

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Tuesday, 05 September 2023
Meeting location Hybrid: MS Teams / The Podium / Snowhill
Meeting time 10:00-11:50

Members	Attendees	Apologies
Stephen Hughes Committee Chair	[REDACTED] NAO	Sir Jon Thompson Chair
Keith Smithson Non-Executive Director	Alan Foster Chief Financial Officer	Mark Thurston CEO
	[REDACTED] (item 5) Risk Director	
	Emma Head Delivery Director Technical Services	
	[REDACTED] (item 4) Quality and Assurance Director	
	[REDACTED] Programme Management Office Director	
	[REDACTED] Finance Director	
	[REDACTED] GIAA	
	Non Owen Company Secretary	
	[REDACTED] P-Rep	
	[REDACTED] DfT	
	[REDACTED] 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 values moment from the Finance Director on Safety.

2 Minutes of the previous meeting and review of Action tracker (ARAC_23-023 and ARAC_23-024)

2.1 The minutes of the meeting on 19 June 2023 were approved as a true record of the meeting.

2.2 The Committee noted and agreed the status of the actions with the following update:

2.2.1 **Action 23/008: Assurance and P-Rep actions:** On query of the progress which has been made it was agreed that a table of the high and outstanding items to the ARAC to provide a view in correspondence this time around and then put this into the RCA report going forward.

Action: Alan Foster

3 Update from the Audit and Risk Assurance Panel on 16 August 2023 (ARAC_23-025)

3.1 The Committee received and noted the report from the Audit and Risk Assurance Panel ('ARAP') held on 16 August 2023.

3.2 The CFO as Chair of ARAP, informed the Committee of the following points which the Panel had focussed their discussion on, namely:

3.2.1 Risk, Control, Assure (RCA) Management Information Report.

3.2.2 Strategic Risk Management.

3.2.3 RCA Hygiene Approach and Pilot. The Panel has commissioned a series of control deep dives and the outcome of these will be summarised to the Committee for information. Feedback from both Panel and Committee on the pilot has provided guidance that these should be less process driven and more strategic.

3.2.4 HS2 Internal Audit Update.

3.2.5 Common Themes on Assurance Activity in financial year 2022/23.

3.3 The Committee noted that the Panel has recently reviewed the Terms of Reference and Membership in order for an increase in Delivery Directorate representation.

3.4 **It was agreed that a briefing on the Integrated Management System (IMS) would be held for Non-Executive Directors.**

Action: Co Sec for scheduling

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

4 Risk, Control and Assurance Management Information Report (ARAC_23-026)

- 4.1 The Quality and Assurance Director joined the meeting.
- 4.2 **The Committee received the revised RCA report which Management have engaged with the Committee Chair. Feedback has been provided that a glossary, a construction timeline and measurables through the Programme lifecycle are required for future iterations of the report.**

Action: [REDACTED]

- 4.3 Reporting has begun on the near final Quality Key Performance Indicator (KPI) following agreement of this as an addition at the Board.
- 4.4 Risk data continues to be reported as evolving in the Management Information (MI) since agreeing a pause as of December 2022 in anticipation of the [REDACTED] [REDACTED] which will be reported to the Board in September for approval. The Committee will therefore receive the updated MI, subject to the Board approving [REDACTED] at the November 2023 meeting.
- 4.5 The Committee noted the amended approach to risk reporting as helpful albeit Management are in agreement that there is still work to do. The MI has been presented in Q319 prices but also includes the fiscal settlement as a first view into refined reporting. Integration risk whilst being reported also needs to be advanced. Future iterations of reporting will also give visibility of changes to trends.
- 4.6 Management noted that the Phase 2 risk position is also being updated.
- 4.7 The Committee discussed with the DfT Observer that [REDACTED]
[REDACTED]
[REDACTED]
- 4.8 The Committee went onto discuss the Quality KPI which at the time of reporting captured Main Works Civils Contractor (MWCC) reporting only and that further contracts will be reported from October.
- 4.9 Management summarised the process and the data collected to assess the quality of the design to reflect the status of Programme delivery and this will evolve over time. The Committee noted the difference between technical debt and technical breach, noting that the contractors are self-assuring and that a technical breach arises in the absence of assured design. The Committee noted that there is activity happening in order to identify the sources of data.
- 4.10 Management accept that the initial view from the reporting represents [REDACTED]
[REDACTED] visibility of the format has been provided in order to seek Committee Member feedback prior to informing a further discussion at the next meeting.

- 4.11 The Committee went onto consider the assurance reporting, noting that no resource or planning issues had been flagged in period.
- 4.12 **The Committee referred to the discussion at matters arising, regarding the need to have a further level of detail on assurance actions, noting that the Committee will be engaged in the first instance on high level actions to work through some examples to give visibility and confidence of the actions being taken to resolve and where there are differences of opinion between HS2 and P-Rep on proposals to close actions.**

Action: Emma Head

- 4.13 The Committee noted the report.
- 4.14 The Quality and Assurance Director left the meeting.

5 Strategic Risk Management – Quarterly Update (ARAC_23-027)

- 5.1 The Risk Director joined the meeting.
- 5.2 The Committee received and noted the Strategic Risk Management Quarterly Update paper, as included within the meeting pack.
- 5.3 The Committee were asked to endorse the proposed approach and action plan for resetting HS2's Strategic Risks and note the key themes arising from engagement with the HS2 Board.
- 5.4 The Committee noted the work which has been progressing following the arrival of the interim Risk Director including initial engagement with Non-Executive Directors and Management to understand the action needed in order to review the process and provide visibility of risk that is reflective of the Programme.
- 5.5 Key points arising from engagements include:
- 5.5.1 The Strategic Risk Register is a key document which provides assurance to the Board as well as external sponsors and stakeholders. The Executive understands the risks which could affect its strategic objectives and has plans in place to deal with them.
 - 5.5.2 How Strategic Risk fits in the hierarchy of all risks at HS2 must be defined and explained (i.e., the relationship between risk at strategic level and the biggest risks in the programme).
 - 5.5.3 The Strategic Risk Register needs to add value and be used positively as a tool, with greater Exec ownership.
 - 5.5.4 Reporting should present a transparent narrative of how the risks are being managed, as well as the effectiveness of mitigating and management actions.
 - 5.5.5 The process for managing Strategic Risk must be practical and responsive to both the pace of the external context and the programme.
- 5.6 Further observation from Management is also that a disconnect exists due to definitions applied to date, i.e., reporting has not captured key Programme risks as these are not

determined as Strategic. Next steps will be to better define the risks, moving to an approach of Enterprise Risk, noting that these may be across several elements. Keith Smithson has agreed to be engaged in the development of this work.

- 5.7 Time will need to be allocated by the Board in order to collectively agree the position and there may need to be some agility in order to schedule time to do this.
- 5.8 The work will need to be developed to ensure alignment to the control environment and the [REDACTED].
- 5.9 There will be a root and branch review of the process which will be reported back to the Committee and Keith has again agreed to be involved in this work.
- 5.10 The Committee noted the update.
- 5.11 The Risk Director left the meeting.

6 HS2 Internal Audit Update (ARAC_23-028)

- 6.1 The Head of Internal Audit from the Government Internal Audit Agency (GIAA) presented the Internal Audit Update, as included within the meeting pack.
- 6.2 The following key points were raised and noted:
 - 6.2.1 The Committee received an update to confirm conclusion of the 2022/2023 audit activity.
 - 6.2.2 2023/2024 activity is underway however has been behind the planned profile and work has been undertaken to recover this with recognition not to backload at the end of the financial year. Confidence remains to deliver the annual plan and lessons learned include submission of the annual plan to ARAC earlier in the calendar year and as such the Committee have requested visibility of a draft at the next Committee meeting (November).
 - 6.2.3 The Head of Internal Audit reiterated the importance of the need to be clear on the scope of actions and timeline to deliver resultant of audit recommendations and the Committee noted that there has been an increase in time spent to agree with HS2 proposals for closure which has been positively received.
 - 6.2.4 It was agreed that where audits have received a limited opinion, or there are high level recommendations, the reports will be shared with the full Committee Membership, together with visibility of the Management response to the same. These reports have previously been shared with the Committee Chair and the Accounting Officer, responsibility of which has now been transferred to Sir Jon.
- 6.3 The Committee noted the HS2 Internal Audit Update.

7 NAO Update (ARAC_23-029)

- 7.1 The Committee received a verbal update from Martin Chong, Senior Audit Manager at the National Audit Office (NAO).
- 7.2 The following key points were raised and noted:
 - 7.2.1 The Committee noted that finalisation of the Management Letter for the 2022/2023 audit was awaiting finalisation and that lessons learned sessions are being planned prior to preparing for the 2023/2024 activities.
 - 7.2.2 The Committee noted that following conclusion of the Value for Money study at Euston there is no other substantive work on HS2 Ltd from the NAO.
 - 7.2.3 The Committee noted that a draft audit plan will be available at the next Committee.
- 7.3 The Committee noted the update.

8 Committee Forward Look (ARAC_23_030)

- 8.1 The Committee noted the forward look and commented that there was a reasonable amount of content planned for review. As such, the meeting may need to be extended and will be factored into planning.

9 Any Other Business

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