

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 26 April 2021
Meeting location MS Teams Virtual Meeting
Meeting time 10:30 - 14:30

Members	Attendees	Apologies
Ed Smith Committee Chair	[REDACTED] Internal Audit Manager, Government Internal Audit Agency	
Stephen Hughes Non-Executive Director	[REDACTED] Deputy Director, Shareholder Directorate	
Roger Mountford Non-Executive Director	Michael Bradley (from Item 5) Chief Financial Officer	
	David Bennett (Item 10) Delivery Director	
	Allan Cook (from Item 5) Board Chair	
	[REDACTED] Senior Business Manager CFO	
	[REDACTED] Phase 1 Controls Director	
	[REDACTED] Interim Programme Integration Office Director	
	Nicole Geoghegan General Counsel	
	[REDACTED] Finance Director	
	Emma Head Safety and Assurance Director	
	[REDACTED] Interim Land & Property Director	
	[REDACTED] Director, UK National Audit Office	
	[REDACTED] Programme Integration Office	
	[REDACTED] Head of Finance Operations	

	██████████ Audit Manager, UK National Audit Office	
	Non Owen (minutes) Company Secretary	
	██████████ Project Representative	
	██████████ PMO Director	
	██████████ Head of Programme and Corporate Assurance	
	██████████ Head of Internal Audit	
	██████████ Head of Collaboration, Phase 1	

1 Quorum, Declarations of Interest and Values Moment

- 1.1 The Chair noted that no apologies had been received and that a quorum was present.
- 1.2 Each member of the Committee confirmed that there were no additional conflicts of interest to be declared.
- 1.3 The Committee received a values moment from the Head of Internal Audit regarding leadership at all levels.

2 Minutes of the Previous Meeting and Matters Arising (ARAC_21-001 ARAC_21-002 and ARAC_21-003)

- 2.1 The minutes of the meetings held on 04 February 2021 and 18 March 2021 were approved as an accurate record of that meeting.
- 2.2 The Committee noted the status of the actions.

3 Update from the Audit and Risk Assurance Panel (ARAC_21-004)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel (ARAP) meeting held on 17 March 2021, as included in the meeting papers.
- 3.2 It was noted that the assurance in Integrated Project Teams (IPTs) audit had not been completed and was suggested to be deferred. The Committee noted that following a discussion with the Committee Chair, authority had been delegated to the Chief Financial Officer and Safety and Assurance Director to consider whether to pursue, pause or defer the audit and following assurance that this would not be detrimental, it was agreed to defer this audit.

3.3 It was noted that a draft Q1 Internal Assurance & Approvals Plan (IAAP) had been approved by ARAP, with the finalised IAAP for the whole year scheduled to be presented for approval at the Committee.

3.4 The Committee noted that the 2020/2021 Management Assurance Statement had been submitted, following the endorsements of the Committee, at the meeting held on 18 March 2021. It was noted that clarity regarding the Grants and Donations category in light of the Community and Environment Fund (CEF) and Business and Local Economy Fund (BLEF), a point which had been raised by the Committee, was yet to be received from the Department for Transport (DfT).

3.5 It was reported that ARAP had endorsed the findings of the Integrated Management Systems (IMS) Annual Review and the actions to address areas of non-conformity and deliver continuous improvement. The lower engagement with IMS in Construction compared to Finance was noted.

3.6 **It was requested that a demonstration of IMS be arranged for the Committee Members.**

Action: Emma Head

3.7 The Committee reviewed the discussion held at ARAP with respect to Main Works Civils IPTs Full Operating Capacity ("FOC") and noted that the topic was to be considered during the meeting.

3.8 It was reported that controls had been implemented to ensure that new or extensions to existing Professional Services Consultants (PSCs), Delivery Partners (DPs) and Engineer Delivery Partners (EDPs) workers could not be engaged until the IR35 process and associated documentation had been completed and provided to HR Shared Services.

3.9 The progress made to identify and [REDACTED] was noted. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

3.10 **It was requested that Jon Thompson also be briefed on this matter.**

Actions: [REDACTED]

4 Risk, Control and Assurance Management Report (ARAC_21-005)

4.1 The Committee reviewed and noted the Risk, Control and Assurance (RCA) Management Information Report, as included in the meeting pack.

4.2 Risk

4.2.1 It was reported that the revised strategic risk register would be produced in May 2021, with the next full review of strategic risks to take place in June 2021.

4.2.2 The Committee were informed that the first Quantitative Risk Analysis (QRA) reviews had been undertaken, the results of which would be reviewed at the April 2021 Quarterly Business Review meeting.

4.3 Control

4.3.1 It was reported that PwC had been appointed to support the efficient processes workstream, focusing on; the change management and the document control pilots and development of methodology, opportunity analysis, and programmatic approach for future prioritisation. It was stated that a Steering Committee had been established to monitor the workstream.

4.3.2 The Committee's attention was drawn to the Operational Quality slide and it was explained that a third metric was to be developed in addition to the 'Right first time supply chain documented information' and 'Review and acceptance of supply chain documented information' Key Performance Indicators (KPIs).

4.3.3 It was noted that backlogs were the reason for the relative lower performance for Phase 2a compared to Phase 1, with this to be monitored and further refining of the reporting to be completed in order to be able to recommend management actions where appropriate.

4.3.4 It was suggested that examples or case studies of changes made as a result of the Operational Quality metrics being reviewed be provided in future for reference and that this could be delivered in the IMS briefing.

Action: Emma Head

4.4 Assure

4.4.1 It was noted that there were 259 open actions, of which 135 new actions had been added following the release of reports in March 2021.

4.4.2 [REDACTED]

4.4.3 It was noted that an update on progress to reduce the number of open and overdue actions would be provided at the June 2021 meeting.

Action: Emma Head

4.4.4 The quantity of work being undertaken in respect of Programme Assurance was highlighted.

4.5 P-Rep Actions

4.5.1 The Committee noted the revised proposal for the oversight of P-Rep actions. The Committee discussed the report and agreed that it provided greater clarity with respect to the response to the issues raised by the Project Representative, although care would need to be taken to clearly delineate the action oversight ownership between Management, Committee and Board.

4.5.2 It was requested that future reporting be shared ahead of circulation for review to ensure accuracy of the views captured.

Action: Emma Head/ [REDACTED]

4.5.3 The Committee were pleased to note the progress in this area and requested that should there be any P-Rep recommendations which are rejected, there should be visibility of these at Board level together with Management validation of why any recommendations have not been taken on.

5 Internal Audit update (ARAC_21-006)

- 5.1 The HS2 Ltd Chairman and Chief Financial Officer joined the meeting.
- 5.2 The Head of Internal Audit provided a verbal update with respect to the activities undertaken by Internal Audit in the period.
- 5.3 It was reported that at the time of the reporting the Land & Property Powers was the only audit from the 2020/2021 plan that had yet to be released due to changes in HS2 Ltd personnel.
- 5.4 It was noted that, in addition to 'Assurance in IPTs', as discussed earlier in the meeting, the 'Project Controls' and 'PMO Review' audits had been deferred into the 2021/2022 IAAP.
- 5.5 The Committee was advised that the end of year opinion was likely to be rated 'Moderate' which, given the implementation of Evolve and remote working, was considered to be a very positive outcome.
- 5.6 The Committee expressed thanks to the Internal Audit team for their engagement and efforts on work during the financial reporting year.

6 National Audit Office Update (ARAC_21-007)

- 6.1 The Committee reviewed and noted the Interim Update Report on the 2020-21 Financial Statements Audit and Land & Property Audit (the "NAO Interim Report"), as included in the meeting pack.
- 6.2 It was reported that [REDACTED]

6.3 The Committee was advised that [REDACTED]
[REDACTED]
[REDACTED].

6.4 The Committee noted that [REDACTED]

6.5 **It was requested that the Sustainability Reporting Guidance, identified in the NAO Interim Report, be provided to the Senior Business Manager, CFO to ensure alignment between the Sustainability Report and narrative sections related to sustainability within the Annual Report and Accounts.**

Action: Non Owen

6.6 **The Committee accepted the offer by the National Audit Office of an update on the Crossrail Lessons Learnt.**

Action: Non Owen/ [REDACTED]

6.7 The Committee recognised the contribution of [REDACTED] to the Committee, noting that [REDACTED] will begin a secondment in July 2021.

7 Annual Report and Accounts – Update on Progress (ARAC_21-008)

7.1 The Senior Business Manager CFO joined the meeting.

7.2 The Committee reviewed and noted the Annual Report and Accounts 2020/2021: Progress Update paper, as included in the meeting pack.

7.3 The draft Chair’s introduction and CEO’s Review sections were discussed, and feedback was provided by the Committee on the narrative provided.

7.4 It was confirmed that the DfT have been engaged with the working draft.

7.5 The Senior Business Manager CFO left the meeting.

8 Fraud Risk Assessment (ARAC_21-009)

8.1 The Committee reviewed and noted the Fraud Risk Assessment: Outcomes paper, as included in the meeting pack.

8.2 It was reported that a Fraud Risk Assessment had been undertaken by the Counter Fraud and Business Ethics team between February and March 2021, which sought to identify the current key fraud risks, assess the effectiveness of current controls in mitigating these risks and to

determine any residual fraud risk that exist. The Committee were advised that the full report had been considered by ARAP.

8.3 The findings of the Fraud Risk Assessment were reviewed, in particular the five 'Red' rated risks, and it was explained that [REDACTED] given these had been broadly assessed as being greater risks than the other key fraud threats. The Committee considered the identified risks and agreed focus on this area was positive.

8.4 The Committee was informed that a consultation with experts would be undertaken to identify actions that would mitigate the identified risks, the outcome of which would form the content of a Fraud Strategy and presented to the June 2021 meeting for review. [REDACTED]

8.5 **The description of the assessed performance of HS2 against the Government Functional Standard GovS 013 Counter Fraud was highlighted and it was requested that an outline of the 12 broad standards and how they were assessed be circulated to the Committee.**

Action: Nicole Geoghegan

8.6 The Committee were encouraged to note that there has been a change in the approach to fraud risk by the supply chain, with the Efficiency Challenge Programme beginning to get traction and this activity being seen as an opportunity as opposed to only risk or threat.

8.7 The Committee noted the use of data analytics as an important tool and that the definition of rules set for what the data looks for is key, both in terms of what the organisation wishes to review, and what data is available from the supply chain. Part of this requires empowerment and encouragement of the supply chain to review their own tier 2 contractors.

8.8 **An update will be taken to the June Committee to report on progress and the resource required to deliver.**

Action: Nicole Geoghegan

9 Deep Dive: IPT Project Controls and Delegations (ARAC_21-010)

9.1 The PMO Director, the Phase 1 Controls Director and the Head of Programme and Corporate Assurance joined the meeting.

9.2 The Committee reviewed and noted the IPT Project Controls & Delegations Deep Dive paper, as included in the meeting pack.

9.3 The IPT Project Controls and Delegations Deep Dive slides were presented to the Committee, and the updates were considered in respect to; the overall approach, controls definition, HS2 capability, IPT capability, IPT Implementation, assurance findings, and improvement plans.

- 9.4 Attention was drawn to the HS2 Enterprise Data Platform and it was explained that the system avoided the need to re-key data, which removed the risk of manual error, although the importance of receiving high quality data from the supply chain was noted.
- 9.5 In response to a question regarding the reporting cycle, it was confirmed that decisions were made in line with agreed contract change timelines, with trends reviewed and issues escalated by governance forums.
- 9.6 The Committee discussed the issues identified by the Controls team regarding the IPT implementation and it was confirmed that the principles were understood and that plans for the embedding of practices were on track.
- 9.7 It was suggested that focus be placed on the identifying and validating the cause of both positive and negative variances.
- 9.8 The Committee agreed that the deep dive outcomes had been insightful and requested that this work be captured within the learning legacy.
- 9.9 **It was requested that an update be provided to the Committee and the Board once full operating capability had been achieved by all four IPTs, including the economic benefits.**

Action: [REDACTED]

- 9.10 The PMO Director, the Phase 1 Controls Director and the Head of Programme and Corporate Assurance left the meeting.

10 Integrated Project Teams Full Operating Capability (ARAC_21-011)

- 10.1 The Delivery Director, Interim Land & Property Director, Consultant (Programme Integration Office), Interim Programme Integration Office Director, and the Head of Collaboration, Phase 1 joined the meeting.
- 10.2 The Committee reviewed and noted the Main Works Civils Integrated Project Teams – Full Operating Capability Update, as included in the meeting pack.
- 10.3 The Committee noted the progress being made by the Main Works Civils IPTs on their journey to Full Operating Capacity (“FOC”) and the approach taken by HS2 to provide assurance with respect to the addressing of issues identified during the process.
- 10.4 **It was confirmed that a further update, including the plans for Euston and Old Oak Common would be provided at a future Committee meeting.**

Action: PIO Directorate

- 10.5 **It was noted that all of the IPTs had committed to continue to improve beyond the ‘Level 3’ maturity required for FOC on the IPT Operational Maturity Matrix and it was requested**

that a presentation to the Board be scheduled for a year's time to report on the progress made.

Action: PIO Directorate

10.6 In response to a question regarding the remaining stations, it was confirmed that they would also progress through the process at the appropriate time.

10.7 The Delivery Director, Interim Land & Property Director, Consultant (Programme Integration Office), Interim Programme Integration Office Director, and the Head of Collaboration, Phase 1 left the meeting.

11 Forward Look (ARAC_21-012)

11.1 The Committee reviewed the Forward Look paper, as included in the meeting pack, and noted the items scheduled for discussion at future meetings.

11.2 **It was requested that the October 2021 meeting be rescheduled.**

Action: Non Owen

12 Any Other Business

12.1 There being no further business to discuss, the meeting was closed.