

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 19 June 2023
Meeting location Hybrid: MS Teams / The Podium / Snowhill
Meeting time 10:00-13:00

Members	Attendees	Apologies
Stephen Hughes Committee Chair	[REDACTED] Head of Financial Control and Governance	
Keith Smithson Non-Executive Director	[REDACTED] NAO	
Sir Jon Thompson Chair	Alan Foster Chief Financial Officer	
	[REDACTED] Chief Security and Resilience Officer	
	[REDACTED] NAO	
	Emma Head Delivery Director Technical Services	
	[REDACTED] Quality and Assurance Director	
	[REDACTED] DfT	
	[REDACTED] NAO	
	[REDACTED] Finance Director	
	[REDACTED] GIAA	
	[REDACTED] (Items 5 to 8) Corporate Sponsor	
	[REDACTED] GIAA	
	Non Owen Company Secretary	
	[REDACTED] P-Rep	
	Mark Thurston CEO	

Members	Attendees	Apologies
	<div style="background-color: black; width: 80px; height: 15px; margin-bottom: 5px;"></div> GIAA	
	<div style="background-color: black; width: 180px; height: 15px; margin-bottom: 5px;"></div> Chief Information Officer	

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 values moment from the Company Secretary.

2 Minutes of the previous meeting and review of Action tracker (ARAC_23-012 and ARAC_23-013)

- 2.1 The minutes of the meeting on 19 April 2023 were approved as a true record of the meeting.
- 2.2 The Committee noted and agreed the status of the actions.

3 Update from the Audit and Risk Assurance Panel on 18 May 2023 (ARAC_23-014)

- 3.1 The Committee reviewed and noted the minutes of the Audit and Risk Assurance Panel ('ARAP') held on 18 May 2023.
- 3.2 The CFO as Chair of ARAP, informed the Committee of the following points which the Panel had focussed their discussion on.
- 3.3 In addition to the items on the Committee agenda, the Panel had considered an update from a recent review of increased proactivity required on the controls environment holistically given the level of scrutiny. The Panel Chair confirmed a strong level of engagement and desire to enhance in this area from the Panel.
- 3.4 Proactivity on the controls environment holistically given the level of scrutiny – strong engagement and desire to enhance from the Panel.
- 3.5 The Delivery Director of Technical services outlined the approach to the review, advising that this would follow the framework of the Integrated Management System (IMS), which had received substantive assurance from the GIAA in the period.

3.6 **It was agreed that a copy of the proposal would be shared with Committee Members in order to show how the areas of review had been identified and understand how this would be reported in the Management Information to the Committee.**

Action: Emma Head

3.7 It was noted that a review of the Terms of Reference for the Panel had been conducted and these remained appropriate, subject to enhancement of wording on the controls environment and addition to the Membership to increase the level of Delivery Directorate engagement.

3.8 The Committee held a discussion as to how far the scope of the review would reach e.g.:

3.8.1 All internal controls

3.8.2 Financial management and reporting and/or

3.8.3 Operational management and corporate reporting in the round.

3.9 Management advised that the initial intent would be for operational management and corporate reporting and the Committee suggested that this be made explicit. The Committee were supportive of the proposal and expressed interest in progress.

3.10 Management advised that a further discussion had been held on the process for reporting and monitoring Project Representation (P-Rep) assurance actions, summarising activity to:

3.10.1 Cleanse the existing actions.

3.10.2 Reset the process of how new actions are agreed and assigned.

3.10.3 A Sponsorship triage process for acceptance and actioning of recommendations.

3.11 **Management will consider how to represent the progress of this work at Committee level.**

Action: Emma Head

3.12 The Committee noted the update and that the remaining items covered would be dealt with during the course of the Committee meeting.

4 Control and Assurance Management Information Report (ARAC_23-015)

4.1 The Quality and Assurance Director joined the meeting.

4.2 The Committee received and noted the Control and Assurance Management Information, as included within the meeting pack.

4.3 The Committee noted that the Risk data had been suspended for this meeting, with the risk described in the 2022/2023 Annual Report and Accounts to be the basis of end of year discussion.

- 4.4 Management advised that the timeline for the revised process and progress for risk and risk management, would be reported to the next Committee meeting.
- 4.5 The Committee considered the Management Information reporting on control and assurance in the period.
- 4.6 **The Committee queried a reduction reported on quality metrics in April 2023, with Management explaining that this was anticipated to be due to annual leave and a reduction in reporting, and that this was felt in line with normal trends, but that this would be assessed against May data.**

Action: [REDACTED]

- 4.7 The Committee queried the performance score for efficiency controls at 81%, with a target set internally at between 80% to 85% and so there is work to increase awareness and guidance.
- 4.8 Management advised that a review of integration capability was a work in progress at the time of reporting but there were no areas of concern to escalate to the Committee.
- 4.9 The Committee noted the metrics reported for assurance actions. The P-Rep attendee explained that the recommendations made are strategic in nature and so have sub elements and agreed that these can be difficult to close. The review of the progress is welcomed together with the efforts to make sure there are clear timelines and accountability. Management remain committed to lowering the number of open and overdue assurance actions.
- 4.10 The Committee noted the report.
- 4.11 The Quality and Assurance Director left the meeting.

5 Government Internal Audit Agency – HS2 Annual Opinion and Report 2022/23 (ARAC_23-016)

- 5.1 The Corporate Sponsor joined the meeting.
- 5.2 The Interim Group Chief Internal Auditor, GIAA introduced the HS2 Annual Opinion and Report 2022/23.
- 5.3 The Committee received and noted the report, as included in the meeting pack.
- 5.4 The continuation of control and audit activity in 2022/23 is acknowledged in the GIAA Annual Internal Audit Report concluding that confidence in the controls regime is moderate. This assurance rating remains consistent with the previous financial year opinion and the incoming Head of Internal Audit has reflected positively on engagement levels and good practice across a breadth of areas.

- 5.5 The Committee noted limited opinion reports on: Contract Management Review of the Old Oak Common IPT, Commercial Contract Management – EDP Contract, Undertakings and Assurances and Programme Cost and Schedule Control: Efficiency Challenge Programme.
- 5.6 Eight high priority recommendations have been issued in the period, with two closed and progress being seen to deliver actions on those remaining open.
- 5.7 The Committee queried limited findings on U&As and Programme Cost and Schedule Control with Management advising that this was due to the activities having cross cutting dimensions which includes many parts of the organisation and are complex problems. Activities have been commenced to address changes and improvement, however, haven't coincided with the audit opinion.
- 5.8 The newest Member of the Committee queried the process for reporting limited or high risk findings, noting that these are escalated to the Committee Chair.
- 5.9 The Committee noted that the GIAA will be conducting a review of the audit process in the coming year to ensure that this continues to be helpful.
- 5.10 The Committee thanked the GIAA for a helpful report, which has summarised the financial year information to give confidence that moderate is the right outcome. The Committee continue to expect challenging actions as part of the output due to the complexity of the Programme.

6 NAO Audit Completion Report (ARAC_23-017)

- 6.1 The Engagement Manager, UK National Audit Office (NAO) introduced the NAO Audit Completion Report for the 2022-23 financial statements audit and provided a summary of the key points from the report.
- 6.2 The 2022/23 NAO Audit Completion Report concludes that the C&AG anticipates certifying the 2022/23 financial statement with an unqualified audit opinion, without modification.
- 6.3 The NAO original risks highlighted at planning remained relevant with no category changes required.
- 6.4 The Committee noted that the audit has included a robust review of some of the judgements exercised and the NAO are grateful for the constructive engagement of Management to do so.
- 6.5 The Committee reviewed the findings and [REDACTED]. The Committee:
 - 6.5.1 Reviewed the findings set out in the report.
 - 6.5.2 [REDACTED]
 - 6.5.3 [REDACTED] This consideration will be included in the letter of representation to the Comptroller and Auditor General (C&AG).

6.6 The Committee noted that the audit certificate and draft letter of representation will be provided for review alongside a short update once clearance of the outstanding items noted in the report have been resolved.

6.7 The Committee noted the report.

7 Draft Audit and Risk Assurance Committee Chair Annual Report (ARAC_23-018)

7.1 **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.**

Action: Stephen Hughes/ Company Secretariat

8 Annual Report and Accounts (ARA) 2022/23 (ARAC_23-019)

8.1 The Committee received and noted the Annual Report and Accounts (ARA) 2022/23, as included in the pack.

8.2 The Committee were:

8.2.1 Asked to note the progress in delivering the Annual Reports and Accounts (ARA).

8.2.2 Invited to comment on the near -final draft.

8.2.3 Asked to note the latest NAO feedback.

8.2.4 Asked to endorse the draft ARA for onward submission to HS2 Ltd Board on 28 June.

8.3 The following key points were raised and noted:

8.3.1 The Committee noted that the structure of the report is consistent with previous years and at the time of reporting there were some residual comments from the DfT, NAO and GIAA to be incorporated prior to submission to the HS2 Ltd Board.

8.3.2 The Committee noted the update to the treatment of the NCATI loan as discussed and reported in the April cycle.

8.3.3 The Committee discussed the worsened metrics reported on environmental sustainability and requested that a review of the wording/ reasoning to explain this be included. Management reminded that there is a separate Environmental Sustainability Progress Report produced also.

8.3.4 The Committee requested changes to some of the terminology in the report which will be actioned prior to submission to the HS2 Ltd Board.

8.3.5 The Committee thanked Management and those involved in the production of the report and endorsed the ARA onto the HS2 Ltd Board.

8.4 The Corporate Sponsor left the meeting.

9 Senior Information Risk Owner – June 2023 Six monthly Update (ARAC_23-020)

9.1 The Chief Security and Resilience Officer and Chief Information Officer joined the meeting.

9.2 The Committee received and noted the Senior Information Risk Owner – June 2023 Six monthly Update, as included within the meeting pack.

9.3 The following key points were raised:

9.3.1 The Committee noted key areas of review and concern in the period including increased interest in Artificial Intelligence (AI). [REDACTED]

9.3.2 [REDACTED]

9.3.3 The Committee received the report positively.

9.3.4 The GIAA advised that [REDACTED]

Action: [REDACTED]

9.4 The Committee noted the update.

9.5 The Chief Security and Resilience Officer and Chief Information Officer left the meeting.

10 HM Treasury 'Dear Accounting Officer' (DAO) letters (ARAC_23-021)

10.1 The Head of Financial Control and Governance joined the meeting.

10.2 The Committee were asked to note the HM Treasury guidance received during the 2022/23 financial year and the steps HS2 had taken to implement the guidance.

10.3 The following key points were raised and noted:

10.3.1 The Committee noted that the company receives letters issued from HM Treasury to compliment Managing Public Money requirements and these are available online. Management confirmed that the letters received have been actioned and explained the process to manage this activity. This is discussed and audited as part of the regular Accounting Officer meetings.

10.3.2 The Committee were content for this to be an annual process, subject to no material matters, which should be escalated to the Committee.

10.4 The Committee noted the update.

10.5 The Head of Financial Control and Governance left the meeting.

11 Committee Forward Look (ARAC_23_011)

11.1 The Committee noted the forward look.

12 Any Other Business

12.1 There being no further business the meeting was closed.

12.2 Both Management and Committee Members expressed thanks to the audit and finance functions for the activity in the year to conclude Financial Year End.