

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Thursday, 02 December 2021
Meeting location MS Teams Virtual Meeting
Meeting time 10:00 – 13:00

Members	Attendees	Apologies
Jon Thompson Committee Chair	[REDACTED] Head of Counter Fraud & Business Ethics	
Stephen Hughes Non-Executive Director	Michael Bradley Chief Financial Officer	
Roger Mountford Non-Executive Director	[REDACTED] Head of Financial Governance & Treasury	
	[REDACTED] Senior Cyber Security and Information Security Officer	
	[REDACTED] Head of Risk	
	Nicole Geoghegan General Counsel	
	Emma Head Delivery Director – Technical Services	
	[REDACTED] Interim Quality and Assurance Director	
	[REDACTED] UK National Audit Office	
	[REDACTED] Programme Management Office Director	
	[REDACTED] Audit Manager, UK National Audit Office	
	Non Owen Company Secretary	
	[REDACTED] Project Representative	
	[REDACTED] Health, Safety and Security Director.	
	[REDACTED]	

	Head of Internal Audit	

1 Welcome, 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 received a values moment from the Delivery Director - Technical Services regarding Respect in terms of working with staff in helping them achieve VfM and make better programme decisions, by leading and talking to them in a respectful way.

2 Minutes of the Previous Meeting and Matters Arising (ARAC_21-054 and ARAC_21-055)

- 2.1 The minutes of the meeting held on 20 October 2021 were approved as an accurate record of that meeting.
- 2.2 Minutes 3.2.6 and 3.2.7 was recorded for the discussion regarding whether the meeting they were referring too was Audit, Risk and Assurance Committee (ARAC), rather than Audit, Risk and Assurance Panel (ARAP). The minutes were agreed to be adjusted, to clarify, the discussion was regarding ARAC.
- 2.3 An update was requested under minute 9.4.9 on the conclusion of the Spending Review and the treatment of inflation. The Committee noted that the conclusion of the Spending Review is still outstanding relating to treatment of inflation and this needs to be registered as a risk. **It was requested that the Committee are updated when the treatment of inflation is confirmed.**

Action: Michael Bradley

- 2.4 The Project Representative advised Committee it would be useful for HS2 to demonstrate the work being undertaken strategically to meet these exceptional inflationary pressures.
- 2.5 Action 21/035 – HS2 Internal Audit Update: Management provided Committee with an update on the discussions taking place for the Cyber Secure Railway Design and advised the discussions are taking place on how best to use resources and the role of the IT Team.
- 2.6 The Committee noted the status of the actions including the actions that are shown as closed.

3 Update from the Audit and Risk Assurance Panel (ARAC_21-056)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel meeting held on 22 November 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 Strategic Risk Register had been updated following feedback from Board members and was presented to Board 24 November 2021.
- 3.2.2 The Committee noted, Covid-19 costs were discussed in relation to the assurance being applied on the supply chain submissions.
- 3.2.3 The Committee noted the discussion on the overdue assurance actions and noted the progress on completion rates since last reporting.
- 3.2.4 The Committee noted the status of the overall assurance plan for the financial year and the work being undertaken to review the deliverability of the assurance plan.
- 3.2.5 The Committee noted a report on Fraud was [REDACTED]
[REDACTED]
[REDACTED]
- 3.2.6 The Committee noted the Senior Account Officer (SAO) Tax Certificate in relation to IR35 and the positive audit report and the panel were content for the Chief Financial Officer (CFO) to sign the certificate.
- 3.2.7 The Committee discussed [REDACTED]
[REDACTED]
[REDACTED]
- 3.2.8 The Committee discussed [REDACTED] requesting escalation from Management to the Board/ Non-Executive Directors should this be required.
- 3.2.9 It was noted that in the interim, [REDACTED]
[REDACTED]

4 Risk, Control and Assurance Management Information Report (ARAC_21-057)

- 4.1 The Programme Management Office Director, Head of Risk and the Interim Quality and Assurance Director joined the meeting.
- 4.2 The Committee reviewed and noted the Risk, Control and Assurance Report for November 2021, as included in the meeting pack.
- 4.3 The Committee noted the update on Programme and Strategic Risks noting that the revised Strategic Risk Register will be presented for endorsement to Board at the January 2022 meeting. Agreement is then needed for where there is oversight and ownership of the Strategic Risks, for example between the Committee, the Board and the SRO.
- 4.4 The Committee noted the key points from the Strategic Risk and Programme Risk section of the report.

4.4.1 The Committee noted [REDACTED]
[REDACTED]
[REDACTED].

4.4.2 The Committee noted the key programme delivery risks for Phase 2b, related to uncertainty around ground conditions and managing interfaces with utilities and the work in progress to complete a programme risk register gap analysis.

4.4.3 The Committee noted one of the [REDACTED] and a security review has been undertaken to review alternative ways of working.

4.5 The Committee discussed the Risk section of the RCA Report:

4.5.1 The Committee continue to value the rich information reported in the RCA Management Information however have requested that a summary page might be introduced in order to focus the Committee to any key areas of concern.

Action: [REDACTED]

4.5.2 The Committee discussed the Phase 2b position and how the decision of the Bill deposit is not within the control of HS2 and it would be best to reassess this risk once HS2 know the outcome of the Bill deposit.

4.5.3 The Committee requested revised presentation for the gross and net risk position reported. **Management confirmed that following approval of the Strategic Risk register, reporting will be broadened to include the key mitigations and RAG status of these against the risks.**

Action: [REDACTED]

4.6 The Committee noted the key points from the Control and Assure section of the report.

4.6.1 The Committee noted the positive progress being made on the Efficient Processes workstream and the Management Information (MI) from the Document control workstream.

4.6.2 The Committee noted Reporting and Technical Change work has commenced for HR resourcing and IT project delivery, which will be delivered internally.

4.6.3 Committee noted following feedback from ARAC at the last meeting on Operational and Performance there will be more detail provided from the JV's on their quality matrix and a workstream has commenced to review the metrics for quality engineering and quality construction to help understand the quality of delivery, rather than rely on internal processes.

4.6.4 The Committee noted positive progress on the status of assurance actions following the work undertaken, to understand the errors on the report generated previously.

4.6.5 The Committee noted the exercise to simplify actions with P-Rep has been positive and a further workshop has been scheduled for January 2022.

4.6.6 The Committee noted that the Independent Assurance Panel (IAP) contract is being extended with a review of the commercial controls being discussed as a “reset” opportunity.

4.6.7 The Chief Commercial Officer (CCO) is co delivering with the Technical Director an Investment Governance, Approvals and Assurance Review to the efficiency and robustness of decision making. Non-Executive Members of the CIC and ARAC will be engaged.

4.7 The Committee discussed:

4.7.1 The Committee continue to review and scrutinise the overdue assurance actions reported and have requested a deep dive on this at a future meeting in order to see the next level on outstanding actions.

Action: Company Secretariat - Scheduling

4.7.2 The Committee were advised the outstanding Community and Stakeholder Engagement actions are in relation to the creation of a Crisis Strategy Communication Plan and it was noted the plan is in a positive position and good progress has been made.

4.7.3 Management are undertaking a review of the commercial assurance activities following an updated procedure launched in October 2021. The Committee agreed that a review of the deliverability of the assurance activities is a priority. **It was agreed a further update on the status of the commercial status activity will be provided to Roger Mountford, Chair of Commercial Investment Committee (CIC).**

Action: [REDACTED]

4.8 The Committee noted the contents of the RCA report and endorsed the Board Strategic Risks for onward travel to Board 26 January 2021.

5 Deep Dive: Risk Management – Assurance of the risk management process including identifying, applying, and evaluating risk control techniques.

5.1 The Committee reviewed and noted the Deep Dive: Risk Management – Assurance of the risk management process including identifying, applying and evaluating risk control techniques, as included in the meeting pack.

5.2 The Committee received a presentation from the Head of Risk providing an overview of:

5.2.1 Risk Management Function Overview

5.2.2 Overview of the HS2 Risk Management Framework

5.2.3 The business-as-usual Risk Management process

5.2.4 Key improvements

5.2.5 Control Effectiveness

5.3 The Committee noted and discussed:

5.3.1 The Committee noted that the structure of the risk team is full time risk resources who are deployed into delivery teams as subject matter experts.

5.3.2 **The Committee requested a different presentation of the risk management effectiveness as some of the reduction in risk has been due to materialisation and inclusion in the point, rather than having been mitigated.**

Action: [REDACTED]

5.3.3 The Committee requested that in line with the evolving nature of the Programme, the risk appetite statement also evolve. **The Committee has requested that Members be engaged on the next risk appetite review.**

Action: [REDACTED]

5.3.4 Reporting of risk will be developed to cover effectiveness of controls and mitigations which have been implemented.

5.3.5 The Committee note the annual review process which takes place and have requested a further update once the current annual review has concluded. **Presentation of the data should then start to be reported in themes for areas of deep dive by the Committee.**

Action: [REDACTED]

5.4 The Committee noted the report.

5.5 The Programme Management Office Director, Head of Risk and the Interim Quality and Assurance Director joined the meeting.

6 **HS2 Internal Audit Update (ARAC_21-059)**

6.1 The Committee received a verbal update from the Head of Internal Audit.

6.2 The Committee noted that the internal audit programme is 59% completed through the programme and the 2021/22 annual planning process is underway, with interviews scheduled with relevant colleagues by December 2021.

6.3 The Committee noted the update.

7 **National Audit Office Update and 2021/2022 Audit Planning Report (ARAC_21-060)**

7.1 The Committee reviewed and noted the National Audit Office Update and 2021/2022 Audit Planning Report, as included in the meeting pack.

- 7.2 An update was provided by the National Audit Office.
- 7.3 The Committee noted the increase in materiality since the prior year which is considered in line with the run rate of expenditure forecast.
- 7.4 The Committee discussed the audit plan and noted the risks with significant impact on the audit, namely:
- 7.4.1 Presumed risk of management override of controls.
 - 7.4.2 Phase 1 MWCC expenditure and accruals.
 - 7.4.3 Assets under construction: impairments.
- 7.5 The Committee noted the work being undertaken by HMRC in regard to the IR35 for 2020 and were advised this is not seen as a material item for the audit.
- 7.6 The Committee noted that [REDACTED]
- 7.7 The Committee noted the update and approved the ISA Mandated Enquiries within the report.
- 7.8 The Committee approved the Remuneration and Terms of Engagement of Audit activities.

8 Senior Information Risk Owner (SIRO) – Six Monthly Update

- 8.1 The Committee reviewed and noted the Senior Information Risk Owner (SIRO) – Six Monthly Update as included in the meeting pack.
- 8.2 The Health, Safety and Security Director and the Senior Cyber Security and Information Security Officer joined the meeting.
- 8.3 The Committee noted and discussed:
- 8.3.1 The Committee received the report positively which contains a summary of the volume of activity in this area, [REDACTED] noting [REDACTED]
 - 8.3.2 [REDACTED] Committee noting that information and cyber security should be an all-staff responsibility.
 - 8.3.3 A tool is also being tested with the supply chain in order to promote a risk conscious approach to cyber security.
 - 8.3.4 The Committee Chair will review whether there are any cross-Governmental workstreams in this area.
 - 8.3.5 **The Committee have commissioned a further update to the April 2022 meeting** [REDACTED]

Action: Company Secretariat Scheduling.

- 8.4 The Committee noted the update.
- 8.5 The Health, Safety and Security Director and the Senior Cyber Security and Information Security Officer left the meeting.

9 Counter Fraud and Business Ethics – Six Monthly Update

- 9.1 The Committee reviewed and noted the Counter Fraud and Business Ethics – Six Monthly Update, as included in the meeting pack.
- 9.2 The Head of Counter Fraud & Business Ethics joined the meeting.
- 9.3 The General Counsel provided background to the report and advised Committee the update provides an overview of the key work undertaken by the Counter Fraud and Business Ethics Team in the period 1 May – 31 October 2021.
- 9.4 The Committee noted the positive impact since the creation of the Reduced Actual Costs (RAC) Fraud Forum and the engagement and work being put in by the supply chain.
- 9.5 The Committee noted the good work on the Counter Fraud Initiatives and discussed providing a fraud assessment statement.
- 9.6 The Committee noted the good work on the Counter Fraud Initiatives and discussed ways that HS2 could measure themselves further on providing a fraud assessment statement. **The Committee agreed a review of what other organisations do will be investigated for discussion and example organisations to be suggested by the Committee Chair.**

Action: Jon Thompson (Chair)

- 9.7 The Head of Counter Fraud & Business Ethics left the meeting.

10 Senior Account Officer (SAO) Tax Certificate for 2020/21

- 10.1 The Head of Financial Governance & Treasury joined the meeting.
- 10.2 The Committee reviewed and noted the Senior Account Officer (SAO) Tax Certificate for 2020/21 as included in the meeting pack.
- 10.3 The Head of Financial Governance and Treasury reminded the Committee of the requirement to submit a Senior Accounting Officer (SAO) Tax Certificate to HMRC annually. The Tax Certificate cover the following main taxes:
 - 10.3.1 VAT
 - 10.3.2 Employment taxes
 - 10.3.3 Corporate Tax

- 10.4 The Committee noted that for each area of tax within HS2, there was an assigned Risk Owner, Risk Sponsor, and an Executive Sponsor. In order to provide the evidence required for the disclosure on the SAO Tax Certificate, a process was run to attain mini certificates for each tax area. Those mini certificates were prepared and reviewed by both the Tax Manager and Head of Financial Governance and subsequently approved by the Risk Sponsor and Executive Sponsor.
- 10.5 The Committee noted an audit has been undertaken on the SAO process which returned a 'Moderate' opinion, with no high risks identified. The Customer Compliance Manager has been kept engaged and is in agreement with the position.
- 10.6 The Committee discussed the position on IR35 and the work being undertaken with HMRC and were advised that the materiality is considered low enough not to appear on the certificate.
- 10.7 The Committee endorsed the paper to be presented for noting to the HS2 Ltd Board meeting in December.
- 10.8 The Head of Financial Governance and Treasury left the meeting.

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.
- 11.2 Committee members agreed to meet to discuss the forward look and consider the timing of the next Deep Dive.

12 Any Other Business

- 12.1 There being no items for any other business, the meeting closed.