

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Wednesday, 04 September 2019

Meeting location Room 3.01 The Podium

Meeting time 09:30-13:30

Members	Attendees	Apologies
Ed Smith (Committee Chair) Non-Executive Director	[REDACTED] Head of Counter Fraud	Mark Thurston Chief Executive Officer
Stephen Hughes Non-Executive Director	[REDACTED] Department for Transport	[REDACTED] National Audit Office
	Michael Bradley Chief Finance Officer	Roger Mountford Non-Executive Director
	Allan Cook HS2 Ltd Chairman	
	Nicole Geoghegan General Counsel	
	[REDACTED] [REDACTED]	
	[REDACTED] Finance Director	
	Emma Head Safety and Assurance Director	
	[REDACTED] National Audit Office	
	[REDACTED] Project Representative	
	[REDACTED] PMO Director	
	Non Owen (minutes) Company Secretary	
	[REDACTED] [REDACTED]	
	[REDACTED] Head of Programme and Corporate Assurance	
	[REDACTED] [REDACTED]	
	[REDACTED] [REDACTED]	

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 Company Secretary regarding the volume of work, coverage in the press and reviews into the organisation and the importance of the demonstration of leadership to deliver consistency of messaging to employees whilst being cognisant that there will be a level of unease.

2 Minutes of the previous meeting and matters arising (ARAC_19-026, ARAC_19-027 and ARAC_19-028)

- 2.1 The minutes of the meetings on 3 June 2019 were agreed as a true record.
- 2.2 The status of the actions were noted with the following updates provided:
 - 2.2.1 Action 18/027: Workforce Planning Update. The Committee noted that there is ongoing work at Management level to review the workforce composition.

3 Risk, Control and Assurance Management Information Report (ARAC_19-029)

- 3.1 The Committee received and noted the Management Information for August 2019 for Risk, Control and Assurance.

4 Update from the Audit and Risk Assurance Panel 19 August 2019 (ARAC_19-030)

- 4.1 The Committee noted the update from the Audit and Risk Assurance Panel held on 19 August 2019.
- 4.2 The following key points were raised and noted:
 - 4.2.1 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] is a condition precedent for Notice to Proceed.
 - 4.2.2 The Committee noted that a red team review into the suitability of the interim solution is being held.
 - 4.2.3 **The Committee requested a further update to the December meeting.**

Action: Emma Head

4.2.4 The Panel had considered a paper on Business Critical Models where a total of 12 models had been identified. The Panel had requested that a further review is conducted in the business and verified prior to a further presentation at the next Panel meeting.

4.2.5 The Committee Chair suggested that this might be an area of internal audit for 2021.

4.3 The Committee noted the update.

5 NAO Update including Land and Property Update (ARAC_19-031)

5.1 The Committee welcomed the NAO update on Non-financial activity.

5.2 **The Committee noted and discussed the self-assessment checklist which has been used previously for Committee effectiveness reviews. This will be integrated into the next ARAC effectiveness review.**

Action: Non Owen

5.3 The Value for Money (VFM) audit is now scheduled to be published in November rather than October. Reassurance was given to the Committee that interactions between the several reviews are in place.

5.4 The National Audit Office discussed the Land and Property update, citing the position as much improved.

5.5 It was advised that the organisation might look at the market environment/ client behaviour changes the next time a Property Cost Estimate (PCE) is run.

5.6 Management recognise the absence of a systemised approach has identified improvements to be made, which are being addressed.

5.7 The Committee noted the updates.

6 HS2 Internal Audit Update (ARAC_19-032)

6.1 The Committee noted the update from the Head of Internal Audit following approval of the original Internal Audit schedule was endorsed by Committee in Q1 2019.

6.2 **Since approval, a number of reviews with a link to Notice to Proceed (NTP) have been added to the audit schedule including Requirements, HIP and BL7 Process Review. This means at least one engagement will need to be postponed (Phase 2 Cost Pressures). A formal proposal will be presented to the next Committee.**

Action: [REDACTED]

6.3 The Committee noted that Internal Audit delivery is slightly behind programme, but is deemed recoverable, subject to availability of auditees.

7 [REDACTED] (ARAC_19-033 and ARAC_19-034)

- 7.1 The meeting was joined by [REDACTED].
- 7.2 The Committee reviewed progress and actions on [REDACTED].
- 7.3 The review is following an extraordinary meeting of the Committee to consider the confidence in the current level of maturity.
- 7.4 The Committee:
- 7.4.1 Approved the [REDACTED]
 - 7.4.2 Noted the status of [REDACTED];
 - 7.4.3 Noted the update on [REDACTED];
 - 7.4.4 Noted the risk update;
 - 7.4.5 Noted that management [REDACTED];
 - 7.4.6 Noted the [REDACTED]; and
 - 7.4.7 Supported onward submission of [REDACTED] to the HS2 Ltd Board in September.

8 HS2 Improvement Programme (ARAC_19-035)

- 8.1 The Committee received a further update since the extraordinary meeting on 13 August 2019.
- 8.2 The Committee noted [REDACTED]. At the time of reporting no escalations to the Committee were required.
- 8.3 The Committee commended the amount of work noting [REDACTED] and Atlas [REDACTED] will be critical to the success of capability.
- 8.4 The Committee noted ongoing consultation and information sharing with HMT and into the Oakervee Review.

9 2019/2020 Integrated Assurance and Approvals Plan (ARAC_19-036)

- 9.1 The Committee noted the Integrated Assurance & Approvals Plan (IAAP) for the Financial Year 2019/20, including the planned Corporate Assurance reviews, as endorsed by the Audit and Risk Assurance Panel (ARAP) on 22 July 2019.

10 [REDACTED] and Plan (ARAC_19-037)

- 10.1 The Committee received and noted the paper outlining the current risk exposure to HS2 Ltd regarding the [REDACTED].
- 10.2 The Committee noted the proposed solution and how an initial capability can be achieved prior to Notice to Proceed (NtP) with a full capability in place by the end of the financial year.
- 10.3 As discussed with the Audit and Risk Assurance Panel, a further update will be taken to the December meeting.

11 Review of KPMG and NAO reviews into Crossrail for HS2 Ltd view (ARAC_19-038)

- 11.1 The Committee received and noted the report consolidating lessons learned from recent reviews of Crossrail and major infrastructure projects. The Committee noted that internal reviewers/owners have been captured and the current controls within HS2 rated against each applicable action.
- 11.2 The intent is to publish the report to give confidence that HS2 Ltd are taking lessons learned into account.
- 11.3 The draft HS2 Ltd Crossrail Report was used as an input to a DfT-led lesson learned workshop held on 07 August 2019. Attendance to the session was from HS2, DfT and the IPA. The focus was the last 25 findings from the DfT review, and joint ratings were agreed together with collective actions.
- 11.4 The HS2 report was updated as a result of the workshop. It was noted that, in general, HS2 scored itself higher than the DfT scored itself.
- 11.5 **The Committee requested that the paper be presented to the HS2 Ltd Board with the inclusion of an Executive Summary for a more strategic level report.**

Action: Emma Head

12 Counter Fraud Update (ARAC_19-039)

- 12.1 The Committee received and noted the paper providing details of the fraud, bribery, corruption and unethical allegations that have been received and have been (or are being) investigated in the period 16 May 2019 – 25 July 2019.
- 12.2 The Committee noted that [REDACTED]
[REDACTED] Improvements have been made in timely close out following the recruitment of an investigator.

- 12.3 The Head of Counter Fraud acknowledged that management support for investigations was sufficient and welcomed the offer of Committee support should this be required.
- 12.4 HS2 Ltd has invoked the right to audit and are looking at Gifts and Hospitality and the expected standards is being discussed with Executives. A training session for Executive and Personal Assistants is being held in the month and due to be followed by Executive and Senior Leadership training.
- 12.5 The Committee noted that a series of Fraud risk workshops are planned. The first workshop had focused on Procurement and collated the views of senior and junior members of staff on fraud risks, the controls in place, and how effective these were.
- 12.6 There was a recognition that cost-reimbursable contracts provided the greatest risk; reflecting the majority of HS2 contracts. The construction industry itself is prone to fraud. HS2 needs to be aware of the risk of procurement fraud and educate itself about potential scams in order to detect them.
- 12.7 HS2 is a publicly funded arm's length body, interacting with the private sector. Standards of behaviour need to be at the highest level, but there is sufficient evidence to show that this is not always the case. The reputational impact of allegations is more damaging in public sector than private sector.
- 12.8 The HS2 Chair noted that he had regular private meetings with the General Counsel and the Head of Counter Fraud to discuss issues and recent cases.

13 Forward Look (ARAC_19-040)

- 13.1 The Committee noted the forward look.

14 Any Other Business

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