim Finance Director	
	Jim Crawford (item 06) Managing Director Phase One	
	Nicole Geoghegan General Counsel and Company Secretary	
	[REDACTED] Risk and Assurance Director	
	Emma Head (observer) HSSE Director	
	[REDACTED] Chief Security and Resilience Officer	
	[REDACTED] National Audit Office	
	[REDACTED] Deputy Company Secretary	
	[REDACTED] Graduate, Risk	
	[REDACTED] National Audit Office	
	[REDACTED] Head of Assurance	
	Mark Thurston CEO	
	[REDACTED] Head of Internal Audit	

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 regarding the health and wellbeing champions' network launch. The Committee noted the focus on stress in the workplace and mental health awareness.

2. MINUTES OF THE PREVIOUS MEETING AND MATTERS ARISING

- 2.1. The minutes of the meeting of 13 September 2017 were agreed as a true record.
- 2.2. The Committee noted the status of the actions and the following updates:

- 2.2.1. The Committee requested that no actions are to be marked as 'ongoing'. Instead what has been achieved to date should be provided by way of update;
- 2.2.2. **Action 17/58: Assurance dashboard** – the Committee discussed that this is being reviewed against the Integrated Audit and Assurance Dashboard (IAAP). The Committee suggested a review of the mix and skills in the team with a Myers-Briggs assessment;
- 2.2.3. **Action 17/59: Assurance dashboard** – the Committee noted that the data is aligned and the action is closed;
- 2.2.4. **Action 17/65: Government Internal Audit Agency: Internal Audit Progress Report and 2016/17 Internal Audit Annual Report and Opinion** – The Committee discussed that this was in relation to the discussion around the contents of the draft 17/18 audit plan. It was confirmed that the plan has now been finalised and the action is closed;
- 2.2.5. **Action 17/71 – Management Response to the NAO Audit** – The Committee discussed the specific assurance activity being conducted for the neutral vendor contract noting the comments from the Committee Chair to review the control of this in the context of manual override. The Committee noted that the contract has been signed and there is a contract management plan with a go live decision and that the incoming HR Director should review the contract and arrangements;
- 2.2.6. **Action 17/76 – 17/18 Internal Audit Plan and Key Themes** – The Committee noted that the Commercial and Investment Committee conducted a deep dive on [REDACTED] on 20 September 2017. The Terms of Reference have now been reviewed;
- 2.2.7. **Action 17/81- National Audit Office Corrective Action Update** – The Committee Chair has met with the incoming interim Chief Information Officer. The Chief Financial Officer prompted the interim Finance Director that Highways England may be able to offer intelligence on IT systems;
- 2.2.8. **Action 17/82 – National Audit Office Corrective Action Update-** The Committee noted that there is an ongoing plan on this activity. The Committee noted that the ERP review has been flagged at the last Board meeting and suggested that this be a potential Board briefing update topic.

3. INTEGRATED ASSURANCE AND APPROVALS PLAN SCHEDULE AND ASSURANCE DASHBOARD

- 3.1. The Committee noted the paper providing overview of the planned assurance activities, progress with delivery, and the outcomes of assurance.
- 3.2. **The Committee asked Management to provide a summary report on matters/ progress/ issue from the Integrated Audit and Assurance Plan if the plan cannot be reasonable reformatted.**

Action: [REDACTED]

3.3. The Committee discussed the ongoing review of the dashboard noting that the Executive have asked for the information in assurance and control to be reviewed prior to submission to the Committee.

3.4. **The Committee noted and discussed that the RAG rating should be clarified.**

Action: [REDACTED]

4. AUDIT AND ASSURANCE TRACKING

4.1. The Committee noted the paper providing information on the status of corrective actions, action status, risk assessment associated with any overdue actions, and management plans to address these risks.

4.2. The Committee noted that the number of overdue actions has increased since last presented to the Committee and so requested a review from the Executive for when the information is next received.

4.3. The Committee discussed the line by line review conducted at the last meeting on the NAO actions and noted that this document will be updated on a monthly basis with the CEO summary to the Board enclosing the latest update.

4.4. The Committee requested that as per minute 2.2.1, there are no 'ongoing' actions reported.

4.5. The Committee requested that the target dates in the NAO Recommendations tracker is treated as the baseline and that there be continued reporting from there.

4.6. The Committee requested circulation of the latest versions for review, noting that the next Committee meeting will not take place until February 2018.

4.7. The Committee asked for the correction to the ERP target date to be June 2018.

4.8. The Committee agreed that the NAO and Committee Chair would fill in more detailed comments to the Risk and Assurance Director.

4.9. The Committee noted the GIAA Report Recommendations Update and requested that there are owners and dates added for the HS2 Ltd actions.

4.10. The Committee queried the ongoing role of the DfT Shareholder function and it was agreed that the Chief Financial Officer will report back on the Terms of Reference and also the relevant update from the Framework Document review.

4.11. With regard to the Framework Document the Committee suggested that a cover paper be developed to frame a commercial principles approach and in order to appropriately reference the Development Agreement when this matter is provided to the HS2 Ltd Board.

4.12. The Committee requested a robust review of the actions, with appropriate allocation of actions and dates. The Committee will then receive an update on the status of the actions.

5. MANAGEMENT ASSURANCE STATEMENT PROGRESS UPDATE

5.1. The Committee noted the paper outlining the plan for completing the 2017/18 Management Review, including an overview of how HS2 Ltd is responding to

Recommendation 8 published in the GIAA HS2 Ltd Redundancy Schemes Management Letter to review the robustness of the self-assessment process.

5.2. The Committee Chair suggested that the approach to the Management Assurance Statement is perhaps more aligned to the Directors' Letter of Assurance and that there should be caution of over assessing.

5.3. The Committee noted the timeframes for completing the exercise.

6. RISK DEEP DIVE SCHEDULE: COMMERCIAL DEVELOPMENT

6.1. The Committee noted paper and the presentation providing the Commercial Development (impact on Phase One) Deep Dive based on the latest position of the associated risks reviewed by workshops with stakeholders from across HS2 Ltd.

6.2. The Committee discussed third parties and commercial development and the two work streams which form trade-offs between commercial development opportunities and core scope.

6.3. Management responded that there is also challenge to manage avoidance of driving up core baseline scope.

6.4. The Committee discussed scope creep as part of the review with Management advising that for this there is a more established control process than for the other two more elements.

6.5. The Committee noted the primary causes and primary consequences detailed for the deep dive.

6.6. The Committee queried whether the risk flightpath and timescales long enough. The Committee noted the importance for clear scope and design freezes prior to design commencement, noting the short timescale for this to be achieved.

6.7. The Committee commented that the process appears to be rigorous although challenged that the additional management action plans are green and on time. Management responded to that whilst this is a high risk area, there are also high mitigations.

6.8. The Committee noted the process for assurance of the key components for Phase One Station Delivery.

6.9. The Committee noted the deep dive and requested that the risk is clarified in context to the strategic risk register before the deep dive is conducted.

7. NATIONAL AUDIT OFFICE UPDATE AND 2017/2018 AUDIT PLANNING

7.1. The Committee noted the audit planning report on the 2017/2018 financial statement audit from the National Audit Office (NAO).

7.2. The Committee noted the Executive summary highlighting the NAO view of risks with most significant impact on the audit.

7.3. The Committee noted that the audit will commence from a higher level of scrutiny with a level of enhanced corroboration.

7.4. The Committee discussed and endorsed the NAO assessment of the risks of material misstatement, the NAO's response to the significant risks identified, the proposed audit plan to address these risks; and the risk of the financial statements being materially misstated due to fraud.

7.5. **The Committee requested that detail of undertakings and assurances and strategic management of these, is a potential topic to a future meeting.**

Action: Co Sec to plan with the responsible Exec member

7.6. The Committee noted and discussed the HS2 Ltd assessment of risks identified in the annual report.

7.7. The Committee noted the concern raised about transition of staff which the Chair of the Committee confirmed he has raised previously.

8. INTERNAL AUDIT ACTIVITY REPORT

8.1. The Committee noted the activities of Internal Audit in the period September to October 2017

8.2. The Committee noted that all of the projects have been started, with two amendments made to activity since last reported.

8.3. The Committee discussed the proposal to defer the IT Strategy review until 2018/19 to align with a permanent Chief Information Officer.

8.4. The Committee noted the proposal to absorb the interface with third parties review in to the scope for Procurement and Contract Management Reviews.

8.5. **The Committee requested more information as to why the scope for this has changed before this work is absorbed into another review.**

Action: [REDACTED]

9. COUNTER FRAUD UPDATE

9.1. The Committee noted the paper providing high level details as to the [REDACTED] [REDACTED] allegations that have been received and have (or are being investigated) since the last report to the Committee in September 2016.

9.2. The paper also provided a short update as to the fraud strategy being implemented by HS2 Ltd.

9.3. The Committee received a presentation from the Head of Counter-Fraud and Business Ethics.

9.4. **The Committee noted the previous audit work conducted [REDACTED] and requested a review of which parts of the business this work was conducted in and were part of the workshops.**

Action: [REDACTED]

9.5. The Committee noted the development of near miss reporting and alignment with health and safety on this reporting.

9.6. The Committee noted that it will receive six monthly reporting, with option for by exception where needed.

10. SIRO UPDATE

10.1. The Committee noted the six monthly update on Information Risk Management in HS2 Ltd.

10.2. **The Committee noted the feedback due on the secure procurement review and that this will be shared with the Committee on completion.**

Action: [REDACTED]

10.3. The Committee noted the incidents, activities, audit and assurance and risk updates.

11. COMMITTEE FORWARD LOOK

11.1. The Committee noted the forward look.

12. ANY OTHER BUSINESS

12.1. ***Annual effectiveness review*** – The Committee Chair referred the members and attendees to the questionnaires which have been distributed for the self effectiveness review. **It was agreed that the newer editable PDF will be distributed on availability.**

Action: [REDACTED]

Signed:

Date: