

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Tuesday, 21 July 2020

Meeting location MS Teams Meeting

Meeting time 09:00-13:30

Members	Attendees	Apologies
Ed Smith (Committee Chair) Non-Executive Director	[REDACTED] Phase Two Project Controls Director	Nicole Geoghegan General Counsel
Stephen Hughes Non-Executive Director	[REDACTED] Head of Counter Fraud	[REDACTED] National Audit Office
Roger Mountford Non-Executive Director	Michael Bradley Chief Financial Officer	
	[REDACTED] Phase Two Delivery Director	
	Allan Cook HS2 Ltd Chairman	
	[REDACTED] Finance Director	
	[REDACTED] Phase 2b Senior Project Manager	
	[REDACTED] Programme Director (change programme)	
	[REDACTED] Chief Security and Resilience Officer	
	Kevin McGreal Interim Safety and Assurance Director	
	[REDACTED] National Audit Office	
	Non Owen (minutes) Company Secretary	
	[REDACTED] P-Rep	
	[REDACTED] PwC	
	[REDACTED] Phase 2 Head of Delivery	
	[REDACTED] [REDACTED]	

detail required. As such a review of the timetable and governance requirements would be undertaken and reported back;

Action: [REDACTED]

3.4.3 The Committee Members queried the five high priority actions. Management advised that the actions are anticipated to be closed following the review of [REDACTED] in August 2020;

3.4.4 **The Committee noted that there is also a significant “data drop” planned in July 2020 which may give rise to [REDACTED]. Management advised that an update would be available for the next Committee meeting:**

Action: [REDACTED]

3.4.5 **In his capacity as Accounting Officer, the CEO will be required to sign off an estimate of costs. The Committee will formally report this requirement to the HS2 Ltd Board with the recommendation that the agreement of the process to discharge this with the DfT and Ministers, in line with the Development Agreement, is clear; and**

Action: Ed Smith via ARAC report to the Board

3.4.6 **The Committee and Management discussed the drivers for increase of costs in responding to petitioner and wider stakeholder requests and the Committee requested further detail on this with future updates.**

Action: [REDACTED]

3.5 The Committee noted the update.

4 Phase 2b Baseline 2: Review of BAS, [REDACTED] report and Management response (ARAC_20-029)

4.1 The Phase Two Project Controls Director, the Phase Two Delivery Director, the Phase 2b Senior Project Manager and the Phase 2 Head Delivery joined the meeting.

4.2 The Committee were asked to review Phase 2b Baseline 2 in advance of submission to the August HS2 Ltd Board.

4.2.1 The Committee reviewed the Phase 2b Baseline 2 (BL2) assurance activity in order to establish confidence in the Phase 2b BL2 in advance of submission to HS2 Ltd Board for approval in August 2020.

4.2.2 The Committee considered:

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

4.2.3 It was noted that a Strategic Assurance Statement would be submitted by the Chair of the Committee to the August Board meeting, with input from Committee Members prior to submission.

4.2.4 The Committee requested that the Strategic Assurance Statement should set the context for the BL, including, but not limited to:

4.2.4.1. The level of maturity informing the BL;

4.2.4.2. Any outstanding matters for agreement, for example the [REDACTED]; and

4.2.4.3. Status of actions.

4.2.5 It is of critical importance for the HS2 Ltd Board to be clear of the context of what the BL2 product is and, what it is not;

4.2.6 Within the context of BL2 as presented, the Committee were satisfied with the level of maturity of the Business Assurance Statement noting that the items outstanding have reasonable responses provided;

4.2.7 The Committee were reminded of and discussed the early stage of the BL product and the context of how many BLs would be developed to increase the maturity of information for the full Phase 2b route, given [REDACTED]

4.2.8 There is a requirement for the BL2 for the full Phase 2b route to be provided to the DfT. Following its completion, work will commence to disaggregate the western and eastern legs, which will require individual Baselines;

4.2.9 There will be a requirement to agree the [REDACTED] in approving the Phase 2b BL2;

4.2.10 The Committee reviewed benchmarking data for the eastern and western leg, requesting clarification from [REDACTED] on risk and price data reported therein prior to submission to the Board, commenting that this also affects the context for the BL;

4.2.11 The Committee received an update on the approach to assurance for the western leg which is subject further review;

4.2.12 [REDACTED] expressed thanks to Management for their engagement and confirmed satisfaction with the work to date;

4.2.13 The Committee requested that [REDACTED] review the P-Rep observations made and submit this to the HS2 Ltd Board;

Action [REDACTED]

4.2.14 The Committee reviewed in detail the four areas of [REDACTED] namely:

4.2.14.1. [REDACTED]
[REDACTED]

4.2.14.2. [REDACTED]
[REDACTED]S;

4.2.14.3. [REDACTED]
[REDACTED]
[REDACTED] and

4.2.14.4. [REDACTED].

4.2.15 During discussions on the status of the [REDACTED]
[REDACTED]
[REDACTED]

4.2.16 The Committee requested that the position of assumptions and exclusions should be clearly documented. Following agreement of assumptions and exclusions and formal agreement of costs, it should be made clear that a range will be recommended by HS2 Ltd and this will require quantification by Network Rail;

4.2.17 The Committee noted that the remaining detailed areas of [REDACTED]
[REDACTED]; and

4.2.18 The Committee noted that an informal briefing will be provided to the HS2 Ltd Board prior to the formal Board meeting in August 2020.

4.3 The Committee thanked Management for the work to date and noted the updates.

5 Phase 1 Full Operating Capability (ARAC_20-030)

5.1 The Programme Director (change programme) joined the meeting.

5.2 The Committee received an update on the plan for reaching Full Operating Capability (FOC) with each of the Integrated Project Teams (IPTs), and for agreeing the joint definition of FOC.

5.3 The Committee were asked to note:

5.3.1 the agreed approach; and

5.3.2 the proposed assurance arrangements for ensuring that FOC is achieved.

5.4 The following key points were raised and noted:

5.4.1 Management advised the Committee of the context and remit for FOC, explaining that there is a requirement for [REDACTED]
[REDACTED]

5.4.2 The Committee discussed and requested that it should be clear that the approach to capability is not the same as the process run for the HS2 Improvement Programme (Enterprise Capability). The Committee requested that Management provide a more detailed narrative for why a differed approach has been taken and why this is appropriate;

Action: [REDACTED]

- 5.4.3 The model for capability is slightly bespoke and it was reiterated that the aspiration of the teams is to [REDACTED]. There will be a level of judgement exercised on which level of capability is appropriate, with a value for money approach on spend versus return for investment;
- 5.4.4 The Committee noted that the JV Collaboration Board allows for sharing of best practice;
- 5.4.5 The Committee noted planned activities including the potential to appoint an independent assurance lead, self-assessment by each JV, Management Information, scorecards and requested a holistic chart to show the suite of IPT activity;
- 5.4.6 The Committee noted the update on planned assurance. Level one assurance will be run operationally by the IPTs, through development of their plans and reporting of progress into the Senior Leadership Team and Client Director for visibility. Level two assurance will include an IPT peer review, which can be supported with independent assurance if necessary;
- 5.4.7 The timeline for FOC is anticipated at 12 to 14 months from Initial Operating Capability, however progress is expected to vary between JVs. The first checkpoint will take place in August 2020;
- 5.4.8 Management are ensuring that the process is being robustly recorded and are exploring whether this would be useful as a case study to share more widely. Work is being shared with HS2 Ltd Rail Systems and Stations teams so that the approach can be used to support these workstreams;
- 5.4.9 The Committee will receive updates on the progress in the Risk, Control and Assurance Management Information which is routinely reported to the Committee;
- 5.4.10 Further assurance activities will progress through the Integrated Assurance and Approval Plan and Internal Audit activities;
- 5.4.11 The Committee requested that a chart showing the various components of assurance over the IPTs, of which FOC was one, should be prepared so that the Committee and the Board can understand the full range of management oversight and assurance on delivery to cost and schedule of the IPTs;**

Action: [REDACTED]

- 5.4.12 The Committee noted the update of the position, which follows three reviews and ratification by the Executive Committee. The Delivery Director will retain oversight of the progress in consultation with the JV Collaboration Board and this will be reported to the HS2 Ltd Board as part of the standing Delivery Report to the Board at the appropriate time;
- 5.4.13 The Committee discussed that as this is a milestone which has been communicated with the DfT and independent external review groups, that Management should agree the process and governance route required to approve the attainment of the milestone of FOC;**

Action: [REDACTED]

5.4.14 The Committee commissioned a deep dive prior to March 2021 on the oversight of IPTs as part of the overall assurance programme; and

Action: [REDACTED]

5.4.15 The Committee noted the outstanding action on integrated IPT organisation charts, noting that the delay to close the action has been [REDACTED]. The Committee requested the organisation charts are circulated to Members once this has concluded.

Action: [REDACTED]

5.5 The Committee noted the update.

6 Quarterly Counter Fraud and Risk Report (ARAC_20-031)

6.1 The Head of Counter Fraud joined the meeting.

6.2 The Committee received an update on the work undertaken by the Counter Fraud & Business Ethics Team in the period 1 February 2020–30 April 2020.

6.3 The following key points were raised and noted:

6.3.1 The Committee noted that now the organisation has received Notice to Proceed and activity will continue to increase for Main Works Civils Contracts [REDACTED]. The Committee queried how the organisation will actively manage the risk and provide influence and appropriate control;

6.3.2 Management are reviewing options for advanced detective analytics, but it is also key to include and educate the supply chain to enable a network for control, and in order to avoid HS2 Ltd becoming too onerously involved in the running of this;

6.3.3 Learnings from other relevant organisations is being considered in the management of fraud prevention [REDACTED] detection and deterrence;

6.3.4 The Committee reviewed the statistics reported for completion of all staff mandatory training, fraud risk assessment and proactive analytics and actioned Management to bring a robust update on these three components at the September meeting, reiterating the expectation of full compliance with mandatory training;

Action: [REDACTED]

6.3.5 The Committee suggested consideration of how to cascade messages and rules into the organisation and use of softer methodology by calling out good and poor examples between contractors; and

6.3.6 It was noted that there are mainly implied contractual terms for reasonable actions against fraud to be taken and so use of practical examples of how the contractors are doing this in the supply chain should be used.

6.4 The Committee noted the update.

7 6-monthly Senior Information Risk Owner Report (ARAC_20-032)

7.1 The Chief Security and Resilience Officer joined the meeting.

7.2 The Committee received an update on key issues and areas of progress to be aware of covering Information Risk Management in HS2 Ltd.

7.3 The following key points were raised and noted:

7.3.1 The Committee commended the strong report and were encouraged to note no areas for Committee attention required from the business. The Committee encouraged the organisation to remain vigilant in a continued work from home environment and not to inadvertently become complacent;

7.3.2 The Committee noted that in the new working environment the business is operating with a more pragmatic approach with trust required from staff to make declarations;

7.3.3 The Committee queried [REDACTED] Management will conduct an audit to test compliance with the clear rules put in place for working from home;

Action: [REDACTED]

7.3.4 The Committee requested that Management review the timescale for delivery of mandatory training. Whilst the Committee appreciate that there is a pipeline of training, the remote working environment and holiday season have implications, a reprioritisation has been requested;

Action: [REDACTED]

7.3.5 The Committee requested a review of the statistics for new starts and leavers regarding the control and oversight of access to various devices and systems; and

Action: [REDACTED]

7.3.6 The Chief Security and Resilience Officer confirmed that there was no requirement for a closed session with the Committee Chair.

7.4 The Committee noted the update.

8 Crossrail Lessons Learned (ARAC_20-033)

8.1 The Interim Safety and Assurance Director provided an update on HS2 Ltd's response to Strategic Lessons Learned from Crossrail, which were last reviewed by the HS2 Ltd Board on 27 November 2019.

8.2 The Committee were asked to note the current status of the Crossrail Lessons Learned and the proposed next steps.

8.3 The following key points were raised and noted:

8.3.1 The Committee have commissioned Management to provide a six monthly update on the status of the lessons learned from the Crossrail review in order to provide confidence to internal and external stakeholders that HS2 Ltd has considered the lessons learned from other major projects and has effective and appropriate controls in place;

8.3.2 The Crossrail Review and the HS2 Ltd Response covered the following reports:

8.3.2.1. National Audit Office (NAO) report – Completing Crossrail;

8.3.2.2. The Department for Transport (DfT) and Transport for London (TfL) Independent review of Crossrail, carried out by KPMG; and

8.3.2.3. The DfT report - Lessons for the sponsorship of major projects.

8.3.3 The Committee noted the interim update on [REDACTED] there has been a reassessment following:

8.3.3.1. Changes to the HS2 Operating Model following Project Evolve;

8.3.3.2. Award of Notice to Proceed in Phase One;

8.3.3.3. [REDACTED]

8.3.3.4. Maturity of delivery model; and

8.3.3.5. The evolving approach to risk management within HS2 Ltd.

8.3.4 The Committee noted the interim update however restated to Management the importance of regular and rigorous review of the actions and Management responses, commenting that the level of progress with the work did not meet expectations as presented;

8.3.5 An internal audit by the GIAA is scheduled on the close out of various reports. A draft Terms of Reference has been shared with the Committee and P-Rep;

8.3.6 The Committee has requested a robust update position be taken to the September Committee meeting, at which it would be expected that many of the actions identified have been implemented or have a clear action plan to do so within a reasonable time period;

Action: Kevin McGreal

8.3.7 Management will consider the sequencing of the action review with formal decisions being requested from the Board, noting [REDACTED]; and

8.3.8 The P-Rep Representative offered his support to reviewing and input to the lessons learned.

8.4 The Committee noted the update.

9 Forward Look (ARAC_20-034)

9.1 The Committee noted the forward look.

10 Any Other Business

10.1 The Committee noted that the Annual Report and Accounts for HS2 Ltd were due to be laid in Parliament and the CEO expressed thanks to the Committee Members and Management for the successful conclusion of this work.