


Meeting minutes

Audit and Risk Assurance Committee

Meeting date Wednesday, 20 October 2021
Meeting location MS Teams Virtual Meeting
Meeting time 14:30 - 17:30

Members	Attendees	Apologies
Ed Smith Committee Chair	██████████ Internal Audit Manager, Government Internal Audit Agency	
Stephen Hughes Non-Executive Director	Michael Bradley Chief Financial Officer	
Roger Mountford Non-Executive Director	██████████ Procurement & Commercial Director	
	Nicole Geoghegan General Counsel	
	Emma Head Delivery Director – Technical Services	
	██████████ Interim Quality and Assurance Director	
	██████████ UK National Audit Office	
	██████████ UK National Audit Office	
	██████████ Interim Finance Director	
	██████████ Audit Manager, UK National Audit Office	
	Non Owen Company Secretary	
	██████████ Project Representative	
	██████████ Head of Programme and Corporate Assurance	
	Jon Thompson Non-Executive Director	
	Ruth Todd (item 09) Chief Commercial Officer	
	██████████	

	Head of Internal Audit	
	 UK National Audit Office	

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 the Head of Internal Audit regarding leadership and respect in terms of the new arrangements for colleagues returning to offices.

2 Minutes of the Previous Meeting and Matters Arising (ARAC_21-043 and ARAC_21-044)

- 2.1 The minutes of the meeting held on 09 August 2021 were approved as an accurate record of that meeting subject to clarification on minutes 10.4.
- 2.2 Minute 10.4 was recorded for the discussion regarding consideration of the utilisation and engagement of the P-Rep in the future Commercial Assurance Model and the minutes were agreed to be adjusted to reflect this.
- 2.3 **The Committee noted the status of the actions, requesting that action 20-043 be reopened.**
Action: Company Secretariat
- 2.4 The Committee discussed the volume of actions and those with due dates which have changed and expressed caution on the volume of activity for the Committee in early 2022.

3 Update from the Audit and Risk Assurance Panel (ARAC_21-045)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel meeting held on 22 September 2021, as included in the meeting papers.
- 3.2 The following key points were raised and noted:
 - 3.2.1 The Committee noted that the HS2 Ltd Board will receive a further version of the Strategic Risk Register at the meeting on 03 November 2021.
 - 3.2.2 The Committee noted the recent audit of compliance with the IR35 process. The audit has confirmed that the framework is working and there are no material issues arising.

3.2.3 

- 3.2.4 The Committee discussed the reporting of risk exposure, trends value and contingency as reported in the Programme Risk Overview of the Risk Control and Assurance report, noting the importance of being clear of what context the numbers are being discussed against.
- 3.2.5 The Committee noted that a review of the financial information has been held with Ian King and Jon Thompson and that a revised format will be shared with the HS2 Ltd Board at the next meeting. **It was requested that the revised format be shared with the Committee following the Board meeting for wider attendee visibility.**
- Action: Company Secretariat**
- 3.2.6 The Committee discussed its own role and remit, and that the historic role has been to review items through a systems lens and should it wish to further consider its remit then a discussion should be tabled.
- 3.2.7 The outgoing Committee Chair was conscious of the volume of activity of the Committee and, if it was to amend the remit, this would be additional to the selective deep dives and Line of Defence (LOD) 3 Assurance on major parts of the investment decisions.

4 Risk, Control and Assurance Management Information Report (ARAC_21-046)

- 4.1 The Interim Quality & Assurance Director joined the meeting.
- 4.2 The Committee reviewed and noted the Risk, Control and Assurance Report for September 2021, as included in the meeting pack.
- 4.3 The following key points were raised and noted:
- 4.3.1 Noting that the Programme and Strategic Risks will be resubmitted to the HS2 Ltd Board on 03 November 2021, the Outgoing Chair suggested consideration of the risk family in a pyramid structure which linked strategic risks with programme risks and then operational and functional risks whilst incorporating thematic risks such as fraud, cyber and capability.
 - 4.3.2 The Committee noted positive progress being made on the Efficient Processes workstream.
 - 4.3.3 The Committee noted and discussed the Operational Quality Performance workstream which seeks to review effectiveness (based on the acceptance of supplier deliverables) and efficiency (based on the number of supplier deliverables accepted first time).
 - 4.3.4 **The Committee requested Management provide a learning session for the Committee to better understand this workstream and the data.**

Action: [REDACTED]

4.3.5 The Committee Chair reiterated the inherent risk of control loss associated with organisational changes and that the Committee might wish to return to this.

4.3.6 The Committee received an update on the status of assurance actions following incorrect reporting in the Management Information.

4.3.7 **Management will provide a copy of the up to date Management Information to the Committee together with more granular detail on the source type of the actions.**

Action: [REDACTED]

4.3.8 The Committee noted that P-Rep have recently been through an exercise to simplify actions and a further review is due in a workshop on 09 November 2021.

4.3.9 The Committee discussed the Phase 2a Design and Delivery Partner (DDP) noting that [REDACTED]
[REDACTED]
[REDACTED] The ITT is being targeted for early November, but Management acknowledges that there is still work to progress.

4.3.10 The Committee further noted the added risk related to [REDACTED]
[REDACTED].

4.3.11 The Committee acknowledge this as a risk however are supportive of the continued process, adding that it is key to have this right rather than rush the process.

4.3.12 The Committee noted the risk that the delays may mean that [REDACTED]
[REDACTED] by the governance deadlines for the overall DDP ITT release approval and suggested that release of other allowable documentation might be explored.

4.3.13 Management advised that whilst the schedule for 2a is challenge at the front end, there is not the same level of earthworks as anticipated required and so the overall schedule is seen as maintainable.

4.3.14 The Committee discussed the Rail Systems packages, which are beginning to receive interim commercial submissions and discussed [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

4.3.15 **The Committee noted the updates on the Journey to Full Operating Capability (MWCC and Stations) and [REDACTED]
[REDACTED]
[REDACTED]**

Action: [REDACTED]

4.3.16 The Committee reiterated that the Management Information continues to provide a rich source of data however requested that a 'health warning' be provided for any reports which have data in the process of being updated.

5 HS2 Internal Audit Update (ARAC_21-047)

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 the internal audit programme is further ahead than at the same point in time for 2020, but not as far progressed as it was in 2019, which is reflective of the lockdown environment.

5.3 The following key points were raised and noted:

5.3.1 [REDACTED]
[REDACTED] **The Committee Chair requested the Management Responses to the audit be reviewed.**

Action: Emma Head/ Michael Bradley

5.3.2 The Committee discussed the internal audit programme and challenged the deliverability of the programme to the end of financial year. The Head of Internal Audit explained that activity tends to be lower in April and May of any year so to allow year end activities to conclude and align with the Programme activities.

5.3.3 The Committee Chair confirmed that during his tenure the programme has never been missed but agreed that it would be worth the incoming Committee Chair reflecting on this.

5.4 The Committee discussed and agreed the changes to the internal audit plan, namely:

5.4.1 DfT/ HS2 Relationship – Deferred to a future year

5.4.2 Gifts and Hospitality – Deferred

5.4.3 Land and Property – Change of Scope

5.5 The Committee noted the update.

6 National Audit Office Update (ARAC_21-048)

6.1 The Committee received and noted the Management Letter for the 2020-21 financial statements audit, as included in the meeting pack.

6.2 An update was provided by the National Audit Office.

6.3 The Committee noted the [REDACTED]
[REDACTED]

- 6.4 The Committee were advised that early engagement had commenced for the 2021-2022 audit and early focus would be given to [REDACTED] analysis.
- 6.5 The Committee noted the brevity of the letter, indicating a sign that there are strong internal controls in place, with which the NAO Director agreed.

7 NAO Crossrail – Progress Update (ARAC_21-049)

- 7.1 [REDACTED] UK National Audit Office joined the meeting.
- 7.2 The Committee received and noted the Crossrail Progress Update, as included in the meeting pack.
- 7.3 The Committee noted:
- 7.3.1 The overview of the current status of the Crossrail Project;
 - 7.3.2 The current governance arrangements;
 - 7.3.3 The Background and previous NAO work completed to date; and
 - 7.3.4 The focus of the latest report, namely:
 - 7.3.5 Why has cost and schedule continued to increase?
 - 7.3.6 What were the remaining risks to bringing Crossrail into service?
 - 7.3.7 What is needed to be done to realise benefits?
- 7.4 The NAO discussed with the Committee, the findings and relevance to HS2 Ltd covered in the report:
- 7.4.1 Management information measuring the wrong thing
 - 7.4.2 Lack of standardisation
 - 7.4.3 Integration
 - 7.4.4 Commercial arrangements
 - 7.4.5 Design maturity/duration of construction
 - 7.4.6 COVID19
 - 7.4.7 Handover of assets (stations, shafts, portals)
 - 7.4.8 'Unknowns' during testing
 - 7.4.9 Signalling software
 - 7.4.10 Staffing
 - 7.4.11 COVID has affected travel patterns and may affect Transport benefits

7.4.12 Sponsors need to do more plan and deliver wider benefits

- 7.5 The Committee discussed the findings in the report and whether there should be consideration of these with the relationship to the Strategic Risks for the HS2 Ltd Board.
- 7.6 The Committee highlighted the importance of focussing on the risks of cost and schedule in delivering the railway.
- 7.7 The Committee discussed the differences with Crossrail as a limited company, with a differing Shareholder model.
- 7.8 The Committee thanked the NAO for the useful report which linked to the next item.
- 7.9 [REDACTED] UK National Audit Office left the meeting.

8 Lessons Learned from Major Projects for HS2 Ltd (ARAC_21-050)

- 8.1 The Head of Programme and Corporate Assurance joined the meeting.
- 8.2 The Committee received and noted the 6-monthly update on the status of lessons from Major Projects, including Crossrail.
- 8.3 The Committee r noted the paper as the third update on the lessons learned from Major Projects for HS2 Ltd and noted that Management will now embed more detailed questions into the Management Assurance Statement (MAS) process.
- 8.4 The Committee spent time discussing the appendix to the paper reporting on the changes made to the themes in the period regarding confidence in controls.
- 8.5 The Committee discussed in particular:
 - 8.5.1 [REDACTED]
 - 8.5.2 [REDACTED]
 - 8.5.3 [REDACTED]
 - 8.5.4 The theme on organisational capability and capacity and that a review of confidence is better scrutinised when split by activity rather than function.
- 8.6 The Committee noted the update and confirmed that the Board should remain very vigilant on the major project lessons and risks.

8.7 The Head of Programme and Corporate Assurance left the meeting.

9 Deep Dive: Supply Chain Capacity and Capability (ARAC_21-051)

9.1 The Chief Commercial Officer and Procurement & Commercial Director joined the meeting.

9.2 The Committee received and noted the presentation which provided a deep dive on how HS2 Ltd's current demand profile impacts the wider infrastructure and construction market's capacity.

9.3 The Committee noted:

9.3.1 The Executive Summary & Introduction

9.3.2 UK Wide Macroeconomic View – Q2 2021

9.3.3 HS2 Supplier Capacity and Appetite Testing at Pre-Procurement

9.3.4 HS2's Tier 1 & Selected Tier 2 Capacity Model – Contract Delivery

9.4 The following key points were raised and noted:

9.4.1 Discussing the UK national pipeline review and activity with annual construction, HS2 Ltd represents a small proportion of the annual expenditure compared to when reviewed on an infrastructure basis.

9.4.2 The pipeline doesn't report any deeper into the tiers of the supply chain and so Management are looking to engage with supply chain intelligence and into the tier 2 contractors as to where there might be shortages.

9.4.3 Management are reviewing proactive intervention with the use of the collaboration hub to assist. Within the collaboration hub there is a labour working group which is looking into overseas skills opportunities.

9.4.4 The hub also provides a review of commodities across a timeline, how this compares to other projects in those timelines, what is required to be built, and workforce to be developed. These topics are also considered by the hub to mitigate any unintended consequences.

9.4.5 [REDACTED]

9.4.6 The Committee discussed the approach taken to [REDACTED]

[REDACTED] Management reiterated that competition remains key for good management of public money.

9.4.7 The Committee discussed other opportunities in the management of supply chain capacity [REDACTED]

9.4.8

[REDACTED]

9.4.9

[REDACTED]

9.4.10 The Committee suggest that supply chain capability and capacity might be an area of future Board review, noting that some of this will be covered in the supply chain Strategic Risk, however there is broader scope to consider also.

9.5 The Committee was pleased to see the high level of expertise that was being brought to this area.

9.6 The Chief Commercial Officer and Procurement & Commercial Director left the meeting.

10 Identity and Access Management (IDAM) update (ARAC_21-052)

10.1 The Committee received and noted a paper providing update on the progress to deliver an Identity and Access Management (IdAM) solution to HS2 following challenge from the Committee that this might be achieved sooner.

10.2 The Committee noted that whilst the solution would not be in place any sooner, there was a high level of confidence from Management that this would be in place by December 2021.

10.3

[REDACTED]

[REDACTED] A further update will be sought by the Committee in December.

11 Forward Look (ARAC_21-053)

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 No closed session with auditors and Committee Members was required.

12.2 The Committee Members expressed gratitude and recognition to Ed Smith, noting this as his last Committee meeting in tenure. The Committee commended the progress of the forum whilst Ed has held the Chair seat and commended the sound and robust remit of the Committee under his Chairmanship.

- 12.3 Management echoed the comments on behalf of the Executive and Senior Leadership Teams, recognising the contribution, support and constructive challenge.
- 12.4 It was noted that Jon Thompson will Chair the Committee following Ed's departure from the business.