

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Thursday, 07 April 2022
Meeting location Hybrid: MS Teams / The Podium / Snowhill
Meeting time 10:00-13:00

Members	Attendees	Apologies
Stephen Hughes Committee Chair	[REDACTED] Internal Audit Manager – GIAA	Sir Jon Thompson Non-Executive Director
Roger Mountford (10:45-11:20) Non-Executive Director	Michael Bradley Chief Financial Officer	Mark Thurston CEO
	[REDACTED] Senior Delivery – Sponsor Partnership	
	[REDACTED] Delivery Sponsor – Sponsorship	
	[REDACTED] Interim Company Secretariat	
	Emma Head Delivery Director – Technical Services	
	[REDACTED] Quality & Assurance Director (Interim)	
	[REDACTED] Interim Head of Audit	
	[REDACTED] UK National Audit Office	
	[REDACTED] Finance Director	
	[REDACTED] UK National Audit Office	
	[REDACTED] Project Representative	
	[REDACTED] Head of Programme and Corporate Assurance	
	[REDACTED] Commercial Delivery Director – Euston & Stations	
	[REDACTED] Head of Delivery Sponsorship	
	[REDACTED] GIAA Director	

1 Welcome, Declarations of Interest and Values Moment

- 1.1 The Chair noted apologies had been received from Sir Jon Thompson and Mark Thurston.
- 1.2 The Chair noted Roger Mountford would be in attendance for decision items, 2, 5 & 6.
- 1.3 The meeting was quorate for decision items, 2, 5 and 6.
- 1.4 Each member of the Committee confirmed that there were no additional conflicts of interest to be declared.
- 1.5 The Committee noted a values moment by Stephen Hughes on the importance of learning from Phase One.

2 Minutes of the previous meeting and review of Action tracker (ARAC_21-074 and 21-075)

- 2.1 The Minutes of the meeting on 03 February 2022 were approved as a true record of that meeting.
- 2.2 The Committee noted the status of the actions.

3 Update from the Audit and Risk Assurance Panel on 17 March 2022 (minutes included) (ARAC_21-076)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel (ARAP) meeting held on 17 March 2022, as included in the meeting papers.
- 3.2 The following key points were raised and noted:
 - 3.2.1 The Committee noted the Panel was provided with an update following the Strategic Risk conversations with the Board.
 - 3.2.2 The Committee noted the efficiency rate, right first time performance would be a tier 2 corporate KPI, with a target of 83%.
 - 3.2.3 The Committee noted the Panel had focussed on the overdue assurance actions and were appraised of the Senior Leaders Team (SLT) undertaking a 4 week sprint to close out the actions.
 - 3.2.4 The Committee noted the 4 week sprint would conclude with a Star Chamber to hold people to account and GIAA would be in attendance.
 - 3.2.5 The Committee noted the closed actions are categorised by proposed to close and evidenced to close.
 - 3.2.6 The Committee noted the Management Assurance Statement received challenges on the self-assessment ratings and the Panel agreed follow on actions before submission to ARAC.

- 3.2.7 The Committee noted the Integrated Assurance & Approval Plan (IAAP) received feedback on potential duplications and the timetable. The Panel requested these points were addressed before submission to ARAC.
- 3.2.8 The Committee noted the Head of Quality and IMS presented a report to the Panel on the IMS Management System Review and the review concluded HS2 Ltd had a good and substantive IMS system.
- 3.3 The Committee discussed the six monthly Bottom Up Forecast (BUF) submissions with the Main Works Civils Contracts (MWCC) and the assurance process on the data quality.
- 3.4 The Committee noted following the outcome of the BUF submissions, the proposal being considered would be to undertake the BUF on an annual basis to improve the quality of the submissions.
- 3.5 The Committee noted the update from the Audit and Risk Assurance Panel.

4 Risk, Control and Assurance Management Information Report (ARAC_21-077)

- 4.1 The Committee reviewed and noted the Risk, Control and Assurance (RCA) Report for February 2022, as included in the meeting pack.
- 4.2 The Committee noted the update on the Programme and Strategic Risks noting that the focus during the reporting period had been the updating of the actions with the action owners and the inclusion of the top five risks based on the current forecast and scoring, alongside a heat map within the RCA.
- 4.3 The Committee noted the key points from the Control and Assure section of the report.
 - 4.3.1 The Committee noted the new tier 2, Efficiency Challenge of Right First Time (RFT) KPI provides evidence of the approval and assurance of contractible deliverables within the supply chains.
 - 4.3.2 The Committee noted RFT was measured at the contract level and there was a project in place to deliver an enterprise wide level one KPI to be able to measure the MI at a granular level.
 - 4.3.3 The Committee noted the deliverables by contract provides the delivery teams and the quality teams with the ability to look at the root causes of the bottlenecks and action accordingly.
 - 4.3.4 The Committee noted the Efficiency process workstreams had made good progress, although there are delays in the implementation of some actions and a steering group would be held with the focus on identifying the actions for scheduled change.
 - 4.3.5 The Committee noted the number of overdue actions had reduced and was provided with a summary of those actions.

- 4.3.6 The Committee noted new functionality would be added to the action tracker to provide a forward look on actions being overdue and the root causes.
- 4.3.7 The Committee noted the good progress on the Assurance Improvement Plan.
- 4.3.8 The Committee noted the Commercial Assurance activity on the Rail Systems contracts.
- 4.3.9 The Committee noted the status of the COVID-19 project impact and the terms of reference had been agreed upon for the next three months of activity.
- 4.3.10 The Committee discussed the key points from the Control and Assure section of the report.
- 4.3.11 The Committee discussed the lessons learned from the outstanding actions and how management needs to maintain its focus on actions going forward.
- 4.3.12 The Committee was supportive of the Quality & Assurance Director (Interim) efforts to derive responses from the organisation on the closure of actions and discussed the need to ensure the P-Rep recommendations are aligned.
- 4.3.13 The Committee discussed the process for closing the P-Rep actions and the Delivery Director – Technical Services advised there was a triage process in place where all recommendations are reviewed, and they are either accepted in part or full or rejected and a clear explanation was provided to P-Rep.
- 4.4 The Committee noted there would be a workshop with P-Rep to review both sets of data to understand the differences and the reasons why.
- 4.5 The Committee noted following the sprint and the workshop with P-Rep a regular reconciliation of the data sets would be undertaken and added to the RCA report.
- 4.6 The Committee noted a draft summary version of the RCA report would be provided to ARAP at their May meeting, with a proposal to present to ARAC at the June meeting.

5 2021/22 Management Assurance Statement (MAS) (ARAC_21-078)

- 5.1 The Head of Programme and Corporate Assurance joined the meeting.
- 5.2 The Committee noted the 2021/22 Management Assurance Statement (MAS), as included in the meeting papers.
- 5.3 The Committee was asked to:
 - 5.3.1 Review the MAS provided and identify any differences in opinion on ratings
 - 5.3.2 Endorse submission of the revised assessment ahead of the signing by the CEO (Accounting Officer)
 - 5.3.3 Agree on the response rating for section 6.3 (Information Security)
- 5.4 The Committee noted:
 - 5.4.1 The Committee noted HS2 Ltd was required by DfT to submit a Management Assurance Statement (MAS) on an annual basis.

- 5.4.2 The Committee noted there was a 50% split between moderate and substantial declarations of effectiveness.
- 5.4.3 The Committee noted all the recommendations had been endorsed by the Executive Owners and ARAP.
- 5.4.4 The Committee noted 6.5 Personnel Security had reduced from substantial to moderate due to the challenges with the protester activity.
- 5.4.5 [REDACTED]

5.5 The Committee discussed

- 5.5.1 The Committee sought to understand how the responses to the self-assessments received assurance and the Head of Programme and Corporate Assurance advised the questions are set by DfT, with Subject Matter Experts (SME) responding, and the role of the Challenge Panel was to test and challenge the responses independently.
- 5.5.2 The Committee noted there would be a review of the trends for FY2022/23 to identify the areas that had maintained moderate, to challenge those areas to progress to substantial.
- 5.5.3 The Committee discussed the questions that were responded to 'as not applicable' and noted those questions are discussed with DfT to clarify the definition to ensure they are answered if appropriate.
- 5.5.4 The Committee noted the lessons learned from the Crossrail project are completed annually during the same cycle to maintain the intelligence data and to continue to learn.
- 5.5.5 The Committee discussed the workforce planning response and noted the moderate rating had been agreed with the SME and Challenge Panel, due to the agile nature of the HS2 programme in recognition the other DfT departments are stable in their nature.

5.6 The Committee endorsed the items within the report.

6 HS2 Ltd Integrated Assurance & Approval Plan for 2022/23. (ARAC_21-079)

- 6.1 The Committee noted the HS2 Ltd Integrated Assurance & Approval Plan (IAAP) for 2022/23, as included in the meeting papers.
- 6.2 The Committee was asked to:
 - 6.2.1 Approve the final IAAP for the Financial Year 2022/23 and the first six months of Financial Year 2023/24.
- 6.3 The Committee noted:

- 6.3.1 The Committee were reminded within the Development Agreement with DfT, HS2 Ltd was required to maintain an IAAP.
- 6.3.2 The Committee noted there had been a good challenge at ARAP before submission to the Committee and the GIAA Audit programme had been considered to ensure there was no overlap.
- 6.3.3 The Committee noted the number of assurance activities had been reduced and the focus was on deeper reviews.
- 6.3.4 The Committee noted the plans were focussed on programme assurance due to the changing nature of the programme.
- 6.3.5 The Committee noted consultation on the creation of the plan had been received positively from the management team.
- 6.4 The Committee discussed:
 - 6.4.1 The Committee discussed the involvement of DfT in the consultation of the plan and noted they had been invited to attend workshops and the plan had been shared via correspondence.
 - 6.4.2 The Committee discussed the role of the Integrated Assurance Group and agreed the IAAP for the FY2023/24 would be tabled at the appropriate time.
 - 6.4.3 The Committee discussed the plan and sought to understand how MI and cost and optimum efficiency would be covered and noted these aspects would all be included within each specific audit, rather than being specific audits on their own.
- 6.5 The Committee noted there were plans in place to continue to develop the IAAP including opportunities, and improvements on how the process could be completed differently.
- 6.6 The Committee noted an external partner had been engaged to ensure the focus for the 2022/23 plan was in the correct areas.
- 6.7 The Committee requested a review of the effectiveness of the consultation engagement, which was undertaken at the appropriate time and the feedback provided to be fed into the FY2023/24 process.
- 6.8 The Committee expressed their thanks for a good piece of work and endorsed the items within the report.
- 6.9 The Head of Programme and Corporate Assurance left the meeting.

7 IPA Gate 0 Review (Phase 1) Recommendations (ARAC_21-080)

- 7.1 The Delivery Sponsor and Head of Delivery Sponsorship joined the meeting.
- 7.2 The Committee noted the IPA Gate 0 Review (Phase 1) Recommendations, as included in the meeting papers.
- 7.3 The Committee was asked to:

- 7.3.1 Note the Review's recommendations in Annex A and their current implementation status.
- 7.4 The Committee noted:
 - 7.4.1 The IPA Gate 0 review provides a health check on the progress of Phase One of the programme.
 - 7.4.2 [REDACTED]
 - 7.4.3 DfT had provided the names of recommendations assigned to them and were included within the table.
- 7.5 The Committee discussed:
 - 7.5.1 The recommendations and agreed this had been a worthwhile exercise to ensure there was focus on the key HS2 programme issues including those that had been raised by the HS2 Ltd Board previously.
 - 7.5.2 The cycle of when it would receive progress updates on the recommendations and noted this would take place in September 2022.
- 7.6 The Delivery Sponsor and Head of Delivery Sponsorship left the meeting.

8 HS2 Internal Audit Update (ARAC_21-081)

- 8.1 The Committee noted the HS2 Internal Audit Update, as included in the meeting papers.
- 8.2 The Interim Head of Internal Audit introduced the report detailing the activities of Internal Audit for the period 1 January – 9 March 2022.
- 8.3 The following key points were raised and noted:
 - 8.3.1 GIAA acknowledges HS2 Ltd are operating in a high risk and agile environment and were in support of the Star Chamber and the good progress in the closing down of the Internal Audit recommendations.
 - 8.3.2 The Committee noted the Interim Head of Internal Audit would be attending the Star Chamber.
 - 8.3.3 The work plan was 97% complete as of 28 March 2022.
 - 8.3.4 For the final quarter, it was noted that 6 reports are in draft and 3 of those are awaiting management responses.
 - 8.3.5 The Committee noted that 2 of the reports in draft are being challenged by the Executive owners and the outcome of these discussions would be finalised by the end of April, to enable GIAA to form their overall audit opinion.
 - 8.3.6 The Committee discussed the 2 audits that received 'limited' assurance and it was noted good progress on the recommendations had been made on the early works contracts and the Chief Financial Officer (CFO) would engage with their management team and assist with the [REDACTED]

- 8.3.7 The Internal Audit Functional Standard's first draft was with the Company Secretary and would be presented to the Committee at the June meeting.
- 8.3.8 The Interim Head of Audit drew the Committee's attention to the audit supplement and the work by GIAA on conflicts of interest across government.

8.4 **The Committee agreed for the General Counsel (Interim) to review the Conflicts of Interest findings within the audit supplement and consider if there are any opportunities for HS2 Ltd to strengthen or improve.**

Action: [REDACTED]

8.5 The Committee noted the status of the audit plan and the work to complete before GIAA being able to provide their overall audit opinion for FY2021/22.

9 [REDACTED] (ARAC_21-082)

9.1 The Senior Delivery – Sponsor Partnership and the Commercial Delivery Director – Euston & Stations joined the meeting.

9.2 The Committee noted the [REDACTED] as included in the meeting papers.

9.3 The Committee noted:

9.3.1 [REDACTED]

9.3.2 The report included the [REDACTED]

9.3.3 The National Audit Office (NAO) role would be to look at the assumptions and not to provide a revised sum.

9.3.4 The Committee discussed [REDACTED]

9.3.5 The Committee noted [REDACTED]

9.3.6 The Committee discussed [REDACTED]

9.4 The Committee discussed [REDACTED]

9.5 The Senior Delivery – Sponsor Partnership and the Commercial Delivery Director – Euston & Stations left the meeting.

10 Annual report and Accounts – Progress Update including IR35 Liability Update and Year End Treatment (ARAC_21-083)

10.1 The Committee noted the Annual report and Accounts, Progress update, as included in the meeting papers.

10.2 The Committee noted the presentation slides which highlighted the content plan, who would lead on and a high-level timeline for approvals.

10.3 Annual Report and Accounts

10.3.1 The Committee noted the Annual Report and Accounts would be presented to HS2 Ltd Board on 29 June 2022 to enable them to be filed before the recess.

10.3.2 The Committee noted the DRAFT Annual Report and Accounts would be circulated to the Committee in mid-May by correspondence.

10.4 IR35

10.4.1 The Committee was reminded there was a historic tax liability dating back to 2017 and HMRC had advised they would undertake a full compliance review which could take 12 months.

10.4.2 Due to the length of the review, the potential tax liability would be added as a provision within the Annual Accounts, due to the probability HS2 Ltd would be found liable.

10.4.3 The Committee noted HS2 Ltd would be seeking ways to recover monies from the supply chains.

10.4.4 The Committee noted the tax liability would need to be agreed upon with the NAO as part of the year-end process.

10.5 The Committee noted the update.

11 NAO Update (ARAC_21-085)

11.1 The Committee received an interim update report on the 2021-22 financial statements audit.

11.2 The following key points were raised and noted:

11.2.1 The materiality had not changed and risk had remained consistent and although there are no significant concerns that HS2 Ltd had any exposures to sanctions, this would be an area of focus.

11.2.2 During the interim audit, there were no identified errors to report at this stage.

11.2.3 The IR35 tax liability provision would be focussed on the specifics of the numbers and would be completed at the final audit.

11.3 The Committee noted the update.

12 Committee Forward look (ARAC_21-086)

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

13 Any Other Business

13.1 There being no further business the meeting was closed.