

# Meeting minutes

## Audit and Risk Assurance Committee

**Meeting date** Monday, 13 June 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 Non-Executive Director	Michael Bradley Chief Financial Officer	Mark Thurston CEO
	[REDACTED] (Minutes) Governance Manager	
	[REDACTED] (item 04 and 06) Head of Risk	
	[REDACTED] (item 05) Chief Security and Resilience Officer	
	Emma Head Delivery Director – Technical Services	
	[REDACTED] (item 04 and 08) Quality & Assurance Director (Interim)	
	[REDACTED] (item 08 onwards) Director - UK National Audit Office	
	[REDACTED] (item 09) Head of Internal Audit (Interim)	
	[REDACTED] (item 12) Senior Business Manager - CFO	
	[REDACTED] Director - UK National Audit Office	
	[REDACTED] Finance Director	
	[REDACTED] Audit Manager - UK National Audit Office	
	Non Owen (item 07) Company Secretary	
	[REDACTED] (item 04 onwards) Project Representative	

Members	Attendees	Apologies
	██████████ Head of HS2 End State and Shadow Operator - DfT	
	██████████ (item 05) Senior Cyber Security and Information Security Officer	
	Mark Thurston (From item 07) CEO	
	██████████ (item 05) Senior Data Analytics Manager	
	██████████ Operational Director GIAA	
	██████████ (item 05) Chief Information Officer (Interim)	

## 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 for item 09.
- 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 values moment from the Head of Internal Audit (Interim).

## 2 Minutes of the previous meeting and review of Action tracker (ARAC\_22-001 and 22-002)

- 2.1 The Minutes of the meeting on 7 April 2022 were approved as a true record of that meeting.
- 2.2 The Committee noted the status of the actions. There were two open actions:
  - 2.2.1 **Action 21/032 – RCA Report:** Committee had requested a learning session be arranged to better understand the Operational Quality Performance Workstream and data. It was agreed that the session be s be scheduled into the 2022 forward work when considering topics for discussion with the Committee chair. Action closed.
  - 2.2.2 **Action 21/036 – Matters Arising:** An update was requested on the conclusion of the Spending Review and Treatment of Inflation, as the Committee had noted this as a risk. The Chief Financial Officer ('CFO') met with HM Treasury on 1 June to outline the impact inflation had already had on funding and presented scenarios on future impact. Regular meetings would be convened over the coming months, an update would be provided to the Committee.
- 2.3 The Committee noted two papers provided to close historic actions from early 2021 and confirmed that detail sufficiently addressed the questions raised.

### **3 Update from the Audit and Risk Assurance Panel on 19 May 2022 (ARAC\_22-003)**

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel (**ARAP**) meeting held on 19 May 2022. In addition, the CFO as Chair of ARAP, emphasised particular points of note for the Committee's awareness as follows:
  - 3.1.1 The Panel had commended the work of the Assurance Team, led by the Quality and Assurance Director, on their work facilitating the business-wide final sprint to close out the overdue internal audit assurance actions which culminated in the CEO Star Chamber. The Panel had also discussed the results of a separate review, which had taken place to understand opportunities to improve engagement in the internal audit process to mitigate the need to repeat a similar sprint the following year.
  - 3.1.2 The Panel had also praised the work of the teams involved in drafting the 2021/22 Annual Report and Accounts, which included the Finance Team led by the Finance Director, Project Manager, OOC and Senior Business Manager, CFO. The Panel had noted that despite an extra 60% expenditure transacted in the period, the annual audit process had been effective.
- 3.2 To conclude the update, the CFO highlighted that a refresh of the Panel membership had been undertaken, and the Euston Area Director and Project Client, Effiage Kier had been invited to join the Panel and provide insight into ARAP issues through a Delivery lens.
- 3.3 The Committee noted the update and concurred that the including colleagues from the Delivery area would be beneficial to incorporate their insights.

### **4 Risk, Control and Assurance Management Information Report (ARAC\_22\_004)**

- 4.1 The Committee reviewed and noted the Risk, Control and Assurance (**RCA**) Report for April 2022.
- 4.2 The Head of Risk highlighted the key points for the Committee's awareness:
  - 4.2.1 Strategic Risks: 17 threats were currently showing on the Strategic Risk Register with the quarterly review in March/April of individual Strategic risks taking place with Executive Owners and Action Owners. A full update on the Strategic Risks was also an item for discussion later on this agenda.
  - 4.2.2 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.
  - 4.2.3 The Committee noted the inclusion of the top five forecasted Threats position for the Strategic Risks.

4.3 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, [REDACTED]. 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 [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED] The Chair confirmed he was aware of these issues and requested they be qualified 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]

- 4.4 The Quality and Assurance Director (Interim) highlighted the key points from the Control and Assurance section of the report as follows:
- 4.4.1 Operational Quality Performance efficiency rate: had decreased from 82% to 76%, this represented the number of supplier deliverables accepted as 'right first time'.
  - 4.4.2 Overdue Actions: the response rate for updates to Overdue actions from action owners had seen a slight increase, the total number of open actions decreased to 57 (from 60) with 38 proposed for closure imminently. This would leave 19 actions open and overdue.
  - 4.4.3 P-Rep Actions: Four new recommendations had been received from P-Rep in the period. Two of these recommendations had been accepted, one still to be determined and one rejected. The Committee were advised that collaboration had improved, and all was progressing well. The number of open actions was also noted.
  - 4.4.4 Commercial Assurance: Red Team Review activity had continued apace during April, and it was noted that issues regarding the timeline for the reviews and the often lack of resource to deliver these within the parameter expected, had led to protracted reviews and frustration between teams. This was being reviewed and a lessons learned session was planned so enhancements could be identified.
  - 4.4.5 The Committee discussed the difficulties arising in adjusting procurement documents following Red Team reviews and were reminded that the Independent Assurance Panel (IAP) reports often referred to documents not being as progressed as they would like them to be, resulting in a poor review assessment. The Committee therefore empathised with the HS2 Assurance team to finalise these documents if the timelines were not sufficient.
  - 4.4.6 The Committee suggested that this would surely undermine the work of the IAP if they were focussing on the quality of the document and not the principles of what they are asked to review. It was confirmed that the role of the IAP was already being investigated within the CFO's Commercial Assurance Review.

- 4.5 The Committee noted the Phase updates, specifically the continued impact of Covid-19 and also the current status across Stations and Rail Systems.
- 4.6 The Quality and Assurance Director (Interim) confirmed that improvements were being planned for the RCA report including a new format. This would result in a condensed report with a more strategic overview. The Committee looked forward to receiving the new style report.
- 4.7 The Chair invited questions from the Committee, with the following points raised and noted:
  - 4.7.1 The Committee referred to the difficulties arising in adjusting procurement documents following Red Team reviews and understood the IAP reports often referred to documents not being as progressed as they would like them to be, resulting in a poor review assessment. This would suggest that the work of the IAP would be undermined if they were focussing on the quality of the document and not the principles of what they were being asked to review. Management concurred with that observation and confirmed that the role of the IAP was already being investigated within the CFO's Commercial Assurance Review. **The Committee suggested it would be helpful to receive an update on the outcome of that review, with the CCO in attendance at this forum at the appropriate time.**

**Action:** [REDACTED]

- 4.7.2 The Committee noted the statistics on the P-Rep Actions and referred to the 16 P-Rep recommendations scheduled for closure and asked if discussions took place with P-Rep to agree status before these were deemed as complete. The Project Representative confirmed there was regular dialogue between P-Rep and HS2 Ltd so this was very much a collaborative process.
- 4.8 The Committee noted the RCA report and thanked colleagues for the comprehensive update.

## **5 Senior Information Risk Owner Six-monthly update (ARAC\_22-005)**

- 5.1 The Chief Information Officer (Interim), Chief Security and Resilience Officer, Senior Cyber Security and Information Security Officer and Senior Data Analytics Manager joined the meeting,
- 5.2 The Technical Services Delivery Director introduced the paper which sought to provide the Committee with a six-month update on key issues covering the period 1 Nov 2021 – 30 Apr 2022 and areas of progress to be aware of covering Information Risk Management within HS2 Ltd (HS2).
- 5.3 The Committee noted the key points from the overview Management provided with the following points raised and noted during the discussion:
  - 5.3.1 [REDACTED]

[REDACTED]

5.3.2 [REDACTED]

5.3.3 [REDACTED]

5.3.4 The Committee referred to the gaps in Records of Processing remaining static and wanted to learn what this referred to and more specifically what was being done to address the issue. Management confirmed [REDACTED]

Management concurred with that perception and confirmed that a lack of resource in this area was being addressed and were confident this would be addressed imminently.

5.4 The Committee noted the update and thanked the team for a comprehensive report and were pleased to learn that plans were in train to change the style of report to make more engaging for the Committee and less technically focussed.

5.5 The Chief Information Officer (Interim), Chief Security and Resilience Officer, Senior Cyber Security and Information Security Officer and Senior Data Analytics Manager left the meeting,

**6 Strategic Risk Management – Quarterly Update (ARAC\_22-006)**

6.1 The Head of Risk introduced the paper providing the Committee with an update on the current status of the Strategic Risk Register. The Committee noted that to ensure that the Risk Register remained 'live' and that actions were relevant and up to date, risks were individually reviewed every quarter with the relevant Executive and Action Owner. The first quarterly reviews had completed with three key themes emerging which were linked to effective and consistent communications, strategic management of Stakeholders and Integration and Interfaces. The updated risk register was presented to the Audit and Risk Assurance Panel in May with the Committee asked to note the update.

6.2 In noting the update, the Committee confirmed they were encouraged to learn that a proactive culture around reviewing risks had developed across the organisation.

6.3 The Committee discussed the status of the risks, including those in High and Very High Impact areas and confirmed they preferred this style of presentation, but reminded management that

the status of the Strategic Risks was a matter for the Board with the Committee's on managing the process. **It was therefore suggested that a timeline from the current risk assessment to where the forecast risk assessed it would be achieved, would be useful to include, to show the likely impact of the mitigating actions making that change over time. It was requested that commentary alongside the ratings would be helpful to understand, for example, with seasonal performance, this would look at high risk for a long period and it was important to understand how that was scored.**

**Action:** [REDACTED]

6.4 The Committee noted the updates and changes and were content to recommend the update be presented to the next HS2 Board in June.

## **7 GovS 009 Internal Audit Functional Standard Self-Assessment Tool 2021-22 (ARAC\_22-007)**

7.1 The Company Secretary joined the meeting and introduced the paper which updated the Committee on the requirement for HS2 to observe the government functional standard and self-certification compliance, one of which was the Internal Audit Functional Standard Self-Assessment Tool 2021/22.

7.2 The Committee noted that all government organisations were required to assess and report if they were meeting the mandatory requirements in the Internal Audit functional standard, as at 31 March 2022. This was the first year that HS2 had completed the assessment, which was the responsibility of the Accounting Officer. The Company Secretary had therefore completed this on Chief Executive behalf.

7.3 The Company Secretary advised that to assist in this process, the GIAA had created a self-assessment tool to be used to assess and report on the mandatory requirements. A summary of all returns following analysis by the GIAA would be shared with all government organisations who were required to submit it.

7.4 The Committee were also advised that the tool, which was designed to help continuous improvement across government organisations, had been a rather onerous process in its current form, assurance had been given by the GIAA that this would be streamlined for the next financial year and be available as an online tool. The GIAA had also received feedback on the timing of the return, to ensure there was no impact on the financial year end reporting/workload.

7.5 The Committee welcomed the update and discussed the cross-cutting themes with other similar government organisations such as Network Rail and pondered if there would be any benefit in a joint internal audit in the future. The Head of Internal Audit would consider this suggestion.

**Action:** [REDACTED]

- 7.6 The Committee noted that HS2 had made a submission to the GIAA on 29 April 2022 and no follow up activity in terms of a request for any evidence in support of the submission had been reported to date.
- 7.7 The Company Secretary left the meeting.

## **8 Internal Audit Sprint and Review (ARAC\_22-008)**

- 8.1 The Quality & Assurance Director (Interim) reminded the Committee that due to the significant number of internal audit open and overdue actions, a business wide sprint took place from 17 March to 22 April 2022 culminating in a Star Chamber chaired by the CEO. The Committee were therefore asked to note the recommendations from the business assurance report following that exercise and provide direction so that the appropriate actions could be agreed for implementation.
- 8.2 The Committee observed that following the Star Chamber, three areas were identified as requiring further action. The recommendations had been outlined in the business assurance report which the Committee had received in draft.
- 8.3 The Committee discussed the recommendation for continued focus and effort on the sprint mentality and agreed this was key, adding that the process undertaken culminating in the Star Chamber had resulted in a needless use of Senior Executive's time and that should not happen routinely. A question was therefore raised as to how this could be mitigated in the future. It was recommended that using ARAP through the year to track the actions would be sensible but agreed this was fundamentally a leadership problem that needed to be addressed and Executive colleagues should take greater ownership and hold colleagues to account to ensure this was not repeated.
- 8.4 The Committee commented that although they recognised the need for this exercise was not ideal, the Committee had seen this type of sprint in other organisations previously but commented that they had rarely seen such it concluded in such an effective way, and everyone involved in finalising this should be acknowledged. Nevertheless, the Committee sensed that the the internal auditor could do more to assist management better manage and achieve a positive outcome. The Committee requested this observation to be considered in any future plans. The Head of Internal Audit also confirmed that the GIAA had reflected on working differently in the next year which will help in that regard.
- 8.5 The Committee noted the review and thanked the team for their work to achieve the year end result.



## 9 HS2 Internal Audit Plan and Head of Internal Audit Annual Opinion (ARAC\_22-009)

- 9.1 The Head of Internal Audit (Interim) reminded the Committee that they had approved the Internal Audit Work plan for 2022/23 in February 2022. However, since then changes in anticipated audit review outcomes, some changes to scope and coverage had been proposed, alongside some efficiency savings by utilising a lighter touch approach to follow up. These proposals were set out in the paper and the Committee noted the key changes and the specific drivers for those and were asked to approve.
- 9.2 The Committee noted the key points in the paper and commended the excellent report which was a good example of innovation and had produced a more nuanced approach to internal audit, which was appreciated. The Committee discussed the reporting approach for the next financial year and understood that any requests for changes to the plan would be presented to the Committee to agree. In addition, and to ensure an agile approach, the Committee suggested that these could be agreed with the Technical Services Delivery Director and the team, and the Committee would be content to support that. However, in the event that did occur, the Committee would appreciate being updated at the time, rather than wait for a formal report.
- 9.3 The Committee accepted the opinion of 'Moderate' from the Head of Internal Audit for the year and agreed that focus on the control system working efficiently was key going forward.
- 9.4 The Committee approved the Internal Audit Plan and noted the outcome of the Annual Opinion.

## 10 NAO Audit Completion Report (ARAC\_22\_010)

- 10.1 The Engagement Director, UK National Audit Office introduced the NAO Audit Completion Report for the 2021-22 financial statements audit and provided a precis of the key points from the report, [REDACTED].  
[REDACTED] The Committee's attention was also drawn to other risk analysis within the report. The Committee noted that at the date of the report, there were still some accruals to sign off but none of any concern.
- 10.2 The Committee's attention was drawn to a [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
This had also occurred in the previous year and had therefore been assessed as an unadjusted error (on page 21 of the report). The Committee were therefore asked to approve this adjustment, which they were content to do.
- 10.3 The Committee noted the report which they commended and also extended their thanks to the CFO and his Finance Team for completing everything required by the NAO on time. The NAO


Engagement Director echoed this and reminded the Committee that an extra £2bn had been accounted for in that financial year and the accounts had sailed through the audit. This led to a discussion as to the progress the company has made in recent years to improve the quality of its processes to enable the NAO to carry out their work effectively.

- 10.4 The NAO Engagement Director confirmed that although there were a couple of loose ends to conclude, and referred to page 9 of the Landscape report, but there was nothing that would delay the issue of the final Auditors Report and Letter of Representation for the CEO to sign.
- 10.5 To conclude, the Committee noted that this was the last meeting for the current NAO Engagement Director who had worked with HS2 Ltd for the past seven years and extended their thanks for his work and his counsel during that time. The NAO Engagement Director also thanked the Committee for their support and confirmed there would be an opportunity to introduce his successor at the next Committee meeting.
- 10.6 The Committee noted the update and approved the Unadjusted mis- statement as detailed in para 10.2.

## **11 Audit and Risk Assurance Committee Chair Annual Report (ARAC\_22-011)**

- 11.1 The Chair confirmed that whilst a report was available in draft format, it did not include the annual opinion of Internal or External Audit, which was due to be discussed at this meeting, it was therefore agreed this would be circulated to Committee members in correspondence for approval prior to submitting to the HS2 Board at their meeting in June.

## **12 Annual Report and Accounts 2021/22 (ARAC\_22-012)**

- 12.1 The CFO reminded the Committee that the Annual Report and Accounts were close to being finalised and thanked Committee members for their review of the narrative and their comments on the near final draft.
- 12.2 The Committee discussed some of the suggested revisions they would like to suggest for improvements with the key points as below:
  - 12.2.1 It had been observed that the use of Plan English has been lost in parts where accounting terminology became evident.
  - 12.2.2 The report would benefit from signposting the fact that HS2 also published a separate Environmental Report.
  - 12.2.3 .
  - 12.2.4 The Committee challenged whether a layman reading the report would understand the notes on Impairment and suggested a footnote to explain this would be beneficial.

12.3 The Committee would ensure their annotations were provided so they could be incorporated into the final version of the Annual Report and Accounts prior to submission to the HS2 Board.

12.4 The Committee also recommended to the HS2 Board the auditor's letter of representation.

### **13 Committee Forward Look (ARAC\_22-013)**

13.1 The Committee reviewed and noted the Forward Look. An observation was made that there may be some efficiency on how the agendas were structured in the future and the Chair agreed there was evidence of repetition and suggested he would work with Company Secretariat to ensure efficiency.

### **14 Any Other Business**

14.1 There being no further business the meeting was closed.