

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Thursday, 21 May 2020

Meeting location Teams Meeting

Meeting time 10:00-13:00

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	Michael Bradley Chief Financial Officer	
Roger Mountford Non-Executive Director	[REDACTED] Head of Financial Governance and Treasury	
	Allan Cook HS2 Ltd Chairman	
	[REDACTED] Senior Business Manager	
	Nicole Geoghegan General Counsel	
	[REDACTED] Finance Director	
	[REDACTED] National Audit Office	
	[REDACTED] Chief Security and Resilience Officer	
	[REDACTED] National Audit Office	
	Kevin McGreal Interim Safety and Assurance Director	
	[REDACTED] National Audit Office	
	Non Owen (minutes) Company Secretary	
	[REDACTED] P-Rep	
	[REDACTED] Head of Programme and Corporate Assurance	

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 General Counsel regarding leadership and good decision making being reliant on the best possible information being available in the context of the COVID-19 environment and Government needing to make decisions in the absence of fully understanding the extent of the virus.

2 Minutes of the previous meeting and matters arising (ARAC_20-001 and ARAC_20-002)

- 2.1 The Committee agreed the minutes of the meeting of 16 March 2020 as a true record.
- 2.2 The Committee noted the status of the actions and agreed that actions which had future return dates to the Committee will remain open and visible on the action tracker.

3 Update from the Audit and Risk Assurance Panel 27 April 2020 (ARAC_20-003)

- 3.1 The Committee noted the update from the Audit and Risk Assurance Panel held on 27 April 2020.
- 3.2 The following key points were raised and noted:
 - 3.2.1 The Committee noted that substantive time had been spent on the Risk, Control and Assurance report noting the good progress on strategic risk management, including Non-Executive Director involvement which has helped to drive discipline into the schedule of reporting;
 - 3.2.2 Management advised of the work to be developed on programme level risks;
 - 3.2.3 The methodology for the Phase 1 Quantitative Risk Analysis (QRA) rerun has been agreed with engagement from the IPA, HM Treasury, the DfT, and P-Rep and will be presented for Ministerial attention;
 - 3.2.4 **It was agreed that the methodology paper will be shared with the wider Board to provide the initial view of how this will work;**

Action: Michael Bradley/ Non Owen
 - 3.2.5 The Committee noted that the July Board meeting will receive the output of the rerun from the QRA;

- 3.2.6 The Committee were pleased to note improved position for Business-Critical Models in the organisation which was subject to further involvement of the business and data collection following challenge from the Panel;
- 3.2.7 Work is ongoing with the commercial and assurance team to review commercial assurance processes in the organisation in order to reduce the timescales for commercial assurance activities, without compromising quality;
- 3.2.8 It was confirmed that a Value for Money focus is part of the remit of the review. The Committee discussed whether there could be a link from the commercial assurance review into governance, however noting that some of the timescales are linked to wider external governance processes;
- 3.2.9 It was agreed that the Committee would receive an update following conclusion of a July review;
- 3.2.10 The Committee noted the planned update to return on lessons learned from Crossrail. It was agreed that as well as including an update as to the status of existing actions and lessons learned, there would be a review of any emerging actions; and**

Action: Kevin McGreal

- 3.2.11 The Committee referenced findings and reports from the Public Accounts Committee (PAC) and National Audit Office. Subject to confirmation from the DfT SRO, the CFO and Chair of the Committee will attend the DfT Group Audit and Risk and Assurance Committee in order to discuss PAC findings.

3.3 The Committee noted the update.

4 Risk, Control and Assurance Management Information Report (ARAC_20-004)

- 4.1 The Committee received and noted the Risk, Control and Assurance Report for March to May 2020.
- 4.2 The following key points were raised and noted:
 - 4.2.1 The Committee noted the progress with the Integrated Management System improvement programme which will continue to be reported to closure;
 - 4.2.2 The Committee reviewed programme level assurance, and the timeline provided for Phase 2, which will form part of a Board briefing scheduled on Tuesday 26 May 2020. The Committee requested visibility of the timelines and level of engagement required to provide oversight.**

Action: Tim Smart

- 4.2.3 A further update with regard to Full Operating Capability for the Integrated Project Teams has been considered by the Executive Committee. The Committee are keen to understand the timeline and engagement required and as such have agreed to schedule additional time to the June 2020 meeting and**

convene an additional meeting in July 2020 in order to give this the scrutiny required.

Action: Non Owen/ Ed Smith

4.2.4 The Committee Members have offered to provide input to revised formatting and content of the Risk Control and Assurance Management Information to ensure that the information is escalated for Non-Executive Director and Board attention at the right level with clear and transparent information;

4.2.5 The Committee received a verbal update from the HS2 Chairman on the recent report from Transport Focus, which reviews travel behaviour. The Committee commented it is too early to make conclusions of the COVID-19 pandemic but recommended a more strategic discussion on this aspect at the Board would be suitable; and

Action: Ed Smith/ Non Owen/ Allan Cook

4.2.6 The Committee Chair reiterated the requirement of Non-Executive Directors for unrelenting focus on Full Operating Capability and the assurance on the delivery of cost and schedule for Phase 1 and Phase 2a, incorporating lessons and successes from Phase 1.

4.3 The Committee noted the update.

5 Internal Audit Report including Head of Internal Audit Annual Opinion (ARAC_20-005 and ARAC_20-006)

5.1 The Committee received and noted the report from the Head of Internal Audit on activities for the period January to March 2020.

5.2 The Committee also received and noted the annual Head of Internal Audit opinion on the overall HS2 control environment for 2019/2020.

5.3 The following key points were raised and noted:

5.3.1 The Committee discussed the 2020/ 2021 Internal Audit plan, given the COVID-19 implications, and following discussion with the Chair of the Committee and noted that it has been agreed to proceed with two (of four) Q1 scheduled audits in the first instance, namely information [REDACTED]

5.3.2 The remaining internal audit plan will be reviewed. Following discussions with Government Internal Audit Agency and the Chair of the Committee, the current proposal is to continue to execute the current plan as approved by the Committee;

5.3.3 The Committee discussed the planned Internal Audit with regard to the relationship with Network Rail, noting that a desirable outcome from the audit would lead to a workshop to review ways of working. The need for the audit is due to HS2 Ltd being dependent on Network Rail for key deliverables of the programme;

- 5.3.4 The Committee discussed an Internal Audit regarding [REDACTED]
[REDACTED]
[REDACTED] The remote working environment has provided opportunity for proactive work to be developed with the existing team including activity with the supply chain;
- 5.3.5 The Committee noted the Internal Audit on governance in the Infrastructure Directorate, noting the Directorate remit to cover the West Coast Partnership;
- 5.3.6 It was agreed that a recommendation would be made to the HS2 Ltd Board for a briefing to be taken on the status and deliverables of the West Coast Partnership;**
- Action: Ed Smith/ Non Owen/ Allan Cook**
- 5.3.7 The Committee noted a limited opinion report with regard to IT, resultant in part due to transient senior management in the team, which has now been strengthened. A full report and attendance by the Chief Information Officer will be tabled at the September 2020 Committee meeting;
- 5.3.8 The Committee received and noted the Head of Internal Audit Annual Opinion on the overall HS2 control environment for 2019/ 2020. The Committee were encouraged to note the conclusion as Moderate;
- 5.3.9 The Committee noted the improving trend for audit, commenting that HS2 Ltd is not a steady-state body and as such every year there needs to be adaptation of what is done and how it is done; and
- 5.3.10 The Committee strives for continuous improvement whilst acknowledging that there is growing complexity of what the organisation provides.
- 5.4 The Committee noted the updates.

6 NAO Update (ARAC_20-007)

- 6.1 The Committee received a verbal update from the National Audit Office (NAO) on progress to close out the 2019/ 2020 financial report and accounts.
- 6.2 The NAO and HS2 Finance Director confirmed satisfaction with how the audit is progressing, noting that this is at a more mature state than has been in previous reporting years.
- 6.3 The Committee extended thanks to the NAO and the finance team for the level of work and effort to develop the accounts.
- 6.4 The Committee referenced the attendance from the NAO at the HS2 Ltd Board and it was agreed that a follow up session will be suggested to the HS2 Ltd Chairman to take place in the Autumn.**

Action: Ed Smith/ Non Owen/ Allan Cook

7 Integrated Assurance and Approvals Plan (ARAC_20-008)

- 7.1 The Committee received and noted an update on the proposed Integrated Assurance and Approvals Plan (IAAP) for the Financial Year 2020/21 incorporating the planned Corporate Assurance reviews.
- 7.2 The Committee were asked to note:
 - 7.2.1 the IAAP which was endorsed at Audit and Risk Assurance Panel (ARAP) on 27 April 2020; and
 - 7.2.2 the delayed start to Corporate Assurance activities to minimise business impact during the Covid-19 lockdown.
- 7.3 The Committee noted the robust amount of work to produce the Integrated Assurance and Approvals Plan (IAAP) in order to drive engagement and awareness into the business and promote discussions that assurance is happening in the right areas.
- 7.4 The Committee noted that there has been development of strategies in order to show how the integrated assurance plan is being delivered.
- 7.5 There will be integration of the commercial assurance and technical assurance into future reporting.
- 7.6 There will be oversight of Full Operating Capability and the assurance required. Delivery of this is being agreed between the assurance team and IPT leads. This is planned for conclusion at the end of the year but will be looked at in different stages.
- 7.7 The Committee were pleased to hear that an issue with capacity for commercial assurance has been mitigated with training of a corporate assurance professional in commercial and moderation assurance in order to manage peak activity and mitigate gaps in capacity.
- 7.8 The Committee note planned audit activity for data integrity and management information. It was requested that there should be a capture of the quality of information being provided from the supply chain into the company as part of any audit and oversight.
- 7.9 The Committee commended the level of detail and information provided with the IAAP, noting that there is work with the IPA to enhance and develop reporting across the major group portfolio, with HS2 Ltd being used as an area of good practice.
- 7.10 **It was agreed that a copy of the IAAP will be submitted to the GARAC.**

Action: Non Owen/ Michael Bradley

- 7.11 The Committee noted the update.

8 2019/20 Annual Report and Accounts Update (ARAC_20-009)

- 8.1 The Committee received and noted the update on the production of the Annual Report and Accounts document, ahead of the near final version which will be presented to the Committee in June.
- 8.2 The Committee noted the progress to date on the content development and document design.
- 8.3 The Committee were asked to comment on the content and design of the draft document.
- 8.4 The following points were raised:
 - 8.4.1 The Committee received the working draft of the Annual Report and Accounts for 2019/ 2020 and agreed that detailed comments would be provided outside of the meeting.
 - 8.4.2 The Annual Report and Accounts will be provided to the June 2020 Board meeting for approval, with publication targeted in July 2020.
 - 8.4.3 The Committee discussed the working draft and requested that terminology be clarified so that an external audience could understand the content better. This will be incorporated into a plain English review which is yet to be conducted.**

Action: [REDACTED]
 - 8.4.4 The Committee reiterated the importance of the Annual Report and Accounts to be fair, balanced and understandable. As such, the team should see what strengthening might be done around risk and assurance processes including reference to IAAP and three lines of defence models
 - 8.4.5 The Committee discussed future aspirations for reporting including the Annual Report and Accounts, and whether there should be private sector best practice approach taken for documents like this in the future. It was noted that the current reporting format is instructed via the Framework Document and as such, any revision will be communicated and agreed with the DfT.
- 8.5 The Committee noted the update.

9 Compliance with Corporate Criminal Offences Legislation Update (ARAC_20-010)

- 9.1 The Committee received an update on Corporate Criminal Offences (CCO) legislation and HS2 Ltd's compliance with the requirements of this legislation.
- 9.2 The Committee commended the strength of a very clear paper and noted full compliance with Corporate Criminal Offences (CCO) Legislation in HS2 Ltd.
- 9.3 The Committee noted that to embed understanding across the business, and to generate demonstrable evidence of compliance, HS2 Ltd has undertaken the following activities:

- 9.3.1 Full Risk Assessment;
- 9.3.2 Risks and Controls Register;
- 9.3.3 Training;
- 9.3.4 Communications;
- 9.3.5 Publication of CCO Reference Material;
- 9.3.6 Tone from the top; and
- 9.3.7 Proportionality & Due diligence.

9.4 The Committee will receive regular updates on compliance with CCO legislation.

9.5 The Committee noted the update.

10 [Redacted]

10.1 [Redacted]

10.2 [Redacted]

10.3 [Redacted]

10.4 [Redacted]

10.5 [Redacted]

10.6 [Redacted]

10.7 [Redacted]

11 Gifts and Hospitality Policy (ARAC_20-013)

11.1 The Committee were asked to approve the revised Gifts and Hospitality Policy.

- 11.2 The Committee received and noted the revised Gifts and Hospitality Policy which has been reviewed following the need for it to be better fit for purpose for the organisation.
- 11.3 The Committee noted that the Policy provides an aggregate view including the relationships between suppliers and HS2 Ltd.
- 11.4 The Policy has been consulted widely including the DfT.
- 11.5 The Committee noted that there are some provisions for a retrospective consultation/approval for example if individuals were not aware of hospitality intended to be provided. The incidences of this should be low as the supply chain have also been consulted and engaged on the revised approach.
- 11.6 The Committee endorsed the Gifts and Hospitality Policy, subject to a review to wording in one clause and recommend the Policy for approval by the HS2 Ltd Board.

12 Forward Look (ARAC_20-014)

- 12.1 The Committee noted the forward look and agreed to an extension of the June meeting and the scheduling of an additional meeting in July 2020 to provide the right level of oversight for a number of activities including deep dives, operating capability and Phase 2.

13 Any Other Business

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