

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 09 December 2019
Meeting location Room 3.12/3.13, Two Snowhill and Room 3.01, The Podium
Meeting time 10:00-13:00

Members	Attendees	Apologies
Ed Smith (Committee Chair) Non-Executive Director	[REDACTED] National Audit Office	
Stephen Hughes Non-Executive Director	[REDACTED] Head of Counter Fraud	
Roger Mountford Non-Executive Director	Michael Bradley Chief Financial Officer	
	[REDACTED] Head of Financial Governance and Treasury	
	Allan Cook HS2 Ltd Chairman	
	Nicole Geoghegan General Counsel	
	[REDACTED] Finance Director	
	Emma Head Safety and Assurance Director	
	[REDACTED] Chief Security and Resilience Officer	
	[REDACTED] National Audit Office	
	[REDACTED] National Audit Office	
	Non Owen (minutes) Company Secretary	
	[REDACTED] Tax Manager	
	[REDACTED] Head of Internal Audit	

1 Welcome, Declarations of Interest and Values Moment

1.1 There were no additional declarations of interest made.

██████████ The Committee noted that a Management Response will be produced and the Independent Assurance Panel (IAP) will sit on 12 December 2019.

- 4.2.2 The Committee requested available information be shared with the Board at the earliest opportunity and that an update be presented to the December Board.**

Action: Michael Bradley

- 4.2.3 The Committee noted that there will be a review and repurpose of the Gifts and Hospitality Policy to make this better fit for purpose. The Committee requested that this be reported back to the Committee prior to escalation to the Board.**

Action: Nicole Geoghegan

- 4.2.4 The Committee requested that the review of the policy includes comparison with other Arm's Length Bodies and is subject to benchmarking.**

Action: Nicole Geoghegan

- 4.2.5 The Committee requested visibility of a timeline for the policy update and required training.**

Action: Nicole Geoghegan

- 4.2.6 The Committee requested Management provide a flow chart to explain the whistleblowing process.**

Action: Nicole Geoghegan

- 4.2.7 The Committee noted that the Management Information for Strategic Risks will be updated ahead of the January Committee meeting.**

Action: Michael Bradley

- 4.2.8 The Committee Chair and Company Secretary will review the forward look for Committee meetings in 2020 and provide a view of what deep dives the Committee will undertake in the year.**

Action: Ed Smith and Non Owen

- 4.2.9 The Committee discussed capability and readiness for Notice to Proceed noting that open conditions precedent have been moving to the right in terms of closure dates. The Committee queried the level of confidence to close out the conditions precedent by the revised/ required timescales. Management advised that by the end of January 2020 it is anticipated that ██████████ will have been completed. A paper will be submitted to the December Board meeting to update on the percentage of completed conditions precedent.

- 4.2.10 The Committee noted the recommendation regarding capability scoring and the aspiration for any further progress on levels of capability. Management are developing the levels of ambition for improving the relevant capabilities.

- 4.2.11 The Committee noted the update.

5 HS2 Internal Audit Update and HS2 Improvement Programme Reporting (ARAC_19-048 and ARAC_19-049)

- 5.1 The Committee received and noted the report from the Head of Internal Audit to the Audit and Risk Assurance Committee (ARAC) on the activities of Internal Audit in the period July 2019 – September 2019.
- 5.2 The Committee approved the addition of two reviews (HIP LoD2 assurance to close to Notice to Proceed and Baseline 7 Process Review) into the 2019/2020 internal audit plan and the cancellation of one review (Phase 2 Scope & Affordability Challenges).
- 5.3 The Head of Internal Audit confirmed that there were no items of escalation required to the Committee at the time of reporting.
- 5.4 The Committee noted that an audit could be planned to review the operation of Project Atlas in line with providing the Committee with longer term Internal Audit Planning.
- 5.5 The Committee received and noted the [REDACTED] following the request for Internal Audit to provide [REDACTED]
[REDACTED]
- 5.6 The Committee noted that the review has run with progressive assurance and the report was finalised following a Readiness Steering Group on 05 December 2019.
- 5.7 The Head of Internal Audit confirmed that neither of the two matters arising in the report are considered material.
- 5.8 The Head of Internal Audit advised that, provided the scheduled outstanding information can be closed in January 2020, a reasonable audit opinion could be provided in February/ March 2020.
- 5.9 The Committee noted the update.

6 NAO Update including Audit Planning Report (ARAC_19-050)

- 6.1 The Committee received and noted the Audit Planning Report on the 2019-2020 Financial Statement Audit from the National Audit Office (NAO).
- 6.2 The Committee noted and discussed the risks identified by the NAO which have the most significant impact to the audit.
- 6.3 The Committee discussed the identified risk regarding redundancy and compensation payments and recommended that regular updates should be reported for Non-Executive attention. There was a discussion as to whether this should be to the Remuneration Committee or Audit and Risk Assurance Committee.

6.4 The Committee noted the update that Value for Money study is likely to be submitted for clearance in the week commencing 06 January 2020.

7 Counter Fraud Quarterly Update (ARAC_19-051)

7.1 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 26 July 2019 – 31 October 2019.

7.2 The following key points were raised and noted:

7.2.1 Investigation 2019-10 has been concluded delivering a business saving of £250,000. A causation assessment has completed, and learnings are being communicated to the business.

7.2.2 The Committee queried with Management on activity regarding cases not known about. Management advised that this should be dealt with through training and giving whistle-blowers confidence without fear of retaliation.

7.2.3 The introduction of [REDACTED] will also improve identification of cases.

7.2.4 The Head of Counter Fraud & Business Ethics advised that the number of investigations is seen as a positive, reflecting an open and transparent environment. The next challenge will be to embed this into the supply chain.

7.2.5 The Committee discussed the [REDACTED] noting that all cases are under review pending conclusion of the [REDACTED]

7.2.6 The Committee were advised that the changes to the EU Whistleblowing Directive did not require material changes for HS2 Ltd.

7.2.7 Further to the action raised at minute 4.2.6 the Committee reiterated with the Head of Counter Fraud & Business Ethics the need to have a clear process to close whistleblowing cases.

7.2.8 The Head of Counter Fraud & Business Ethics advised that in cases which are not substantiated there is no longer a need for the Counter Fraud and Ethics team to have visibility.

7.2.9 This was noted by the Committee, but it was suggested that the function work with Human Resources and Safety and Assurance teams to define the process. It was further suggested a comparison be conducted with other organisations to inform this.

Action: Nicole Geoghegan

7.3 The Committee noted the update.

8 Senior Information Risk Owner 6-monthly update (ARAC-19-052)

8.1 The Committee noted the paper providing to provide a six-month update to the Audit and Risk Assurance Committee (ARAC) on key issues and areas of progress to be aware of covering Information Risk Management in HS2 Ltd.

8.2 The Committee noted that the organisation is in a period of [REDACTED]

8.3 **The Committee received an [REDACTED] at the meeting from the Chief Security and Resilience Officer. It was agreed that an update on the actions will return to the Committee in 3 months' time.**

Action: Emma Head

8.4 The Committee received the report positively on the proactive approach to this, noting a further update will follow.

9 Quality and Assurance Strategy (ARAC-19-053)

9.1 The Committee noted the Strategy which was approved by the Audit and Risk Assurance Panel on 18 November 2019.

9.2 **The Committee requested Management return to the Committee in May 2020 on assurance in action on the Integrated Project Teams (IPTs).**

Action: Emma Head

9.3 **The Committee requested that a key be added to the matrix.**

Action: Emma Head

9.4 **The Committee requested a final proof read of the strategy prior to publication.**

Action: Emma Head

10 General Tax Update and Tax Strategy (ARAC-19-054)

10.1 The Committee received a paper submitted to comply with Her Majesty's Revenue and Customs (HMRC) rules.

10.2 As part of HMRC Senior Accounting Officer (SAO) requirements, HS2 Ltd must demonstrate that the HS2 Ltd Board and the Audit and Risk Assurance Committee (ARAC) have oversight of the company's tax obligations and are aware of key tax matters.

10.3 The Committee noted the general update on tax.

10.4 The Committee noted the HS2 'Tax Strategy' statement prepared under Finance Act 2016 requirements. The strategy will be submitted to the HS2 Ltd Board for approval in December 2019 and will be published on HS2 Ltd.'s website no later than 31 March 2020.

10.5 The Committee discussed [REDACTED]
[REDACTED] The Committee noted the figure but advised of the aspiration for this to be lower.

10.6 **The Committee requested a strengthening of language to reflect the commitment to Managing Public Money.**

Action: Michael Bradley

10.7 **The Committee noted the new HMRC rules regarding failure to prevent the facilitation of tax evasion by persons associated with HS2 Ltd. There will be a briefing delivered to the Senior Leadership Team and training delivered in the organisation. An update was requested to the Committee on this at the appropriate time.**

Action: Non Owen to plan onto forward look

11 Forward Look (ARAC_19-055)

11.1 The Committee noted the forward look.

12 AOB and meeting close

12.1 There were no additional items of business raised.