

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 14 December 2020

Meeting location MS Teams Virtual Meeting

Meeting time 10:00 – 13:00

Members (those who make the quorum of the forum)	Attendees (presenters/additional attendees)	Apologies
Ed Smith (Committee Chair) Non-Executive Director	[REDACTED] Internal Audit Manager, GIAA	Mark Thurston Chief Executive Officer
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	
	Elaine Holt Non-Executive Director	
	[REDACTED] Chief Security and Resilience Officer	
	[REDACTED] NAO	
	[REDACTED] Corporate Procurement Director	
	[REDACTED] NAO	
	[REDACTED] Assistant Company Secretary	
	[REDACTED] Procurement & Commercial Director	

	██████████ Project Representative	
	██████████████████ Head of Programme and Corporate Assurance	
	██████████ 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 Finance Director which provided reflections on the last year and emphasised the importance of community.

2 Minutes of the previous meeting and matters arising

- 2.1 The Committee agreed the minutes of the meeting dated 21 September 2020, and of the extraordinary meeting of 5 November 2020, as a true record.
- 2.2 The Committee noted the status of the actions.
- 2.3 The Committee received the P-REP November Monthly Report, which had been appended to the action tracker as requested in action 20-035. The Committee discussed the volume of open actions. The CFO confirmed that many were historic, and that a review exercise was currently ongoing between the Sponsorship Team, working with P-REP. The CFO confirmed that the next report will have been cleansed and show a clearer position.
- 2.4 **Members of the Committee welcomed the continued presence of P-Rep at its meetings and requested that an update of the P-Rep report would be provided for its February meeting. Following the February update, the Committee could consider whether to send the full report to the March Board meeting, or to just update the Board on it.**

Action: Company Secretariat for Scheduling

3 Update from the Audit and Risk Assurance Panel on 07 September 2020

- 3.1 The Committee noted the update from the Audit and Risk Assurance Panel held on 1 December 2020.
- 3.2 The following key points were raised and noted:
 - 3.2.1 The Committee welcomed the return ██████████ of the Safety & Assurance Director who presented the Risk Control and Assurance report. This matter is further discussed under section 4.

- 3.2.2 Assurance activity was ongoing, in particular to support the Board decisions on Phase 2a Delivery Model and Phase 1 Enabling Works.
 - 3.2.3 The role of the Committee in assessing Level 4 Enterprise Capability.
 - 3.2.4 ARAP had considered HS2's procurement assurance approach and an interim process had been put in place to monitor. Management had advised that they would report back to the Committee when this had been done.
- 3.3 The Committee noted the update.

4 Risk, Control and Assurance Management Information Report

- 4.1 The Committee were provided with the Risk, Control and Management Information report. The Safety & Assurance Director advised that work on the structure and content of the RCA report was ongoing and will continue to reflect the observations from ARAP and Committee members, with an automated process going live in January. The resulting report will be available for comment at the February Committee meeting. The new approach would allow users to access live updates which can then be integrated using Power BI and the project delivered by ATLAS. The new approach will provide benefits such as the reporting of overdue assurance findings by time period and by theme.
- 4.2 The Committee noted the update.

5 HS2 Internal Audit Update

- 5.1 The Committee received and noted the paper providing an update on the activities of the Internal Audit team in the period July to September 2020.
- 5.2 The following key points were raised and noted:
- 5.2.1 The Committee noted progress against the planned reviews for 2020/21. Out of the 22 planned reviews, 3 are complete, 6 are in draft, 10 are in field work and 1 is in planning (which is due to be completed next week). Management were seeking postponement of two audits (Gifts and Hospitality and Phase 2a Delivery Model) on the basis that G&H activity during COVID-19 had been extremely low and [REDACTED]
[REDACTED]
The Committee confirmed their approval of this.
 - 5.2.2 The report showed that a plan for completion of the formal internal audit opinion for FY20/21 was still achievable.
 - 5.2.3 **The Committee noted the status of the Internal Audit Review entitled "Programme Management Capability & Controls" and the CFO undertook to provide Committee Members with the associated [REDACTED] report. An action plan has been developed following the [REDACTED] report which dovetails into the work being done to take Project Controls Capability to Level 4.**

Action: Michael Bradley

5.2.4 Work is being carried out on LOD 2 Assurance around enterprise capability. Whilst this did not form part of the report, the Committee was advised that it may be asked to take on a LOD3 role at a future point.

5.2.5 **The Committee noted the** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The Head of Internal Audit advised that he would follow up on the plan for next year. The Safety and Assurance Director undertook to provide a verbal update as part of the RCA report on the action plan in February.

Action: Emma Head

5.2.6 **It was further agreed that the internal audit plan for** [REDACTED]
[REDACTED]

Action: [REDACTED]

5.3 The Committee noted the update.

6 **NAO Update: Audit Planning Report for 2020-21**

6.1 The Committee received and noted the NAO FY20/21 planning document. The following key points were raised and noted:

6.1.1 [REDACTED]
[REDACTED]

6.1.2 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Action: Committee Chair in liaison with Company Secretariat

6.1.3 **The Committee welcomed the NAO’s increasing confidence in HS2 Ltd’s financial controls environment which reflected the strong progress made by the Finance Director and her team over the last three years.** [REDACTED]

[REDACTED] The NAO did not believe that, given [REDACTED] [REDACTED], this would give rise to any adverse audit opinion as to regularity.

Action: [REDACTED]

6.1.4 The Committee were pleased to note that COVID-19 had had little impact on the timeline for reporting.

6.2 The Committee noted the update.

7 Quarterly Counter Fraud Update

7.1 The Head of Counter Fraud joined the meeting. The Committee received and noted the Counter Fraud and Business Ethics update on the work undertaken by the Counter Fraud & Business Ethics team in the period 1 August 2020 – 31 October 2020.

7.2 The following key points were raised and noted:

7.2.1 The Head of Counter Fraud provided a verbal update on the detail of specific speak out referrals and closed and current investigations;

7.2.2 The Committee noted [REDACTED].

7.2.3 The Fraud Data Scientist post has been advertised and interviews are currently being undertaken.

7.2.4 The Committee requested that focus was given to [REDACTED]

Action: [REDACTED]

7.2.5 The Committee requested that [REDACTED] was concluded quickly and brought back to the next Committee meeting.

Action: Company Secretariat for scheduling

7.2.6 The Committee recognised the significance of culture in creating a healthy counter-fraud environment.

7.2.7 The Chair referred to a flow chart which set out how counter-fraud matters were actioned and requested that it be re-issued to the Committee.

Action: [REDACTED]

7.3 The Committee noted the update.

8 Six Monthly SIRO Update

8.1 The Chief Security and Resilience Officer joined the meeting.

8.2 The Committee discussed the following key highlights from the paper:

8.2.1 [REDACTED].

8.2.2 IDAM release 1 has been completed and the scope of the IDAM release 2 project has been agreed and support is being procured.

8.2.3 The number of security incidents was significantly down compared to FY19/20, which was attributed to COVID-19.

8.3 The Committee sought to emphasise the importance of [REDACTED] and requested to be provided with a report on this matter in the first quarter of 2021.

Action: Company Secretariat for scheduling

8.4 The Committee suggested that HS2 Ltd take advice from the [REDACTED]. The Committee requested that the HS2 Ltd Chairman with the General Counsel and Chief Financial Officer, give consideration to either a Board Briefing, or future agenda item on this matter.

Action: Nicole Geoghegan / Michael Bradley

8.5 The Committee were grateful for the opportunity to discuss the item and commended the comprehensive report.

9 DEEP DIVE: Major Procurement Controls and Approvals

9.1 The Procurement & Commercial Director, Corporate Procurement Director, and Head of Programme and Corporate Assurance joined the meeting.

9.2 The Committee received and noted the presentation from the Procurement & Commercial Director, which set out the regulatory and policy obligations, highlighted the [REDACTED] and set out the control environment & framework with respect to HS2 Ltd's procurement activities.

9.3 Referring to COVID-19, the Committee commented on the impact on businesses and stressed the importance of ensuring that the Government's policy on prompt payments is applied throughout the supply chain. Management confirmed that HS2 Ltd has a Fair Payment Policy which is cascaded through the contracts with the purpose of avoiding extended payment periods, as well as monitoring supply chain payments.

9.4 **The Committee welcomed the Vision Purpose and Principles set out in the Control Framework and commented on the central role of value for money. The Committee asked for the video setting out the overview of the IMS Procure to Pay Framework to be circulated to members to view at a later date.**

Action: Company Secretariat

9.5 The Committee recognised the work that had been done on embedding and improving procurement controls was of a high standard and was ongoing.

9.6 The Head of Programme and Corporate Assurance provided an overview of the report on Commercial Assurance and contract accountability. The work done to date was regarded as

important to strengthen the control environment and oversight given the very significant procurements taking place in 2021 and beyond.

- 9.7 **The Committee agreed with the approach of having a member of the HS2 assurance team attend Red Team Reviews and noted that a review of how this would be undertaken would be presented at the April Committee meeting. The Committee requested that the Commercial and Investment Committee should be made aware of this change in approach.**

Action: Emma Head / Company Secretariat for Scheduling

- 9.8 **Management informed the Committee that tiers are established on a broad range of criteria including value, criticality to HS2 and other factors associated with risk. The Chair commented that this work was central to the role of the Commercial and Investment Committee and suggested that Management brief P-Rep on the criteria.**

Action: [REDACTED]

- 9.9 **The Committee noted that it would be briefed after the go/no go decision is made but commented that the new approach should not be implemented until the Committee has the opportunity to comment.**

Action: [REDACTED]

- 9.10 **The Chairman commented that he has asked GIAA to include in their FY21/22 plan a major piece of work looking at end to end procurement processes and controls based on actual completed (and in progress) procurements.**

Action: [REDACTED]

- 9.11 The Committee noted the presentation and update.

10 Compliance with 2017 IR35 Legislation

- 10.1 The Head of Financial Governance and Treasury joined the meeting. The Committee considered a report which set out HS2 Ltd's position in respect of current compliance with IR35 Legislation.

- 10.2 The Committee noted that this topic remains under review by Management;

- 10.3 The Committee has commissioned Management to undertake a wider review of employer obligations requiring reporting and disclosures;

- 10.4 **In addition, the Committee has commissioned internal audit assignments on [REDACTED] [REDACTED] as part of the 2021/2022 programme.**

Action: [REDACTED]

10.5 The Committee requested consideration be given to future contract awards such as [REDACTED] to ensure that necessary recruitment and employment assessments are understood and fulfilled.

10.6 The Committee noted the report.

11 Senior Accounting Officer Tax Certificate

11.1 The Committee considered the report, which set out the draft Senior Accounting Officer Certification for High Speed Two (HS2) Limited, for the year ended 31 March 2020.

11.2 Following consideration of the draft certification, the Committee endorsed it to the HS2 Board.

12 Crossrail – Summary of next steps

12.1 The Chair informed the Committee that the full review of lessons learned from Crossrail had been further deferred to include more recent information on lessons presented to the Executive Committee and the NAO review of major projects. This will now be scheduled for the Committee's April meeting.

12.2 **The HS2 Ltd Chairman suggested that Management reflect upon where Crossrail was in their programme, compared to where HS2 Ltd is now. The HS2 Ltd Chairman further suggested that Management review the relevant NAO reports made at the time Crossrail started construction, after the design and enabling works.**

Action: Emma Head

12.3 The NAO representative advised that she would be undertaking certain work in connection with Crossrail and advised that she would liaise with Management on this in time for the April Committee meeting.

12.4 The Committee endorsed that the report now be received at the Committee's April meeting.

13 Forward Look

13.1 The Safety & Assurance Director advised the Committee that she would be reviewing the Forward Look and the Committee's priorities for 2021 in collaboration with the Committee Chair and Company Secretariat.

14 Any Other Business:

14.1 The Committee noted that a new Audit Manager would be replacing [REDACTED]

14.2 The Project Representative emphasised that P-Rep's current focus was [REDACTED]
[REDACTED]
[REDACTED]