

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Tuesday, 29 January 2019

Meeting location Room 3.01 The Podium

Meeting time 10:00-12:45

| Members | Attendees | Apologies |
|--|--|---|
| Ed Smith (Committee Chair) Non-Executive Director | [REDACTED] Senior Corporate Assurance Manager | Nicole Geoghegan General Counsel and Company Secretary |
| Roger Mountford Non-Executive Director | Michael Bradley Chief Finance Officer | [REDACTED] National Audit Office |
| | [REDACTED] Finance Director | [REDACTED] National Audit Office |
| | Emma Head HSSE Management Director | Mark Thurston CEO |
| | [REDACTED] National Audit Office | |
| | [REDACTED] Deputy Company Secretary | |
| | [REDACTED] Head of Internal Audit | |

Signed

Chair Ed Smith

Date

1 Welcome, Declarations of Interest and Values Moment

- 1.1 There were no additional declarations of interest made.
- 1.2 The Committee noted the values moment provided by the finance director on integrity of members of the finance team who had responded and assisted with a staff matter in the office.

2 Minutes of the previous meeting and matters arising (ARAC_18-46) and (ARAC_18-47)

- 2.1 The minutes of the meeting on 05 December 2018 were agreed as a true record.
- 2.2 The status of the actions were noted with the following updates:
- 2.2.1 Action 18/008: The Committee noted that the HS2 Ltd Board will receive a paper on strategic risks and this is currently planned to the April meeting. The timing/ sequence of strategic risks to the Committee and the Board will be reviewed.

Action: Company Secretariat

- 2.3 The Committee discussed the recent KPMG governance review of Crossrail which had reference to [REDACTED]. This is a topic which will become more relevant as HS2 Ltd enters construction stages and so this should be linked in with the work on HS2 Ltd strategic risks and communicated with the Department at the relevant time.

- 2.4 **The Committee requested that Management consider the HS2 Ltd position of the recommendations in the KPMG report [REDACTED]**

- 2.5 **The National Audit Office review with regard to [REDACTED] will also be reviewed when this work is finalised.**

- 2.6 **These reports will be brought to the Committee.**

Action: Company Secretariat/ ARAP/ ARAC

- 2.7 The Committee discussed the need for evolving and iterative governance due to nature of the organisation.
- 2.8 The Committee noted the KPMG report referenced the Client interface at Crossrail and the Committee Chair suggested that there should be lines of working drawn up between HS2 Limited, DfT and [REDACTED] for clarity of roles and responsibilities and the baseline requirements of the relevant arm's length bodies. The Chair would raise the importance of the HS2 Ltd Board being clear about responsibilities and accountabilities between parties (DfT [REDACTED] [REDACTED] in the Development Agreement.
- 2.9 It was agreed that the action on whistleblowing (18/012) will be clarified and updated if required.

3 Summary/ key points from the Audit and Risk Assurance Panel (ARAC_18-48)

- 3.1 The Committee noted the verbal update from the Audit and Risk Assurance Panel Chair following the meeting held on 21 January 2019.

- 3.2 The Committee noted that the Panel had considered papers for items 04, 05, 07 and 08 and provided feedback for inclusion with Committee submissions.
- 3.3 The Committee noted Panel Membership attendance is lean, with additional attendance to be reviewed if and when appropriate. Management confirmed that the meeting is concise and adds value.

4 Audit and Risk Assurance Report (ARAC_18-49)

- 4.1 The Committee noted the Management Information for December 2018.
- 4.2 The following key points raised and noted:
 - 4.2.1 There has been progress in the month with the Integrated Management System (IMS) which is now fully populated.
 - 4.2.2 A deep dive has been scheduled to the ARAP to review the effectiveness and integration of the IMS in the organisation. The Committee queried if there was/ is a planned target for IMS usage so that the Management Information can show how satisfactory the level of usage is. Management will include this in reporting as Management Information matures.
 - 4.2.3 Following the “stop and fix” implemented for corporate assurance, Management have endorsed eight audits which are due to be concluded in the scheduled timeframe.
 - 4.2.4 A review meeting has been held with the Director of Safety and Assurance, Finance Director and Human Resources Director following a limited outcome on the internal audit of [REDACTED]. There are four actions with close out due by 01 April 2019 and one action due to close by August 2019. These actions have been shared with the Head of Internal Audit.
 - 4.2.5 A revised approach to oversight of Accounting Officer duties has been identified and implemented following the introduction of the ARAP, which will now formally oversee these duties in part.
 - 4.2.6 **The Committee discussed the internal audit activity reporting and the ‘postponed’ audit on the Main Works Civils Contracts. Management clarified that this has been retimed due to the HS2 Improvement Programme activity which is testing the capability of the organisation, including how HS2 Ltd is organised and set up to support delivery of contracts. It was agreed that future reporting will include narrative where appropriate to explain such changes.**

Action: Emma Head
 - 4.2.7 The Committee discussed the National Audit Office status information reporting, with Management confirming that the low rated matter is being progressed with no substantive comments. This will change from red to green following the evidence being provided to do so.

5 Head of Internal Audit Report (ARAC_18-50)

- 5.1 The Committee received an update from the Head of Internal Audit ahead of the quarterly report due to the March Committee on the 2018/2019 financial year audit. The Committee noted good progress and confidence from the Head of Internal Audit to express an opinion at year end.
- 5.2 The Committee discussed the planned activity for 2019/2020 financial year. The audit areas have been compiled following interviews and input from the organisation, which have been sifted and mapped to the strategic and core risks.
- 5.3 The Head of Internal Audit commented on the shift of audit activity, reflecting the stage that the organisation is entering with the Committee encouraged to see continuing maturity.
- 5.4 **The Committee discussed at what stage there would be an audit/ review of Management Information, using the example of [REDACTED] and how this information is compiled and what level of challenge/ review consistency is applied. The Committee requested that the periodic review of Management Information be an area for audit as a matter of best practice and that it be built into the 2019/2020 plan.**

Action: [REDACTED]

- 5.5 **The Committee requested visibility of progress and self-assessment of how close the organisation sits to a controls based audit environment. It was agreed that a paper will be taken to the June meeting to provide detail on this.**

Action: Michael Bradley/ Emma Head

- 5.6 The Committee referred to the earlier observation on the working relationships that HS2 Ltd has with other organisations and referenced the planned audit on the Relationship with [REDACTED] commenting that the terms of reference for the scope of work will require consideration.

6 National Audit Office Update (ARAC_18-51)

- 6.1 The Committee received a verbal update from the Director of the National Audit Office.
- 6.2 There is an operational focus currently on the audit for financial year end.
- 6.3 The Committee noted at the time of reporting there is delay to data extraction due to the configuration of new back office systems. There are relevant teams from HS2 Ltd engaged to resolve this and the issue has been identified with time ahead of financial year end.
- 6.4 At the time of update, the NAO are reviewing the potential requirement to report on an historic legal challenge. A further update will be provided to the Committee on this.

- 6.5 **The Committee welcome discussion on the National Audit Office Value for Money review at the appropriate time.**

Action: NAO

7 Approach to Commercial Assurance (ARAC_18-52)

- 7.1 The Committee received an update on the approach to commercial assurance within HS2 Ltd to provide information on the responsibility and accountabilities for contracts including a review of West Coast Main Line and the Nuclear Decommissioning Agency procurement lessons.
- 7.2 Management are now looking to build maturity on the four key findings from the review: Visibility of Assurance Advice, Commercial Responsibility, Consistency & Compliance and Approach to Commercial Assurance
- 7.3 The Committee discussed the lengthy timescales which can be involved in the procurement process including the external assurance and governance required, commenting that this can lead to a backward looking programme of activity so that all governance and assurance steps are planned in.
- 7.4 The Committee noted the improved position with a one page assurance statement now being provided with decisions.
- 7.5 The Chair of the Commercial and Investment Committee commented on his experience of receiving line of defence actions trackers and the Committee supported the value of having more sources of resource providing the [REDACTED]
- 7.6 There is ongoing value for consistency at the third line of defence.
- 7.7 **The Committee requested the policy for archiving, storage and retrieval of data and how often this is reviewed.**

Action: Michael Bradley/ Company Secretariat

- 7.8 **The Committee requested that market engagement be included in the milestone model.**
- 7.9 **The Committee requested that the context and approach to commercial assurance also include consideration to the assurance of financial and commercial capability of the supplier on an ongoing basis, citing examples in the supply chain of [REDACTED]**
- 7.10 **Management advised consideration is being given to how HS2 Ltd have better strategic engagement and use of the supply chain. The Committee requested that this be considered with the market engagement stage also.**
- 7.11 **The Committee requested a further update following conclusion of the work.**

Actions: [REDACTED] Emma Head

8 Update on Management Assurance Statement (ARAC_18-53)

- 8.1 The Committee received an update on the Management Assurance Statement which will be submitted to the March Committee for review prior to submission to the DfT.
- 8.2 The Committee queried how useful the Management Assurance Statement is for the organisation as a tool, with Management advising that this has been more useful than in previous years but that it will be further strengthened next year by including an additional set of questions specific to HS2 Ltd.
- 8.3 Management confirmed that interpretations to the questions are explained together with the record of evidence.
- 8.4 **The Committee challenged the responses to categories 5.1, 6.1 and 6.7. These will be reviewed prior to resubmission to the March meeting.**
- 8.5 **The Committee requested improvement plans behind each category.**

Actions: Emma Head

9 Timeline for Annual Report and Accounts and verbal update on approach (ARAC_18-54)

- 9.1 The Committee noted the timeline for the production of the Annual Report and Accounts.
- 9.2 The Committee discussed how this will link with the Corporate Plan and requested visibility at the next meeting of the high level draft content, focus and themes.
- 9.3 The Committee noted that whilst there will be input from the Director of Strategic Communications, the CFO is the responsible Executive for this document.

10 Forward Look (ARAC_18-55)

- 10.1 **The Committee noted the forward look which will be updated and circulated to the Committee reflecting the items raised at the meeting.**

Action: Company Secretariat

11 AOB (ARAC_18-56)

- 11.1 **Baseline7 Assurance Approach:** The Committee noted the plan on a page for the assurance approach to Baseline 7. It was agreed that the Committee Chair will agree the role of the ARAC to provide reviews on behalf of the Board with the HS2 Ltd Chairman and Chief Executive.

11.2

