

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Thursday, 03 February 2022
Meeting location Hybrid: MS Teams / The Podium / Snowhill
Meeting time 10:00-12:30

Members	Attendees	Apologies
Sir Jon Thomson (Chair) Committee Chair	[REDACTED] Internal Audit Manager - GIAA	
Stephen Hughes Non-Executive Director	Michael Bradley Chief Financial Officer	
Roger Mountford Non-Executive Director	[REDACTED] Head of Risk	
	Nicole Geoghegan General Counsel	
	[REDACTED] Interim Company Secretariat	
	Emma Head Delivery Director – Technical Services	
	[REDACTED] Quality & Assurance Director (Interim)	
	[REDACTED] UK National Audit Office	
	[REDACTED] Interim Head of Audit	
	[REDACTED] Finance Director	
	[REDACTED] Head of Internal Audit	
	[REDACTED] UK National Audit Office	
	[REDACTED] Project Representative	
	[REDACTED] Integration Director, Department for Transport	
	[REDACTED] GIAA Director	

1 Welcome, Declarations of Interest and Values Moment

- 1.1 The Chair noted, 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 noted a values moment by the Head of Finance Operations on Covid reaching the Antarctic and the astonishing commitment in the lengths people went to, to ensure they were still able to continue with their work.

2 Minutes of the previous meeting and review of Action tracker (ARAC_21-065 and 21-066)

- 2.1 The Minutes of the meeting on 02 December 2021 were approved as a true record of that meeting.
- 2.2 The status of the Actions was noted with updates as follows:
- 2.3 The Committee agreed to close the following actions:
 - 2.3.1 21/022 - HS2 Internal Audit Update and Head of Internal Audit Annual Opinion.
 - 2.3.2 21/035 - HS2 Internal Audit Update.
 - 2.3.3 21/042 - Deep Dive: Risk Management – Assurance of the risk management process including identifying, applying, and evaluating risk control techniques.
- 2.4 An update was requested under action 21/036 on the conclusion of the Spending Review and the treatment of inflation. The Committee noted that the conclusion of the Spending Review was still outstanding relating to treatment of inflation.
- 2.5 The Closed actions were noted.

3 Update from the Audit and Risk Assurance Panel on 19 January 2022 (minutes included) (ARAC_21-067)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel (ARAP) meeting held on 19 January 2022, as included in the meeting papers.
- 3.2 The following key points were raised and noted:
- 3.3 The Committee noted the meeting was focussed on audit and assurance and ARAP agreed to present a paper to ARAC, item 05, Assurance Improvement Plan, to provide visibility of the recovery plan to address the below:
 - 3.3.1 'Limited' rating on the overall HS2 Assurance Regime.
 - 3.3.2 The IAAP Schedule and 50% delivery of the agreed programme.

3.3.3 Lack of progress closing overdue audit actions

- 3.4 The Committee noted a discussion had taken place on the Internal Audit Plan 2022/23 presented for endorsement at today's meeting.
- 3.5 The Committee noted a discussion had taken place on the strategic risk register and the planning of the deep dives and the significance of some of the risks and a plan would be agreed as to whom would be involved within the review of the risks, including the Department for Transport (DFT).

4 Risk, Control and Assurance Management Information Report (ARAC_21-068)

- 4.1 The Head of Risk joined the meeting.
- 4.2 The Committee reviewed and noted the Risk, Control and Assurance Report for December 2021, as included in the meeting pack.
- 4.3 The Committee noted the update on the Programme and Strategic Risks noting that the risk section had been updated to provide visibility of risks that had reduced in the period and materialisation of trends.
- 4.4 The Committee noted the key points from the Strategic Risks and Programme Risk section of the report.
 - 4.4.1 The Committee noted [REDACTED]
 - 4.4.2 The Committee noted the risk position had remained fairly stable in the last quarter.
 - 4.4.3 The Committee noted [REDACTED]
 - 4.4.4 The Committee noted the quarter 3 joint risk review with DfT took place in December.
 - 4.4.5 The Committee noted the current internal audit review of the HS2 risk management processes.
 - 4.4.6 The Committee noted the Chief Financial Officer (CFO) annual Deep Dive sessions had commenced.
 - 4.4.7 The Committee noted one of the key areas of focus for the team over the coming months would be the integration and management of risks across the IPT's.
- 4.5 The Committee discussed the key points from the Strategic Risks and Programme Risk section of the report.

- 4.5.1 The Committee discussed how new trends are assessed and the process for checking the associated risk and how the risk is adjusted accordingly to avoid duplication.
 - 4.5.2 The Committee discussed the representation of significant risks within the RCA report and were advised, as part of the report review there would be detail showing the movement between the top two categories, the reduction within the period and movement of trends.
 - 4.5.3 The Committee noted the CFO is leading work to recommend which executive or Board group should review risks in the new Strategic Risk Register.
- 4.6 **The Committee discussed the Design Delivery Partner (DDP) ITT and the inclusion of a risk register and it was agreed a copy of the risk register would be shared with the Chair of Commercial Investment Committee (CIC).**

Action: [REDACTED]

- 4.7 The Committee noted the key points from the Control and Assure section of the report.
- 4.7.1 The Committee noted the workstream had commenced on the review of the quality matrix for JVs with the expectation a cross functional dashboard would be implemented to provide focus on how the project is being delivered from a quality perspective and areas of concern.
 - 4.7.2 The Committee noted the Efficiency challenge of Right First Time (RFT) decreased in the reporting period for Phase 2a and this is being investigated by the Phase 2a Quality Manager.
 - 4.7.3 The Committee noted positive progress is being made on the Efficient Process workstream and attention was draw in particular to Document Control improvements and time saved measures.
 - 4.7.4 The Committee noted the work on the Management Assurance Statements (MAS) received from DfT and the outcome would be presented to the April ARAC meeting, for endorsement to DfT.
 - 4.7.5 The Committee noted the Reporting and Technical Change work on the IT project delivery.
 - 4.7.6 The Committee noted the reprioritisation of the Integrated Assurance & Approvals Plan (IAAP) for 2021/22.
 - 4.7.7 The Committee noted the status on the assurance actions and the management attention in addressing the actions that are overdue.
 - 4.7.8 The Committee noted the Commercial Assurance model activities and how the forthcoming period would see lessons learned following the first 2 One Red Team reviews (RTR's).
- 4.8 The Committee discussed the key points from the Control and Assure section of the report.
- 4.8.1 The Committee discussed the number of overdue assurance actions and the need to understand the impact in the delays and if any are of a high priority, which was unknown at present.

4.8.2 The Committee agreed the number of overdue assurance actions must be a priority for management to ensure improved progress was made and this does not become a recurring issue.

4.8.3 **The Committee requested ARAP review the actions by those that are of the highest priority and by age and present them by ranking (high, medium and low) to ARAC at their April meeting.**

Action: [REDACTED]

4.8.4 The Committee discussed the decrease in Right First Time (RFT) for Phase 2a and it was noted the review of the causes includes the quality of the technical assurance being received and the onboarding of new contractors.

4.8.5 The Committee discussed the Bottom Up Forecast (BUF) and noted the reasons for the change in the planned schedule.

4.8.6 **The Committee discussed the limited assurance received following a PQQ shortlisting exercise and agreed a short paper on the outcome and the next steps being taken, to be shared with the Commercial Investment Committee.**

Action: Nicole Geoghegan

4.9 The Head of Risk left the meeting.

5 Assurance Improvement Plan (ARAC_21-069)

5.1 The Committee noted the Assurance Improvement Plan, as included in the pack.

5.2 The Committee were asked to:

5.2.1 Note the items within the papers

5.2.2 Confirm that the Assurance Improvement Plan contains the correct areas of focus and if there are any further considerations from the Committee.

5.2.3 Endorse the proposed adjustments to the IAAP schedule for the remainder of 2021/22

5.3 The Committee received an update from management on the actions they had undertaken to address the outcome of the GIAA audit.

5.3.1 The Assurance Capability area reached Level 4 maturity during March 21 and the continuous improvement areas identified overlap with the findings of the Internal Audit report into HS2's Overall Assurance regime, and all associated actions to address are included within the Assurance Improvement Plan.

5.3.2 Since the Audit concluded in November 21, there had been a huge step-up in the capacity to deliver the Assurance Improvement Plan, with internal resourcing now in place and the mobilisation of the Assurance Frameworks.

5.3.3 The Committee noted there had only been the addition of one new action within the Assurance Improvement Plan following the Internal Audit.

- 5.3.4 The Committee noted the activities identified within the Assurance Improvement Plan and the milestones for delivery.
- 5.3.5 The Committee noted the key recommendations would be tracked until completion and presented to ARAP and ARAC at each meeting.
- 5.3.6 The Committee noted the revised IAAP schedule and reasons for the changes and how they had been prioritised for completion at the end of March 2022.
- 5.4 The Committee discussed
 - 5.4.1 The Committee discussed although they understand the reasons, it should be noted HS2 are now predicting around a third of assurance work would not be delivered.
 - 5.4.2 The Committee discussed the recommendation for an overall HS2 Assurance Map and the complexities in delivering a single view to illustrate if HS2 Ltd are under or over assuring within any area, due to complexity of HS2 activities and the associated volume of assurance.
 - 5.4.3 The Committee were supportive of the delivery of a map, or some other overall presentation in due course.
 - 5.4.4 The Delivery Director – Technical Services advised the Committee they had requested examples of Assurance Maps from one of the Assurance Framework providers and the Government Internal Audit Agency (GIAA) to help with the delivery of the recommendation.
 - 5.4.5 The Committee discussed the IT system activity taking place within LOD1 Operational assurance areas to implement a one single version of the truth and the Committee noted the progress.
- 5.5 The Committee:
 - 5.5.1 Noted the items within the papers.
 - 5.5.2 Confirmed that the Assurance Improvement Plan contains the correct areas of focus.
 - 5.5.3 Endorsed the proposed adjustments to the IAAP schedule for the remainder of 2021/22.

6 HS2 Internal Audit Update and DRAFT Internal Audit Plan 2022-23. (ARAC_21-070 and 071)

- 6.1 The Head of Internal Audit introduced the report detailing the activities of Internal Audit for the period 1 October – 31 December 2021.
- 6.2 The Head of Audit introduced [REDACTED] Interim Head of Audit who would be replacing them at the end of March 2022.
- 6.3 The Chair extended their thanks on behalf of the Committee to the Head of Internal Audit for their contribution over the past 5 years.
- 6.4 The following key points were raised and noted:

- 6.4.1 The good progress on the workplan, which was 73% complete overall.
- 6.4.2 The Committee noted progress against the planned reviews for 2021/22. The current position shows that 7 reports had been issued as final, 6 were in draft, 6 were in review for fieldwork and 5 are in the planning stage.
- 6.4.3 The Internal audit functional standard and assessment framework had been circulated and the Interim Head of Audit would assist HS2 Ltd with the completion.
- 6.4.4 The Committee noted the recommendations following the outcomes of two internal audits.
- 6.5 The Committee noted the update.
- 6.6 The Committee considered the Draft Internal Audit Plan 2022/23, which sought approval of the proposed Internal Audit work for 2022/23.
- 6.7 The following key points were raised and noted:
 - 6.7.1 The Committee noted the draft Internal Audit Plan for the next financial year had been prepared in accordance with the requirements of the Public Sector Internal Audit Standards.
 - 6.7.2 The Committee noted the number of reviews proposed are fewer than the 2021/22 plan, but the reviews would be broader and deeper.
 - 6.7.3 **The Committee agreed to remove the Interface with Central Government and replace with Design and Consents.**

Action: [REDACTED]

- 6.8 The Committee endorsed the plan and the fee request and noted the upcoming annual report and opinion necessary for the Annual Report & Accounts.

7 NAO Update (ARAC_21-072)

- 7.1 The Committee received a short verbal update from the National Audit Office (NAO). The following key points were raised and noted:
 - 7.1.1 The NAO was currently focussed on executing the NAO FY21/22 planning document, which had been considered by the Committee at their December 2021 meeting.
 - 7.1.2 The NAO had been undertaking work on major work accruals and controls
- 7.2 The Committee noted the update.

8 Committee Forward look (ARAC_21-073)

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

- 8.2 The Committee agreed a meeting to discuss the Deep Dive programme and the forward look for ARAC to be held with Sir Jon Thompson and Stephen Hughes prior to the April 2022 meeting.

Action: Michael Bradley

9 Any Other Business

- 9.1 There being no further business the meeting was closed.