

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 16 March 2020
Meeting location Room 3.12/3.13, Two Snowhill; Room 3.01, The Podium and dial in
Meeting time 09:00-15:00

Members	Attendees	Apologies
Ed Smith (Committee Chair) Non-Executive Director	[REDACTED] Phase Two Project Controls Director	Nicole Geoghegan General Counsel
Stephen Hughes (part) Non-Executive Director	[REDACTED] [REDACTED]	Mark Thurston Chief Executive Officer
Roger Mountford (part) Non-Executive Director	[REDACTED] Head of Counter Fraud	
	David Bennett (item 11) Delivery Director	
	Michael Bradley (part) Chief Financial Officer	
	[REDACTED] Phase Two Delivery Director	
	Allan Cook HS2 Ltd Chairman	
	[REDACTED] Senior Business Manager	
	[REDACTED] Finance Director	
	[REDACTED] P-Rep	
	Emma Head Safety and Assurance Director	
	[REDACTED] Programme Director (change programme)	
	[REDACTED] P-Rep	
	[REDACTED] National Audit Office	
	Kevin McGreal Observer/ Interim Safety and Assurance Director	

	████████████████████ National Audit Office	
	Non Owen (minutes) Company Secretary	
	████████████████████ ████	
	████████████████████ ████	
	████████████████████ ████ Head of Programme and Corporate Assurance	
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	████████ 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 Safety and Assurance Director regarding the emerging position of the COVID-19 outbreak noting that clarity of decision making is key. There will need to be agile business decisions made following the daily bulletins and updates which are cascaded from Government.
- 1.3 It was noted that the organisation has started to test the process for remote payments to enable business continuity and the establishment of an incident management team and command structure to deal with decisions and recommendations.

2 Minutes of the previous meeting and matters arising (ARAC_19-067 and ARAC_19-068)

- 2.1 The Committee agreed the minutes of the meeting of 22 January 2020 as a true record.
- 2.2 The Committee noted the status of the actions with the following update:
 - 2.2.1 Action 19-016: Gifts and Hospitality Policy: It was agreed that the revised Policy would be circulated to ARAC Members.

3 Update from the Audit and Risk Assurance Panel 24 February 2020 (ARAC_19-069)

- 3.1 The Committee noted the update from the Audit and Risk Assurance Panel held on 24 February 2020 and the minutes summarising items discussed.

- 3.2 The following key points were raised and noted:
- 3.2.1 The Committee noted the updates provided against items submitted for the Committee's consideration and agreed that any comments or queries would be held until these items arose during the course of the agenda.
 - 3.2.2 The Panel had considered the latest iteration of the Risk, Control and Assurance Report and requested further detail with regard to the strategic risks and deep dive methodology. Management have been asked to review the information for how to present this more clearly to the Panel and Committee.
 - 3.2.3 The Committee noted that the Panel had considered the annual Management Assurance Statement which was subsequently resubmitted to Panel Members via correspondence following queries and challenge given during the meeting. The Committee noted the resubmitted Statement for approval during the course of the meeting.
 - 3.2.4 The Committee discussed an update on Identity and Access Management, noting that there were delays with the minimum viable product. Management confirmed that the issue is more one of timeliness rather than requiring risk mitigation at this point.
 - 3.2.5 The Committee commended the quality of process and papers between the Panel and Committee however queried whether there was a risk of duplication of work.
 - 3.2.6 It was noted that previously the Executive Committee would deal with these matters and in fact having an assigned Panel to do this allows for better scrutiny of items.
 - 3.2.7 Management confirmed that there remains a level of added value in the process and in line with best practice the approach will be reviewed on a periodic basis.
- 3.3 The Committee noted the update.

4 Risk, Control and Assurance Management Information Report (ARAC_19-070)

- 4.1 The Committee received and noted the revised Risk, Control and Assurance Report including visibility of the proposed new Atlas format and providing a revised approach to the Executive Summary.
- 4.2 The following key points were raised and noted:
- 4.2.1 **The Committee requested a process update for the coordination and reporting of strategic risks. This process should show when a review of the strategic risks will be taken to the HS2 Ltd Board.**
Action: [REDACTED]
 - 4.2.2 The Committee discussed the transition from [REDACTED], noting that opportunities have been tested and incorporated into the Baseline. **It was agreed that the report from the Committee Chair to the Board would incorporate the request that this be included in the approach to the Phase 2 [REDACTED]**

Action: Non Owen/ Ed Smith

- 4.2.3 The Committee discussed the concept of an efficiency program to be delivered with Executive Committee oversight. The Executive Committee have discussed the initial proposal at the meeting on the 11 March 2020. Further details of the concept will be reported back.**

Action: Michael Bradley

- 4.2.4 The Committee noted a Business Assurance review of the Phase 2a [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Management responses are being developed to address these recommendations.
- 4.2.5 The Committee commented on the evolving Risk, Control and Assurance Report, recognising the improvements which have been made, however requested that there be a higher level KPI driven approach.
- 4.2.6 The Committee commented that it is key that Management Information presented to both Committees and the Board is reviewed to enable Non-Executive Directors to have a balance of information. The Management Information quality is robust and should be matured further for what is useful for Management and what should be escalated to Non-Executive Directors and the Board.

- 4.3 The Committee noted the update.

5 Management Assurance Statement 2019/2020 (ARAC_19-071)

- 5.1 The Committee received and noted the Management Assurance Statement for 2019/2020.
- 5.2 HS2 Ltd is required by Department for Transport (DfT) to submit a Management Assurance Review on an annual basis.
- 5.3 The Committee were asked to:
- 5.3.1 Review the draft Management Assurance Statement (MAS); and
 - 5.3.2 Endorse submission of the revised assessment, in accordance with its delegations on behalf of the HS2 Ltd Board, to the DfT following Accounting Officer sign off.
- 5.4 The Committee commended the Statement as a good piece of work, noting the progress since the Audit and Risk Assurance Panel.
- 5.5 The Committee noted that the next annual submission will continue to evolve and be used to add value for the organisation to avoid being a 'box-tick exercise'.
- 5.6 The Committee approved the Management Assurance Statement and recommended this for signature by the Accounting Officer and onward submission to the DfT.

6 HS2 Internal Audit Plan Update (ARAC_19-072 and ARAC_19-081)

- 6.1 The Committee received and noted the Report from the Head of Internal Audit to Audit setting out the proposed Internal Audit work for 2020/21.
- 6.2 The Committee were asked to consider and approve the annual plan and [REDACTED]
- 6.3 The Committee noted the plan is prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), which require the Chief Audit Executive to establish risk-based plans to determine the priorities of internal audit activity, consistent with those of the organisation.
- 6.4 The Committee noted that the plan does not expressly incorporate a focus on Community Engagement and that this should be incorporated with relevant audits and when reviewing the strategic risks.
- 6.5 The Committee noted that there is a programme of organisation led audits planned and as such these are not incorporated in the Internal Audit plan to avoid duplication.
- 6.6 The Committee approved the annual plan for the 2020/2021 Internal Audit [REDACTED] noting confirmation from the Head of Internal Audit that at the time of reporting there was nothing constrained by the confirmed budget envelope.

7 Counter Fraud Quarterly Update (ARAC_19-073)

- 7.1 The Committee received and noted an update on the work undertaken by the Counter Fraud & Business Ethics Team in the period 1 November 2019 – 31 January 2020.
- 7.2 The Committee reviewed the fraud, bribery, corruption and ethical breach allegations received and investigated since the report to the Audit and Risk Assurance Committee on 09 December 2019.
- 7.3 The following key points were raised and noted:
- 7.3.1 The Committee noted the good progress being made by the function, reflecting that fraud, bribery and corruption happens in all business. It is therefore positive that the organisation has this function;
- 7.3.2 The Committee expressed concern regarding the detail of some of the reported cases, noting that there has been revision of policies communicated to the business and so a more proactive approach can and will be taken;
- 7.3.3 The Committee requested escalation of progress to the strategy, and fraud and bribery risk assessments as a matter of urgency from an Accounting Officer perspective; and**

Action: [REDACTED]

7.3.4 The Committee have reiterated the need to have data mining capabilities to improve the proactive approach to fraud and bribery.

7.4 The Committee noted the update.

8 NAO Update (ARAC_19-074)

8.1 The Committee received a verbal update from the National Audit Office on the progress of the External annual audit.

8.2 At the time of reporting there were no material items for escalation to the Committee.

9 2019/20 Annual Report and Accounts – format and early content (ARAC_19-075)

9.1 The Committee received and noted an update on the production of the Annual Report and Accounts (ARA) document, including format and early content development.

9.2 The Committee noted progress on the document since the January Committee meeting, content development and format.

9.3 The Committee noted a future iteration of the document will be submitted to the May meeting.

10 Committee annual effectiveness review – actions (ARAC-19-076)

10.1 The Committee received and noted the outcome of its annual effectiveness review including the anonymised findings and themes identified from the responses.

10.2 The Committee were asked to review the themes identified from the review in order to agree next steps and actions to be considered in the coming year.

10.3 The Committee were pleased to note the review reported positively, with some opportunities identified for areas of improvement over the coming year.

10.4 **The Committee agreed to the themes identified from the review and requested that a review of the findings and actions would be considered by the Committee on a regular basis.**

Action: Non Owen

10.5 **It was agreed that the themes and actions will be reported to the HS2 Ltd Board.**

Action: Non Owen/ Ed Smith

Challenge Panel – Items 11 and 12

11 Phase One IPT Operating Capability (ARAC-19-077)

- 11.1 The Committee, convening as a Challenge Panel were joined by David Bennett (Delivery Director), [REDACTED] (Programme Director), [REDACTED] (Head of Programme and Corporate Assurance) [REDACTED] (P-Rep).
- 11.2 The Committee received and noted materials relating to Integrated Project Team readiness including:
- 11.2.1 [REDACTED]
 - 11.2.2 Main Works Civils Contract [REDACTED] and
 - 11.2.3 A presentation relating to the journey from initial operating capability to full operating capability.
- 11.3 The Committee reviewed in detail the [REDACTED].
- 11.4 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- Action:** [REDACTED]
- 11.5 The Committee commented on the outstanding decision from Government with regard to delegations of authority which have not yet been fully developed, implemented and communicated. **It was agreed that this would be escalated for the Board’s attention and onto the Department for Transport as an outstanding item.**
- Action: Ed Smith**
- 11.6 The Committee discussed that some recommendations which need to be closed out do not preclude operations of the Integrated Project Teams. The Committee acknowledge that the continued monitoring and closure of such activities is the responsibility of the Executive Committee, however there should be escalation to the Committee or the HS2 Ltd Board with progress status.
- 11.7 **The Committee requested that assessments be split as to what is critical for Notice to Proceed, and what remains open to progress to Full Operating Capability.**
- Action: Emma Head**
- 11.8 **The Committee requested an update of the position at a future Committee meeting.**
- Action:** [REDACTED]

12 Phase 2a [REDACTED] (ARAC-19-078)

- 12.1 The Committee, convening as a Challenge Panel were joined by [REDACTED] (Phase Two Project Controls Director), [REDACTED] (Phase Two Delivery Director), [REDACTED] (Head of Programme and Corporate Assurance), [REDACTED]
[REDACTED]
- 12.2 The Committee received and noted the interim report on the Phase 2a [REDACTED]
[REDACTED] report.
- 12.3 The Committee noted the scope of work has focused on the process for the Baseline and not the deliverability.
- 12.4 The Committee noted that at the time of reporting, the overall rating for [REDACTED]
[REDACTED]
- 12.5 **It was requested that an update be provided at a future Committee meeting.**
Action: [REDACTED]
- 12.6 The Committee noted that the approach to the Baseline is consistent with the traditional Phase 1 approach. The Committee discussed that should an alternative delivery model be proposed for Phase 2a it is key to keep within the cost range.
- 12.7 It was noted that HS2 Ltd will re-run Quantitative Cost Risk Analysis (QCRA) and Quantitative Schedule Risk Analysis (QSRA) during Summer 2020. The methodology is yet to be agreed with the Executive Committee.
- 12.8 The Committee discussed reporting with QCRA/ QSRA and Reference Class Forecasting. It was noted that the Terms of Reference of PwC will be extended to cover this. The expectation of the Department for Transport will be shared with PwC so that the review reflects this.
- 12.9 The Committee requested that the approach is clear, communicated with the Department for Transport and aligned.
- 12.10 The Committee requested that the narrative on the approach and the work done to date for the Baseline is clear.
- 12.11 The Committee referenced the very extensive report and management responses.
- 12.12 The Committee summarised that the Challenge Panel was meeting to provide an initial high-level review on behalf of the Board. A further iteration will need to be provided with Executive Committee recommendation, and confidence that there is capability to deliver.
- 12.13 [REDACTED]
[REDACTED]
- 12.14 The Committee commended the work to date, noting that this is iterative.

13 Phase 2b [REDACTED] Review (ARAC-19-079)

13.1 It was agreed that consideration of this matter would be deferred.

14 Forward Look (ARAC_19-080)

14.1 The Committee noted the forward look.

15 Any Other Business

15.1 The Committee commended the exemplary quality of the papers submitted to the Committee.