

# Meeting minutes

## Audit and Risk Assurance Committee

**Meeting date** Tuesday, 09 August 2022  
**Meeting location** Hybrid: MS Teams / The Podium / Snowhill  
**Meeting time** 11:00-13:30

Members	Attendees	Apologies
Stephen Hughes Committee Chair	[REDACTED] Internal Audit Manager - GIAA	Sir Jon Thompson Non-Executive Director
Roger Mountford Non-Executive Director	[REDACTED] Head of Counter Fraud and Business Ethics	Mark Thurston CEO
	Michael Bradley (until 13:15) Chief Financial Officer	
	[REDACTED] Head of Programme Integration	
	[REDACTED] NAO	
	[REDACTED] NAO	
	[REDACTED] DfT	
	Alan Foster (until 13:15) Interim Chief Financial Officer	
	[REDACTED] Head of Risk	
	[REDACTED] Head of Programme and Approvals Assurance	
	[REDACTED] P-Rep	
	[REDACTED] Chief of Staff	
	Emma Head Delivery Director – Technical Services	
	[REDACTED] NAO	
	[REDACTED] Deputy Company Secretary	
	[REDACTED]	

	GIAA	
	[REDACTED] Finance Director	
	[REDACTED] Corporate Sponsor	
	Non Owen Company Secretary	
	[REDACTED] General Counsel	
	[REDACTED] Operational Director GIAA	

## 1 Welcome, Declarations of Interest and Values Moment

- 1.1 The Chair welcomed members and attendees to the meeting and confirmed 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 received a Leadership and Respect values moment from the Chair.

## 2 Minutes of the previous meeting and review of Action tracker (ARAC\_22-14 and 22-015)

- 2.1 The Minutes of the meeting on 13 June 2022 were approved as a true record of that meeting.
- 2.2 The Committee noted the status of the actions:
  - 2.2.1 **Action 21/036 – Minutes of Previous Meeting and Matters Arising:** The Committee had requested an update on the conclusion of the [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] The Committee noted that the action would be closed as the Committee would be updated at the appropriate time.
  - 2.2.2 **Action 22/002 – Risk Control and Assurance Management Information Report:** The Committee had requested that the top five threats forecasted be quantified. The Risk Director confirmed that the top five threats could be quantified and would be presented at the next Committee. The action could be closed.
  - 2.2.3 **Action 22/004 – Strategic Risk Management – Quarterly Update:** A timeline between the current risk assessment and forecasted risk assessment had been recommended for inclusion in the quarterly update. The Committee noted that the timelines would be captured in the next quarterly update and confirmed that the action could be closed.

### 3 Update from the Audit and Risk Assurance Panel on 28 July 2022 (ARAC\_22-016)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel ('**ARAP/ The Panel**') meeting held on 28 July 2022. In addition, the CFO as Chair of ARAP, highlighted the following to the Committee:
  - 3.1.1 The Panel had considered the risk analysis of phase 2a, which was in line with phase 1.
  - 3.1.2 Progress of the 22/23 assurance plan had been reviewed, which would continue to be monitored by the Panel.
  - 3.1.3 The outstanding assurance actions remained high and star chambers had been established to closes these. The Panel would continue to closely review and monitor this.
  - 3.1.4 Work on the Investment Decision Model was in progress.
- 3.2 The Committee noted the update from the CFO.

### 4 Risk, Control and Assurance Management Information Report (ARAC\_22\_017)

- 4.1 The Head of Programme and Approvals Assurance and Risk Director joined the meeting.
- 4.2 The Committee reviewed and noted the Risk, Control and Assurance (**RCA**) Report for July 2022.
- 4.3 The Risk Director highlighted the key points for the Committee's awareness:
  - 4.3.1 Strategic Risks: [REDACTED]
  - 4.3.2 Programme Risks: Quantitative Schedule Risk Analysis (**QSRA**) was in the process of being formerly launched across Phase 1 in the quarter. This was to clarify the integrated cost and schedule risk position going forward. The Committee noted that there was a reduction in the current Phase 1 risk value, and this was presented and reviewed at the April Quarterly Business Review.
  - 4.3.3 The Committee noted the inclusion of the top five forecasted Threats position for the Strategic Risks.
- 4.4 The Chair referred to the top five threats as forecasted and noted that report had inferred this was a pre-mitigated position and asked for clarity, citing [REDACTED] as one example. The Head of Risk confirmed it was the forecasted threat position and reminded the Committee that meetings with risk owners took place each quarter and any risks that remained a concern were tracked in this way with Executive oversight. The CFO added t [REDACTED]  
[REDACTED], the second risk of the top five was about [REDACTED]. The Chair confirmed he was aware of these issues and requested they be quantified with narrative. The Project

Representative suggested it would be useful to add a RAG rating to indicate the company assessment as to whether on track or not. **The Head of Risk confirmed this detail was available and it could be added to the Strategic Risk Overview slide in the future.**

**Action:** [REDACTED]

- 4.5 The Committee reviewed and discussed the risks for phases 1, 2a and 2b, the risks for all three phases was different and that the Committee should receive information and be alerted if there was any uncertainty with the risks for each phase. In response the CFO informed that all three phases had separate risk registers which the HS2 Board reviews and decides on the strategic risks.
- 4.6 The Operational Quality Performance showed that in respect of efficiency phase 1 was at 86% which was higher than the previous period (83%). Phase 2b showed an efficiency rate of 92% which was driven by a boost in the first time rate whilst making use of a strong progressive assurance process prior to submission. Phase 2a's efficiency rate was at 53% which was due to deliverables increasing, this was being investigated. The Committee noted that ten assurance reports were underway, which in accordance with the assurance plan delivery. There were no resource and planning issues to report.
- 4.7 The Head of Programme and Approvals Assurance informed that the number of overdue actions remained high at 46, however 25% has been identified for closure. It was highlighted that during June 2022 the number of overdue actions had started to increase and there had been a significant decrease in response rates from action owners. The Committee noted that there was an intention to run a star chamber in the CFO function. There was a focus on identifying the causes in the delay of closing actions. The Head of Programme and Approvals Assurance highlighted that a recruit would be joining the team in September, which would alleviate any pressure.
- 4.8 The Committee referred to the watch list for the assurance plan delivery and requested information on the delay to the Curzon Street assurance plan and the Target Price Assurance Contract ('TPAC'). In response the Head of Programme and Approvals Assurance advised that works had commenced on the assurance review of Curzon Street and an additional assurance review was due to begin on TPAC products later in 2022. The Committee expressed some concern on the 8000 deliverables coded as current and not yet right across Phase 1, it was noted that work was in progress and the Committee would be notified should any concerns arise. In respect of overdue actions and the lack of response received from output owners, the Committee stated that the executive team needed to be involved in encouraging responses for the actions to be closed.
- 4.9 The Committee noted the RCA report.
- 4.10 The Head of Programme and Approvals Assurance and Risk Director left the meeting.

## **5 Programme Integration Assurance Approach (ARAC\_22-018)**

- 5.1 The Head of Programme Integration joined the meeting.
- 5.2 The Head of Programme Integration provided a detailed overview to the Committee, outlining the rationale for the integration and the next steps. It was noted that the programme integration assurance approach would be similar to the enterprise capability and would incorporate the three lines of defence. The Committee noted that the next steps, which included the independent assurance panel to undertake a detailed review with the HS2 board being briefed on the integration approach in September 2022.
- 5.3 The Committee were pleased with the level of engagement management had undertaken, which included the P-Reps. In response to the Committee's question on how the integration would be socialised across the organisation and contractors, the Safety and Assurance Director informed the intention was to focus internally over the coming 6 months and then externally.
- 5.4 The Committee noted the assurance approach to programme integration and provided scrutiny and approval of the assurance plan.
- 5.5 The Head of Programme Integration left the meeting

## **6 HS2 Internal Audit Update ('Internal Audit Update') (ARAC\_22-019)**

- 6.1 The representative from the Government Internal Audit Agency (GIAA) presented the Internal Audit Update which the Committee noted.
- 6.2 The Chair commented that it was expected that procurement would wind down in middle 2023 and whether there were any lessons learned from the procurement process. The GIAA stated that a scoping meeting had yet to take place, however a review of experiences could be undertaken to learn lessons.
- 6.3 The Committee highlighted that the phase 2 readiness for the design and delivery partner (DPP) start day has been delayed due to sickness, however the fieldwork had commenced. The GIAA advised that there was confidence that the DPP would be completed on time.
- 6.4 The Committee noted the HS2 Internal Audit Update.

## **7 NAO Update (ARAC\_22-020)**

- 7.1 The NAO Update was taken as read and the Committee was invited to ask questions.
- 7.2 The Committee discussed the recommendation on the discrepancy in the valuation of a piece of land which was still under review and tracked as a medium risk.

7.3 The NAO team introduced the new team lead for HS2 to the Committee and informed of the intention to conduct a deep dive into Euston. The Committee was informed that the scope and timetable of the deep dive had yet to be finalised.

7.4 The Committee reviewed and noted the NAO Update.

## 8 Counter Fraud and Business Ethics Update (ARAC\_22-021)

8.1 The General Counsel and Head of Counter Fraud and Business Ethics joined the meeting.

8.2 The paper circulated to the Committee was noted and taken as read. The Head of Counter Fraud and Business Ethics highlighted the following:

8.2.1 The data analytics pilot (the '**Pilot**') being run with two joint venture partners. The objective of the Pilot was to demonstrate the benefits of cost savings of deploying advanced data analytics to detect fraud, waste and abuse.

8.2.2 The Committee was informed [REDACTED]

8.2.3 A new criminal offence was introduced for failing to prevent bribery and burden of proof is placed on the companies and companies that they do business with to demonstrate that adequate processes are in place to prevent bribery. To mitigate any risk, tier 1 contractors had been requested to complete a bribery assurance checklist and annual compliance checklist.

8.3 [REDACTED]

8.4 **The Committee undertook a discussion on the procurement process and contractors, an example was raised of a large-scale fraud taking place at a European Company. The Committee requested that a case study be presented at a future Committee to raise awareness of the issue.**

**Action - [REDACTED]**

8.5 The Committee:

8.5.1 Noted the work undertaken by the Counter Fraud and Business Ethics Team over the reporting period.

8.5.2 Approved the action plans set out in appendix B of the update.

8.6 The General Counsel and Head of Counter fraud and Business Ethics left the meeting.

## **9 Requirements Status Report (ARAC\_22-022)**

9.1 The Corporate Sponsor and Chief of Staff joined the meeting.

9.2 The Requirements Status Report was taken as read. A question was raised on item 5.10 of the Framework Obligation Tracker, which stated that procurements should be made on a full option appraisal. The Committee noted that in future it would be prudent for the Committee to be provided with a summary of all the options considered during the procurement process.

9.3 The Committee questioned how assurance could be provided that the list of requirements was complete. In response the Corporate Sponsor advised that the requirements had been established by the DfT, HS2 then formed the technical requirements for them to be cascaded to the relevant teams to deliver. The Committee commented that there was a risk of a gap in the technical requirements, it was noted that the Steering group would establish and monitor the processes.

9.4 The Committee:

9.4.1 Noted the current status of requirements management and updates against actions from the 2021 requirements status report.

9.4.2 Noted the further actions identified to support continuous improvements for requirements management for the following 12 months.

9.4.3 Approved the Requirements Status Report for 2022.

9.5 The Corporate Sponsor and Chief of Staff left the meeting.

## **10 Committee Forward Look (ARAC\_22\_023)**

10.1 The Committee reviewed and noted the Forward Look. The Company Secretary informed that due to the number of Committees left in the year, the forward look would be reviewed to manage the agendas.

## **11 Any Other Business**

11.1 The Chair requested whether there was any further business:

11.1.1 The Committee were informed that there would be a paper on legacy for internal controls, to establish whether there were any points which could be learned for.

11.1.2 The Committee noted that it was the CFO's last meeting before he left HS2. The Committee extended their thanks to the CFO for his invaluable service to HS2 and the Committee.

There being no further business the meeting was closed.