

# Meeting minutes

## Audit and Risk Assurance Committee

**Meeting date** Thursday, 04 February 2021

**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] Sponsorship Director	[REDACTED] NAO Attendee
Roger Mountford Non-Executive Director	Michael Bradley Chief Financial Officer	
	Allan Cook HS2 Ltd Chairman	
	[REDACTED] Senior Business Manager (CFO Directorate)	
	[REDACTED] Assistant Delivery Sponsor	
	[REDACTED] Head of Corporate Sponsorship & Analysis	
	Nicole Geoghegan General Counsel	
	[REDACTED] Finance Director	
	Emma Head Safety and Assurance Director	
	[REDACTED] NAO Attendee	
	[REDACTED] Assistant Company Secretary	
	[REDACTED] NAO Attendee	
	[REDACTED] NAO Attendee	

	██████████ Procurement & Commercial Director	
	██████████ Project Representative	
	██████████ Head of IMS and Quality	
	██████████ 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 & Assurance Director which highlighted Race Equality Week and considered what it means to be able to succeed in life through the lens of diversity.

## 2. Minutes of the previous meeting and matters arising

- 2.1 The Committee agreed the minutes of the meeting dated 14 December 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 at action 20-051.
- 2.4 The following key points were raised and noted:
  - 2.4.1 The Committee welcomed the work that had taken place between the HS2 Ltd, P-Rep, and the Department for Transport (DfT) in order to continue to shape the report going forwards.
  - 2.4.2 The Committee sought to emphasise the importance of P-Rep, HS2 Ltd and the Department for Transport (DfT) in working through the recommendations as a significant tripartite benefit.
  - 2.4.3 The Committee welcomed the intention to further refine the categorisation of recommendations within the P-Rep report.
  - 2.4.4 The Committee requested that leading Key Performance Indicators (KPIs) be identified as part of the trends from P-Rep going forwards.**  
**Action: Emma Head**
  - 2.4.5 The Committee noted that further P-Rep workshops were scheduled to take place.

**2.4.6 The Committee consider that the HS2 Ltd Board should undertake a session on P-Rep, and requested that following the completion of the workshops, Management advise when this should be received.**

**Action: Michael Bradley / Emma Head**

2.4.7 The Committee noted that the DfT is extending P-Rep's mandate to include a Works Inspection Team to check physical delivery against reported delivery.

### **3. Update from the Audit and Risk Assurance Panel on 20 January 2021**

3.1 The Committee noted the update from the Audit and Risk Assurance Panel held on 20 January 2021.

3.2 The following key points were raised and noted:

3.2.1 The Panel had received the Risk, Control, & Assure (RCA) Report and noted the ongoing work to improve the efficiency of processes. Non-Executive Directors are being engaged in the process of Strategic Risk Management.

3.2.2 Further work will be undertaken on the Fraud Risk Assessment and the Committee will receive this report at their April 2021 meeting.

3.2.3 The deep dive on IPT Project Controls would be received by both the Audit and Risk Assurance Panel and Committee at their April 2021 meeting.

3.2.4 The Panel had received an update on the processes for IR 35 and were content to note the position on ownership and assurance of the process.

3.3 The Committee noted the update.

### **4. Risk, Control and Assurance Management Information Report**

4.1 The Committee received and noted the Risk, Control and Assurance Report.

4.2 The following key points were raised and noted:

4.2.1 The Committee welcomed the continued improvement of the report.

4.2.2 The IMS Control Effectiveness reviews will be expanded to incorporate an assessment of processes in order to become more efficient.

4.2.3 There was opportunity to increase the score of Information Technology and Data and Information Management as identified by the Control Effectiveness Report.

4.3 The Committee noted the update.

## **5. HS2 Ltd Internal Audit summary report 1 October – 31 December 2020, and Draft Internal Audit Plan 2021-22**

- 5.1 The Committee considered the Internal Audit summary report 1 October – 31 December 2020 which provided an outline of the internal audit work and findings in the period October 2020 to December 2020.
- 5.2 The Committee noted the planned schedule to obtain the formal internal audit opinion for the year. The Committee recognised the challenge of undertaking internal audit throughout the pandemic and commended the team on their efforts.
- 5.3 The following key points were raised and noted:
- 5.3.1 Significant progress has been made in the last quarter, with completion of the plan increasing from 25% to 62%. This was welcomed by the Committee.
  - 5.3.2 The Committee noted progress against the planned reviews for 2020/21. The current position showed that 7 reports had been issued as final, 7 were in draft, 5 were in review for field work, and one had been postponed until April.
  - 5.3.3 The report showed that the plan for completion of the formal internal audit opinion for the Financial Year 2020/21 was achievable.
  - 5.3.4 The Committee noted the status of the Internal Audit Review entitled “Programme Management Capability & Controls”.
  - 5.3.5 The Committee considered the report as comprehensive and welcomed the detail on additional resource to risks and controls around the delivery portfolios.
- 5.4 The Committee noted the update.
- 5.5 The Committee considered the Draft Internal Audit Plan 2021-22, which sought approval of the proposed Internal Audit work for 2021/22.
- 5.6 The following key points were raised and noted:
- 5.6.1 The Committee noted that the plan had been 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.
  - 5.6.2 The Head of Internal Audit confirmed that he was content with the programme and had access to the necessary resources and expertise to deliver upon the plan.
  - 5.6.3 It was noted that the plan reflects the increasing workload of the organisation, and the greater focus towards delivery.
  - 5.6.4 The Committee commented on the importance considering the capability of [REDACTED] in their entirety.

5.7 The Committee welcomed the increase in coverage and endorsed the plan with a recommendation [REDACTED]

5.8 The Committee noted the report.

## 6. HS2 External Audit Update NAO Update

6.1 The Committee received a short verbal update from the National Audit Office (NAO). The following key points were raised and noted:

6.1.1 The NAO was currently focussed on executing the NAO FY20/21 planning document, which had been considered by the Committee at their December 2020 meeting.

6.1.2 The NAO had been undertaking work on journal testing and MWCC expenditure.

6.2 The Committee noted the update.

## 7. Requirements Status Report

7.1 The Sponsorship Director, Assistant Delivery Sponsor, and Head of Corporate Sponsorship & Analysis joined the meeting.

7.2 The Committee received the report, which provided an outline of the work done on Requirements Management and described the new requirements framework.

7.3 The following key points were raised and noted:

7.3.1 The Committee noted the importance of ensuring that top-level requirements flow down into the organisation and contracts, and of maintaining oversight of the interdependencies between multiple stakeholders within the supply chain.

7.3.2 The Committee welcomed the creation of a framework, and the breadth of bodies included within it, as providing a structured approach for Requirements Management.

7.3.3 The focus on “Commitment Requirements” into delivery was welcomed by the Committee.

7.4 In concluding their discussion on the item, the Committee noted the current status of Requirements Management in HS2 Ltd.

7.5 The Committee endorsed the establishment of an overarching Requirements Framework to integrate and drive the delivery of all types of requirements.

7.6 The Committee considered that further work should build on current good practice and focus on ensuring change control processes for requirements are as robust and clear as possible.

7.7 **The Committee requested to receive a further report on Requirements Status in six months' time.**

## **Action: Company Secretariat for Scheduling**

7.8 The Sponsorship Director, Assistant Delivery Sponsor, and Head of Corporate Sponsorship & Analysis left the meeting.

## **8. Annual Report and Accounts – High Level Plan**

8.1 The Senior Business Manager (CFO) joined the meeting. The Committee were provided with the proposed approach to the management of the Annual Reports & Accounts (ARA).

8.2 The following key points were raised and noted:

8.2.1 The Committee endorsed the approach to the production of the Annual Report & Accounts, which was similar to the successful approach undertaken the previous year.

8.2.2 The Committee noted the importance of early engagement with those contributing to the report, as well as the DfT and NAO.

8.2.3 The Committee noted that this year, the organisation will be producing an Annual Environmental Sustainability Report, as well as the ARA. The Committee emphasised the need to make it clear that the organisation was reporting against both environmental and sustainability metrics.

8.2.4 The Committee commented on the need to ensure coordination between the Annual Environmental Sustainability Report, the Corporate Plan, and the ARA.

8.3 The Committee noted the update.

8.4 The Senior Business Manager (CFO) left the meeting.

## **9. Update Business Critical Models Action Plan**

9.1 The Head of IMS and Quality joined the meeting. The Committee received a presentation on the approach to managing Business Critical Models (BCMs).

9.2 The following key points were raised and noted

9.2.1 The Committee noted that analytical models are described as ‘business critical’ where the output of the model is used to make key strategic funding decisions and the following criteria is met:

- The model drives essential financial and funding decisions; and
- The model is essential to the achievement of business plans, actions and priorities.

9.2.2 As an Arms’ Length body, HS2 Ltd is required to submit details of their BCMS to the DfT on a six-monthly basis.

- 9.2.3 In order to respond to opportunities for development, a project team has been established. The Project team will attend quarterly meetings with DfT to capture good practice.
- 9.2.4 The Committee welcomed the additional oversight and governance of the processes that was being introduced.
- 9.2.5 The Committee noted that the Business Critical Models Action Plan would continue to be monitored through the RCA report.
- 9.3 The Committee welcomed the report and endorsed approach to oversight and governance of controls.
- 9.4 The Head of IMS and Quality left the meeting.

## 10. Management Framework for Assuring Controls at ARAC

- 10.1 The Safety & Assurance Director introduced the report, which set out the framework for assuring controls through ARAC with reference to the 2021/22 forward plan.
  - 10.1.1 The Committee endorsed the approach of complimenting the work of the Audit & Risk Assurance Panel.
  - 10.1.2 **The Committee instructed that the Deep Dives into Project Controls and Assurance over IPTs should be an early priority and noted that the schedule for the remaining deep dives would be determined at the next ARAC meeting (Design Management; Risk Management; Supply Chain Capability and Capacity; and Contract Management and IT Controls)**

**Action: Company Secretariat for Scheduling**

- 10.2 The Committee noted the update and endorsed the approach to oversight and governance of controls.

## 11. Forward Look

- 11.1 The Committee considered the Forward Look.
- 11.2 **Commenting on the high volume of business, the Committee requested that an Extraordinary meeting of the Committee be scheduled for May 2021.**

**Action: Company Secretariat for Scheduling**

- 11.3 The Committee noted the Forward Look.

## 12. Any Other Business:

- 12.1 **The Committee noted a minute of the meeting between HS2 Ltd and DfT GARAC which referenced a number of recommendations responding to the NAO report in 2020. It was**

**agreed that this should be considered by Management and coordinated with Board and ARAC risk reporting.**

**Action: Emma Head**