

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Wednesday, 22 January 2020
Meeting location Room 3.12/3.13, Two Snowhill and Room 3.01, The Podium
Meeting time 10:00-12:30

Members	Attendees	Apologies
Ed Smith (Committee Chair) Non-Executive Director	Michael Bradley Chief Financial Officer	Mark Thurston Chief Executive Officer
Roger Mountford Non-Executive Director	Allan Cook HS2 Ltd Chairman	Stephen Hughes (comments in advance) Non-Executive Director
	Nicole Geoghegan General Counsel	
	██████████ Finance Director	
	Emma Head Safety and Assurance Director	
	██████████ National Audit Office	
	Non Owen (minutes) Company Secretary	
	██████████ Project Representation	
	██████████ Head of Internal Audit	

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 from the Company Secretary regarding diversity in leadership.
- 1.3 The Committee noted apologies from the Chief Executive Officer and Stephen Hughes, noting that Stephen had provided comments in advance of the meeting to the Committee Chair.

2 Minutes of the previous meeting and matters arising (ARAC_19-056 and ARAC_19-057)

- 2.1 The Committee agreed the minutes of the meeting of 09 December 2019 as a true record subject to a point of clarification at minute 6.4 to reflect the National Audit Office report initial submission will be subject to the necessary clearance.
- 2.2 The Committee noted the status of the actions with the following updates:
 - 2.2.1 Action 19-016: **Gifts and Hospitality Policy: The Committee noted that the Policy will be submitted to the Executive Committee for review prior to onward submission to the Committee.**
 - 2.2.2 Action 19-021: **A long list of suggested deep dive topics has been circulated to Committee Members. This will be agreed and sequenced into the forward look.**
 - 2.2.3 **The Committee requested an addition to the Whistleblowing process/ flowchart to show the interaction of the Committee and Ed Smith as the designated Board Member with whistleblowing oversight.**

Action: Nicole Geoghegan

3 Update from the Audit and Risk Assurance Panel 9 January 2020 (ARAC_19-058)

- 3.1 The Committee noted the update from the Audit and Risk Assurance Panel held on 9 January 2020.
- 3.2 The following key points were raised and noted:
 - 3.2.1 The Panel has discussed the amount of assurance activity taking place and recognised that there is a need to prioritise business requirements;
 - 3.2.2 The Panel have requested a proposal for how improved risk reporting can be captured in the Risk, Control, Assure Management Information;
 - 3.2.3 There has been further refinement to the Executive Summary provided in the RCA Management Information;
 - 3.2.4 The Panel have requested a briefing be scheduled with the Executive Committee and the Head of Internal Audit; and
 - 3.2.5 The Panel have provided feedback to the Business Critical Models in the organisation, requesting that the Head of Integrated Management engages with Senior Leadership for a more strategic review.
- 3.3 The Committee noted the update.

4 Risk, Control and Assurance Management Information Report, including Approach to Management Assurance Statement 2019/2020 and Summary of Programme Assurance (ARAC_19-059 and ARAC_19-066)

- 4.1 The Committee received and noted the Risk, Control and Assurance Report for January to March 2020.
- 4.2 The following key points were raised and noted:
- 4.2.1 The Committee requested visibility of the engagement levels between the Executive and Non-Executive leads of the Strategic Risks for assurance that these are receiving the right level of scrutiny and review;
 - 4.2.2 **The Committee requested visibility of the 15 assurance activities planned for the planned Integrated Assurance and Approvals Plan for 2019/2020;**
 - 4.2.3 **The Committee noted reasonable assurance given for the Main Works Civils Contract Commercial Model and requested visibility of the report;**

Action: Emma Head/ Non Owen
 - 4.2.4 The Committee received an update on progression of Phase 1 [REDACTED] noting that the Board may be asked to meet out of cycle to consider this;
 - 4.2.5 The Integrated Project Teams (IPT) will require progressive assurance and will be asked to self-assure proactively;
 - 4.2.6 It was noted that the Integrated Project Teams will be asked to provide a self-assurance assessment which will then be tested by the business;
 - 4.2.7 The Committee discussed the element of judgement involved with assessing readiness and requested that expectation of the minimum standard required be communicated to IPTs. Expectations should also be set for corrective action tracking should any of the submissions not meet the minimum thresholds in any areas;
 - 4.2.8 The Committee supported and agreed this approach for assurance and its progressive nature to enable a continuous improvement and future self-diagnostic culture with the Integrated Project Teams. It is expected that this area will be one of the proposed Committee deep dives; and
 - 4.2.9 The Committee agreed that a recommendation would be made to the HS2 Ltd Board that the Committee convene as a Challenge Panel on IPT Readiness. Invitations would be extended to wider attendees following agreement to the approach from the Board.
- 4.3 The Committee received and noted the approach and timeline for the Management Assurance Statement (MAS).
- 4.4 The Committee noted the updates.

5 Proposed Integrated Assurance and Approval Plan for Phase 2a and Phase 2b [REDACTED] Submission (ARAC_19-060)

- 5.1 The Committee discussed Managements recommendation for a Challenge Panel on Phase 2a [REDACTED] and Phase 2b [REDACTED]
- 5.2 The Committee noted that the primary focus for the Challenge Panel would be to hold HS2 Executive/Management to account for the confidence rating in the Business Assurance Statement, and for delivery of sufficiently robust and timely action plans to address assurance findings.
- 5.3 Terms of Reference for the assurance approach will be shared with Committee Members and it was confirmed that differing approaches will be taken for Phase 2a and Phase 2b where appropriate due to the difference in maturity of each Phase.
- 5.4 The Committee agreed that a recommendation would be made to the HS2 Ltd Board that the Committee convene as a Challenge Panel on Phase 2a [REDACTED] and Phase 2b [REDACTED] Invitations would be extended to wider attendees following agreement to the approach from the Board.

6 HS2 Internal Audit Update (ARAC_19-061)

- 6.1 The Committee received and noted the report from the Head of Internal Audit for October 2019 – December 2019.
- 6.2 The following key points were raised and noted:
 - 6.2.1 At the time of reporting there has been completion of 67% of the internal audit programme;
 - 6.2.2 The Committee noted three additionally commissioned audits to provide assurance on the Phase 1 Baseline 7 process and the HS2 Improvement Programme LoD2 assurance;
 - 6.2.3 The Committee noted that internal audit planning will be provided to the Committee at the March meeting. This will provide a two-year planned programme of internal audits; and
 - 6.2.4 The Committee requested that by March 2021, a three-year planned programme of internal audits be made available.
- 6.3 The Head of Internal Audit and Committee commented on the significant improvement in internal controls and commended the supporting teams for that.

7 NAO Update including Audit Planning Report (ARAC_19-062)

- 7.1 The Committee received a verbal update from the National Audit Office Director on the progress with 2019/2020 corporate audit.
- 7.2 At the time of reporting, there was nothing to escalate to the Committee.

8 Annual Report and Accounts – approach and timeline (ARAC_19-063)

- 8.1 The Committee receive and noted the approach and timeline for the publication of the 2019/2020 Annual Report and Accounts.
- 8.2 It was noted that in line with previous approaches iterative updates will be provided to the Committee.

9 Committee annual effectiveness review – process and timetable (ARAC-19-064)

- 9.1 The Committee noted the proposal for the effectiveness review and timeline.
- 9.2 **It was requested that the response remit be expanded from only yes or no options; and**
Action: Non Owen
- 9.3 It was noted that the outcome of the review will be taken to the March Committee meeting.

10 Forward Look (ARAC_19-065)

- 10.1 The Committee noted the forward look.
- 10.2 **It was agreed that the timings for the March meeting would be extended subject to approval of the approach to assurance from the HS2 Ltd Board.**

Action: Non Owen

11 Any Other Business

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