

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 04 March 2019
Meeting location Room 3.01 The Podium and Room 3.12/3.13 Two Snowhill
Meeting time 10:00-13:00

Members	Attendees	Apologies
Ed Smith (Committee Chair) Non-Executive Director	Michael Bradley Chief Finance Officer	Emma Head HSSE Management Director
Roger Mountford Non-Executive Director	Nicole Geoghegan General Counsel and Company Secretary	██████████ National Audit Office
	██████████ Finance Director	Mark Thurston CEO
	██████████ National Audit Office	
	██████████ Deputy Company Secretary	
	██████████ National Audit Office	
	██████████ (Deputy for Emma Head) Head of Programme and Corporate Assurance	
	██████████ 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 Head of Programme and Corporate Assurance on leadership, her experience of difference in leadership styles and the importance to empower people to promote delivery.

2 Minutes of the previous meeting and matters arising (ARAC_18-57) and (ARAC_18-58)

- 2.1 The minutes of the meeting on 29 January 2019 were agreed as a true record subject to amendment of minute 6.4 to clarify reference is to an historic claim.
- 2.2 The status of the actions was noted with the following updates:
 - 2.2.1 Action 18/013: The Committee requested separation of the requests made in the action so that it was clear the review of the [REDACTED] report would return to the May Committee meeting. If possible, attendance from [REDACTED] will be requested to support the review.
 - 2.2.2 The National Audit Office advised that their review is ongoing and would not be produced in time for the May meeting.
 - 2.2.3 Action 18/015: The Committee agreed to review this action as part of the 2019/2010 internal audit plan approval.
 - 2.2.4 Action 18/017: The Committee noted the update on the scoping activity for the Value for Money Review but reiterated the importance to bring this to the Committee in a timely manner.
 - 2.2.5 Action: 18/019: The Committee discussed this action noting that the further update on work will return to the Committee in September. The Committee were advised that there is a separate action being addressed through the Commercial and Investment Committee (CIC) regarding the [REDACTED]. This work is following a Cabinet Office review who will be launching a suite of documents which they are referring to as the 'Outsourcing Playbook'. In amongst these documents is a revised and updated policy on [REDACTED]¹

3 Summary/ key points from the Audit and Risk Assurance Panel (ARAC_18-59)

- 3.1 The Committee noted the verbal update from the Chair of the Audit and Risk Assurance Panel following the meeting on 18 February 2019.
- 3.2 The Panel had considered the items on the agenda for the Committee meeting and raised the following key points:
 - 3.2.1 The Panel referenced the ongoing internal audit on temporary staff and have requested a tighter timeline for the formal response and action plan to allow resolution prior to financial year end;
 - 3.2.2 Management were asked to expand further on the Executive Summary in the Risk, Control and Assurance Management Information to draw out the key points which the Panel should be aware of;

¹ Post meeting note: The ARAC are asked to note that the timing of this to the CIC is 16 April 2019 meeting.

- 3.2.3 There will be a stocktake of the organisation strategic risks with Executive and Board sessions to be arranged;
 - 3.2.4 The Panel had reviewed a paper on the corporate oversight of risks and have asked for a further update to detail timescales of the transition plan required;
 - 3.2.5 The Panel had reviewed the internal audit report and plan for 2019/2020 and requested a review of the approach for how the Terms of Reference are agreed for audits for continuous improvement; and
 - 3.2.6 The Panel had reviewed the Management Assurance Statement, noting this as formally commissioned.
- 3.3 The Committee noted the update.

4 Audit and Risk Assurance Report (ARAC_18-60)

- 4.1 The Committee noted the Management Information for January 2019.
- 4.2 The following key points raised and noted:
- 4.2.1 There has been good progress on developing the new reporting, which Management are now looking to transition into trend reporting and evolve over the next few months;
 - 4.2.2 The Committee noted that there has been an interim report produced by [REDACTED] as part of the assurance for Baseline 7. **The Committee requested a copy of the report.**
Action: Michael Bradley
 - 4.2.3 An effectiveness review following the Integrated Management System (IMS) survey will be reported to the Audit and Risk Assurance Panel in April. **The Committee requested a demonstration of the IMs at a future meeting.**
Action: Emma Head
 - 4.2.4 **The Committee requested an update to the dates being reported against the strategic risks and that this should be reported as subject to review rather than approval.**
Action: Michael Bradley
 - 4.2.5 The Committee discussed the Health, Safety or Security Incident risk and the rating. Management advised that the input to the score can be potentially driven by high impact. **The Committee requested further information on this risk and what drives the scoring.**
Action: Emma Head
 - 4.2.6 The Committee noted the Executive will receive a deep dive on the Integrated Management System (IMS) to understand the results of the recent survey.
 - 4.2.7 The Committee suggested that use of a 'real life' example might be a good example to test the use of the IMS.

5 Head of Internal Audit Report (ARAC_18-61) Internal Audit Plan 2019/20 (ARAC_18-62)

- 5.1 The Committee received the internal audit summary on activities to end January 2019, noting there has been progress since reporting.
- 5.2 As at 01 March 2019, 16 reports reviews are complete, three are in draft and four have field work in progress.
- 5.3 The Committee discussed the limited opinion delivered on the interim staffing controls audit. Management confirmed that this is a key issue of review for the Executive and has highlighted a tighter need for scrutiny on using interim staff.
- 5.4 There will be changes/ amendments to incentives as one of the actions.
- 5.5 A workforce plan is in place for the organisation and this should drive recruitment activity.
- 5.6 The Committee noted that the Neutral Vendor contract was reviewed as part of the audit and it was confirmed that this contract is working well.
- 5.7 **The Committee Chair referenced that until raised as an audit item he was not aware of this reporting information and requested review of what information is taken in the Board Management Information.**

Action: Neil Hayward

- 5.8 **The Committee requested an update on what is being done to address the balance and what timescales are for this.**

Action: Neil Hayward

5.9 The Committee noted the update.

5.10 The Committee received the proposed Internal Audit work for 2019/20.

- 5.11 **The Committee requested that the Head of Internal Audit work with the Executive on prioritisation of planned audit activity to keep the audit costs within the specified budget, but allowing an audit on the review of Management Information and confirm back to the Committee.**

Action: [REDACTED]

- 5.12 **The Committee requested that the audit covers all information which is taken to the Board, not only Management Information.**

Action: [REDACTED]

5.13 The Committee noted the planned audit for the Framework Document as good timing for review.

5.14 **The Committee requested visibility of the process on DfT independently cited audits and who this information is shared with. Management responded that there haven't been any requested audits in the last 12 months.**

Action: Emma Head

5.15 The Committee Chair notified the Committee that whilst he is not an attendee at the Group Audit and Risk Assurance Committee, he has calls with the Chair of the Committee.

5.16 The Committee requested visibility of the requirement in the Framework Document on GARAC activity.²

5.17 The Committee approved the proposal Internal Audit work for 2019/20 subject to the requested amendment at 5.11.

6 National Audit Office Update (ARAC_18-63)

6.1 The Committee received an interim audit progress report on the 2018-19 financial statements audit from the National Audit Office.

6.2 The Committee noted the headlines from the interim audit work.

6.3 The Committee noted the recommendation regarding separation of bank accounts for Land and Property use. **An updated operational delegations letter from the Department for Transport will be chased up for formalisation and record of this decision.**

Action: [REDACTED]

6.4 The Committee noted a verbal update will be brought to the May Committee meeting and a completion report will be brought to the June meeting.

6.5 The Committee expressed thanks to the Finance Director and team and the National Audit office for the work to date.

7 Counter fraud Update (ARAC_18-64)

7.1 The Committee noted the update on high level details as to fraud, bribery and corruption allegations that have been received and have been (or are being) investigated since the report to the Audit and Risk Assurance Committee on 5th December 2018.

² Post meeting note: The Framework Document states: *"The Sponsor Team, under the Department's Director General responsible for High Speed Rail, will manage policy on the Government's relationship as client and sponsor (i.e. delivery of the railway issues) with HS2 Ltd including... Providing assurance to the Permanent Secretary and the relevant Department for Transport Board (supported by the Group Audit and Risk Assurance Committee (GARAC) and Internal Audit) on the effectiveness of HS2 Ltd governance structures and processes"*

7.2 The Committee noted that the [REDACTED]
[REDACTED]
[REDACTED]

7.3 Further information on a more granular level of detail will be reported to the June Committee meeting.

7.4 Management advised of the triage approach taken to assess the nature and urgency of reports.

7.5 **The Committee requested detail in future reports to summarise number of reports received, how many have been closed, out of these how many have been substantiated and the type of issue reported.**

Action: [REDACTED]

7.6 Management discussed the size of the organisation and nature of activities, noting that the construction industry has a propensity to fraud.

7.7 The Committee discussed resourcing noting that there is an [REDACTED] review in this area and also functions embedded in the supply chain.

7.8 A workshop is being planned to host sessions with Tier 1 suppliers in the first instance.

7.9 Value will also be added with data analytics to spot anomalies.

7.10 **The Committee requested visibility of where this sits in terms of a strategic risk for the organisation, with details on points of mitigation, net residual risk and an assessment on whether Management are comfortable that there is appropriate resource. It was agreed a response will return to the September Committee meeting.**

Action: [REDACTED]

7.11 The Committee requested more robustness in reporting and closure of reports with the need to be ahead of the curve for high scrutiny to monitor, track and review reporting.

7.12 **The Committee Chair reminded Management that the Chairman currently retains responsibility for whistleblowing until this is agreed to be discharged on his behalf. The Committee Chair will discuss this with the Chairman.**

Action: Ed Smith

8 Management Assurance Statement (ARAC_18-65)

8.1 The Committee noted the update following feedback at a previous Committee meeting and a further review from Management.

8.2 The Committee noted that as part of continuous improvement there will be action plans developed for all areas of the Management Assurance Statement reported as moderate additionally to those produced, and shared with the DfT, for limited responses.

- 8.3 The Committee discussed the need for healthy tension between Executive owners who have the same reporting lines.
- 8.4 The Committee agreed that the responses appropriately reflect the current status.
- 8.5 **The Committee raised the previously discussed risk scoring for Health, Safety or Security and the comparison to the suggested response in the Management Assurance Statement and asked that this be considered in the response to the action.**

Action: Emma Head

- 8.6 The action plans will return to the May Committee meeting.

9 Annual Report and Accounts report production and format (ARAC_18-66)

- 9.1 The Committee noted the high level plan for the 2018/2019 Annual Report and Accounts.
- 9.2 **The Committee requested visibility of the paper taken to the Executive following the updates to the UK Corporate Governance Code 2018, and how the organisation will action these changes if and where applicable.**

Action: Nicole Geoghegan

- 9.3 **The Committee discussed the increased level of scrutiny and interpretation now being applied to Section 172 of the Companies Act 2006 and it was agreed that the Directors Duties would be a refresh topic for the Board in May or June.**

Action: Nicole Geoghegan

- 9.4 The Committee discussed the Annual Report and Accounts as a public facing document, noting that the Corporate Plan will be a more “marketing” driven document out of the two. The Committee requested the timeline for sharing the Corporate Plan.

10 Forward Look (ARAC_18-67)

- 10.1 The Committee noted the forward look for the May Committee meeting.

11 AOB (ARAC_18-68)

- 11.1 There were no additional items of business raised for discussion.