

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 09 August 2021
Meeting location MS Teams Virtual Meeting
Meeting time 10:00 - 13:00

Members	Attendees	Apologies
Ed Smith Committee Chair	[REDACTED] Internal Audit Manager, Government Internal Audit Agency	
Stephen Hughes Non-Executive Director	[REDACTED] Head of Counter Fraud	
Roger Mountford Non-Executive Director	Michael Bradley Chief Financial Officer	
	Nicole Geoghegan General Counsel	
	[REDACTED] Head of Analysis and Corporate Sponsorship	
	Emma Head Safety and Assurance Director	
	Elaine Holt Non-Executive Director	
	[REDACTED] Chief Security & Resilience Officer	
	[REDACTED] UK National Audit Office	
	[REDACTED] Head of Finance Operations	
	[REDACTED] Corporate Sponsor	
	[REDACTED] Audit Manager, UK National Audit Office	
	Non Owen Company Secretary	
	[REDACTED] Head of Procurement - Phase 2b	
	[REDACTED] Project Representative	
	[REDACTED]	

	Head of Programme and Corporate Assurance	
	██████████ Phase One Engineering Director	
	██████ Head of Internal Audit	

1 Quorum, Declarations of Interest and Values Moment

- 1.1 Each member of the Committee confirmed that there were no additional conflicts of interest to be declared.
- 1.2 The Committee noted that there was no DfT representation to the meeting on this occasion.
- 1.3 The Committee received a values moment from Stephen Hughes.

2 Minutes of the Previous Meeting and Matters Arising (ARAC_21-033)

- 2.1 The minutes of the meeting held on 09 June 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_21-034)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel meeting held on 21 July 2021, as included in the meeting papers.
- 3.2 The Committee noted the outcome of the scrutiny of items that were being presented at the Committee meeting.

4 Risk, Control and Assurance Management Information Report (ARAC_21-035)

- 4.1 The Committee reviewed and noted the Risk, Control and Assurance Report for June 2021, as included in the meeting pack.
- 4.2 The HS2 Ltd Board attended a Strategic Risk workshop on 27 July 2021. Management are reviewing the feedback provided at the workshop and will present the updated Strategic Risk Register to a future Board meeting.
- 4.3 The Committee received an update on the exercise to review and close overdue assurance actions.
- 4.4 The Committee discussed the number of overdue actions noting that more than 50% of these are rated as high or medium and the majority are Internal Audit actions.

- 4.5 It was noted that Internal Audit action close dates are discussed and agreed with action owners.
- 4.6 The Committee queried the passage of time between actions being raised and closed, with Management advising that the issue was more to the actions which were overdue. The review of actions will look to establish if a rebaseline and reprofile might be more appropriate.
- 4.7 The Committee expressed dissatisfaction with the number of overdue actions referencing the spend allocated on Internal Audit activities and the importance to escalate if actions are not being closed in a timely fashion. It was agreed that this would be reported in the Committee report to the HS2 Ltd Board and the Committee will continue to review Executive activity on this issue.
- 4.8 **The Committee noted the P-Rep dashboard included with the Management Information and as presented to the Quarterly Business Review (QBR) in July 2021. The Committee requested a copy of this information be made available with the QBR submission to the HS2 Ltd Board.**

Action: Company Secretariat to co ordinate

5 HS2 Internal Audit Update (ARAC_21-036)

- 5.1 The Committee received and noted the paper updating on the activities of Internal Audit in the period April to June 2021.
- 5.2 The Committee noted that at the time of reporting, two audits were subject to further consideration, namely the DfT/ HS2 relationship and the Land and Property payment process.
- 5.3 Scoping is being carried out on Land and Property landlord obligations and a proposal will be taken to a future Committee should this be added to the Internal Audit forward look.
- 5.4 The Committee noted the audit was planned for Phase 2a Readiness for DDP with the Head of Internal Audit advising that this will be carried out in parallel with the PQQ and ITT timetable.
- 5.5 The Committee noted the update.

6 National Audit Office Update (ARAC_21-037)

- 6.1 A verbal update was provided by the National Audit Office who are in the process of finalising the 2020/2021 Annual Report and Accounts process.
- 6.2 A further update is to be scheduled with the Committee on the lessons learned from Crossrail subject to availability of NAO leads.
- 6.3 The Committee encouraged early engagement for the 2021/2022 audit activity.

7 Deep Dive: Design Management and Assurance (ARAC_21-038)

- 7.1 The Committee received and noted a presentation from the Phase One Engineering Director who provided a deep dive on how HS2 Ltd approaches and assures design, both within HS2 Ltd itself and that received from the supply chain.
- 7.2 The Committee were advised that the focus of the deep dive was on:
- 7.2.1 The technical assurance of HS2 Ltd design and specification work leading up to ITT and prior to Contract Award; and
 - 7.2.2 HS2 Ltd approach to technical assurance of both supply chain design and HS2-led design up to the end of Detailed Design stage.
- 7.3 It was noted that:
- 7.3.1 The HS2 supply-chain is responsible for wholly self-assuring and self-certifying its own design. This includes EDP and RSSC who deliver design on behalf of HS2.
 - 7.3.2 HS2 plays an important role in verifying the supply chain's quality of design and assurance on a risk-based approach.
 - 7.3.3 HS2 provides assured requirements and Employer's design information for the Works Information as part of Invitation to Tender and contract award. This assurance process is the responsibility of the Chief Engineer's department.
 - 7.3.4 HS2 Construction Engineering & Environment is responsible for conducting this risk-based verification on the Phase One Contractors' designs. The Infrastructure Directorate do likewise where EDP and RSSC undertake design work e.g. Depots and Railway Systems.
- 7.4 The Committee noted the structure of the Infrastructure Directorate and how it operates to provide advice and discharge decisions.
- 7.5 Management confirmed that there is a good level of engagement in the supply chain with understanding of the importance of assurance sought from them.
- 7.6 Lessons learned are being shared across contracts and captured as part of the learning legacy programme.
- 7.7 **The Committee received the presentation positively noting there is a robust framework with rigour applied and requested a further update in 12 months.**

Action: Company Secretariat for scheduling

8 Counter Fraud Strategy (ARAC_21-039)

- 8.1 The Committee received the Fraud, Bribery and Corruption Strategy for approval following previous discussions and intervention from Committee Members on the importance of having such a strategy in place.

- 8.2 The Committee discussed the behavioural requirement of the supply chain to proactively identify fraud and suggested there could be an opportunity to introduce something into the behavioural assessments in tenders to enhance this.
- 8.3 The Committee discussed the importance of proactive risk assessment, including the resourcing and capability noting that these are more cost effective than the risk of fraud loss.
- 8.4 **The Committee requested a further update in 12 months on the maturity model assessment and behaviours.**

Action: Company Secretariat for scheduling

- 8.5 The Committee approved the strategy subject to minor adjustment of language to be more bespoke to HS2 Ltd.

9 Requirements Status Report – July / August 2021 (ARAC_21-040)

- 9.1 The Committee received the first in a series of annual reports, namely the Requirements Status Report following a review of the Requirements Framework presented to the Committee in February 2021.
- 9.2 The Committee noted that HS2 Ltd ‘receives’ requirements from a range of fragmented external sources, these can be broadly identified in three categories:
- 9.2.1 System Requirements – these affect the capability, functionality and/or design of the end state railway, e.g., those derived from Sponsor’s Requirements in the HS2 Development Agreement;
 - 9.2.2 Commitment Requirements – these affect how HS2 Ltd delivers the railway, but do not drive system capability, functionality, or design, e.g., Undertakings & Assurances and those derived from 3rd Party Agreements; and
 - 9.2.3 Business Requirements – these affect how HS2 Ltd operates as a company, e.g. those derived from Framework Document and other Government controls.
- 9.3 The Committee noted the update, the approach taken to improve Requirements Management and future actions being progressed to further integrate the Requirements Framework.

10 Commercial Assurance Improvement Programme (ARAC_21-041)

- 10.1 The Committee received and noted an update on activities to enhance the assurance of procurement activities and contract management plans ahead of the transition to new ways of working in September 2021.
- 10.2 The Committee requested that Management reflect on the timings of the Line of Defence (LoD) reviews to ensure that the engagement does not occur too late to make strategic changes in required.

- 10.3 The Committee discussed the timing and engagement with the Independent Assurance Panel (IAP) and the revised risk based assurance which will be taken on procurements. The role and involvement of the IAP will continue to be reviewed.
- 10.4 The Project Representative (P-Rep) Observer offered that consideration of the utilisation and engagement of the P-Rep in the future Commercial Assurance Model might also be appropriate.
- 10.5 The Committee noted the update and that to have continuous learning in place is key.

11 Forward Look (ARAC_21-042)

- 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.

12 Any Other Business

- 12.1 The Head of Internal Audit confirmed that no closed session with Committee Members was required.
- 12.2 The External Auditors confirmed that no closed session with Committee Members was required.
- 12.3 **The Committee requested that attendance be scheduled for the Chief Commercial Officer and the Chief Information Officer at the appropriate time.**

Action: Company Secretariat for scheduling