

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Monday, 20 November 2023
Meeting location Hybrid: MS Teams / The Podium / Snowhill
Meeting time 12:30-15:48

Members	Attendees	Apologies
Stephen Hughes Committee Chair	██████████ (item 6) Head of Counter Fraud and Business Ethics	Sir Jon Thompson Non-Executive Director
Keith Smithson Non-Executive Director	██████████ (item 7) Principal IT Security Manager	
	██████████ (item 8) Head of Financial Control and Governance	
	██████████ (observer) NAO	
	Alan Foster Chief Financial Officer	
	██████████ (item 7) Senior Information Security Assurance Manager	
	██████████ (item 8) Tax Manager	
	██████████ (item 7) Chief Security and Resilience Officer	
	██████████ (item 4 & 5) Risk Director	
	██████████ (observer) NAO	
	Emma Head Delivery Director Technical Services	
	██████████ Finance Business Manager	
	██████████ (item 4) Quality and Assurance Director	
	██████████ (item 6) General Counsel	
	██████████ Programme Controls Director	

Members	Attendees	Apologies
	██████████ (observer) NAO	
	██████████ Finance Director	
	██████████ (observer) GIAA	
	██████████ (observer) GIAA	
	Non Owen Company Secretary	
	██████████ DfT	
	██████████ P-Rep	
	██████████ GIAA	
	██████████ (item 7) 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 Finance Business Manager.

2 Minutes of the previous meeting and review of Action tracker (ARAC_23-031 and ARAC_23-032)

- 2.1 The minutes of the meeting on 5 September 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:** An email summarising these was sent after September ARAC, additionally a summary of High Priority overdue actions is now included in the RCA Report Annex. **The Committee agreed to close the action.**
 - 2.2.2 **Action 23/11: AI Cross Government Work:** The AI report has not yet been issued as final. This will be shared when available. **The Committee agreed to move the action to February's meeting**

Action: Alan Foster

3 Update from the Audit and Risk Assurance Panel on 9 November 2023 (ARAC_23-033)

- 3.1 The Committee received and noted the report from the Audit and Risk Assurance Panel ('ARAP') held on 9 November 2023.
- 3.2 The CFO as Chair of ARAP, informed the Committee provided a summary of the meeting, which had considered the matters on the agenda for Committee business and therefore proposed to deal with matters as they arise during the course of the Committee meeting.

4 Risk, Control and Assurance Management Information Report (ARAC_23-034)

- 4.1 The Quality and Assurance Director joined the meeting to present on the Risk, Control and Assurance Management Information Report ('RCA Report').
- 4.2 The Committee received an update on the Risk Transformation workstream and that the risk input to the report remains under review and would be covered in a separate paper. It was noted that the Finance & Performance Committee (F&P) are to review and consider risk to cost and schedule, with the Audit, Risk and Assurance Committee being holistically responsible for the risk management processes, adequacy of assurance on controls and enterprise risks.
- 4.3 The Committee noted that there is work in progress on risk including narrative on the increase or decrease of risks and what level of mitigation has taken place, which will feed into the Active Risk Management (ARM) and cost reduction work.
- 4.4 The Committee received the Phase 1 risk overview, which does not yet incorporate the Network North (NN) announcement. Scenarios are being prepared in response to the announcement and will carry differing levels of risk profile until the implications become clearer.
- 4.5 The Committee queried the data contained within the risk categories, specifically Land and Property which was now reporting amber. It was explained by Management that there has been no increase, and the colour coding had been changed since this was presented at the last Board meeting.
- 4.6 The Committee queried risk adjustments applied, noting that during the [REDACTED], there were several adjustments that were included within forecast, with Management acknowledging the need to ascertain a consistent way of reporting these.
- 4.7 The Committee considered the Management Information reporting on control and assurance in the period.
- 4.8 The Committee noted the inclusion of the Quality Key Performance Indicator (KPI) now being reported noting that the announcement will have implications to the suite of KPIs set at the beginning of the financial year.

4.9 The Committee queried [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

4.10 The Committee discussed the assurance actions requesting that details of overdue high level/priority recommendations be shared at a more granular level in order for the Committee to assess whether the right level of focus and intervention is being applied. The Committee requested inclusion of the same in future reporting.

4.11 The Committee noted the ongoing work in order to identify accountable owners for assurance actions, who are responsible for setting realistic completion dates. A review and cleanse of P-Rep actions is also underway.

4.12 The Committee received the report positively, noting that reporting is becoming more comprehensive, despite being a work in progress.

4.13 The Quality and Assurance Director left the meeting.

5 Risk Management Update – Quarterly Update (ARAC_23-035)

5.1 The Risk Director joined the meeting and presented the Committee with an outline of the Risk Management Transformation Programme and an update on the progress made to date.

5.2 The Committee noted the three primary objectives, being:

5.2.1.1. Support Delivery

5.2.1.2. Provide Assurance.

5.2.1.3. Inform Decision Making.

5.3 The Committee noted the six key focus areas within Risk Management, and what they will deliver.

5.4 **The Committee were advised that strategic risk alignment and agreement of the conceptual framework is to be considered at the November Board meeting.**

Action : [REDACTED]

5.5 The Committee requested that terminology of the risk management outcomes be refined to better reflect that there is activity already happening and that this is part of continuous improvement. The Committee requested consistency of currency to risk appetite as the per the risks themselves.

5.6 The Committee received the report positively and thanked Management for the work involved.

5.7 The Risk Director left the meeting.

6 Counter Fraud – Six Monthly Update (ARAC_23-036)

6.1 The Head of Internal Audit from the Government Internal Audit Agency (GIAA) presented the Bi-Annual Counter Fraud Update, as included within the meeting pack.

6.2 The Committee noted that [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] This, however, should not be viewed as negatively as it indicates an open and transparent work environment. [REDACTED]
[REDACTED] The Committee requested that categorisation of the themes be provided in future reporting.

6.3 **The Committee noted the updates in relation to the [REDACTED]
[REDACTED]
[REDACTED]:**

- 6.3.1.1. **Review the relevant ARAC papers to see [REDACTED].**
- 6.3.1.2. **Engage with the former ARAC Chair for any past recollection.**
- 6.3.1.3. **In process terms, check whether whistleblowing cases are reported to the ARAC.**
- 6.3.1.4. **Check Stephen Hughes is the whistleblowing lead NED.**
- 6.3.1.5. **Provide the current whistleblowing policy to NEDs.**
- 6.3.1.6. **Check any other whistleblowing cases in the system at present.**
- 6.3.1.7. **[REDACTED]
[REDACTED]
[REDACTED]**
- 6.3.1.8. **Get the Business Ethics and Counter Fraud team to conclude the [REDACTED]
[REDACTED]**
- 6.3.1.9. **Provide visibility of a classification/ policy for retention of documents.**

Action: [REDACTED]

6.4 In response to these actions and during the discussion of the Committee, the following points were raised and noted:

- 6.4.1.1. **As per the summary provided to the HS2 Ltd Board, of [REDACTED]
[REDACTED]
[REDACTED]**

6.4.1.2. The Committee noted the practice and governance in wider industries, with banking given as a comparison, with reference to where the function sits in the organisation in order to ensure independence. Management accept that a regulatory sector can dictate some practices to be more stringent. However, within HS2 Ltd it was confirmed that Counter Fraud and Business Ethics (CFBE) is covered as part of the induction process for all new joiners, together with a mandatory training module and presence in the office from CFBE personnel. [REDACTED]

[REDACTED] Committee Members commented that a key aspect for success is of the experience of the leadership of the team. It was agreed that the view of independence will be kept under review.

6.4.1.3. It was confirmed that prior to the Committee, a meeting had been held with the Head of CFBE and the Committee Chair and a more regular meeting to provide updates on whistleblowing has since been established.

6.4.1.4. The Chair of the Committee has been confirmed as the Board representative for whistleblowing and is named as such in the supporting Policy guidance. A copy of the Policy is annexed to this report. [REDACTED]

6.4.1.5. The Committee noted that [REDACTED]

6.5 The Committee went on to discuss a pilot which has been running following the procurement of some software [REDACTED]. To date, the CFBE department have used a Fraud Data Scientist, responsible for detecting fraud, waste, error or abuse and it was agreed that a pilot be established to do this on a more automated basis. Management have taken away an action in order to quantify the potential return from this work going forward, noting that the accountability of the future work will now transfer into the Finance Directorate. Part of this action will also seek to provide some systemic analysis and whether there would be value in a Fraud Risk Register. The Committee have requested an update to the next Committee meeting on this in February 2024.

6.6 The GIAA representative requested time with the Head of CFBE in order to join up work with the planned 2023/2024 audit plan due to some cross cutting themes.

6.7 Noting the upcoming Sponsor Board meeting, the DfT Observer provided some further areas of interest of the DfT, including:

6.7.1.1. [REDACTED]

6.7.1.2. [REDACTED]

6.7.1.3. Further data on the [REDACTED] and the potential value of return against the Government benchmark.

6.8 It was agreed that a session would be held with the DfT and reported back to the Committee on these points.

6.9 The Committee thanked Management for the updates and supported the level of effort required in this space.

6.10 **Of the outstanding actions raised at the Board, Members are asked to note that the process for escalation of grievances will be dealt with as part of the expansion to the remit of the Remuneration Committee. With regard to the classification/ policy of retention of documents, this is overseen by the Security and Resilience Team. Guidance is in place and will be strengthened further and reported in the next Senior Information and Risk Owner (SIRO) Report to the Committee. It is also further suggested that 1:1s will be offered to all Board Members with the Chief Security and Resilience Officer. The Company Secretary will oversee the remaining two actions to closure.**

Action: Non Owen

6.11 The Committee noted the Bi-Annual Counter Fraud Update.

7 Senior Information Risk Owner – November 2023 Six Monthly Update (ARAC_23-037)

7.1 The Chief Security and Resilience Officer presented the Senior Information Risk Owner (SIRO) Biannual Update.

7.2 The Committee noted key areas of review and concern in the period including how [REDACTED]

7.3 The Committee were requested to approve the following recommendations:

7.3.1. To put in place some periodic cyber briefings including 'hygiene' support around passwords, patching, agree clear rules around [REDACTED]

7.3.2. Make it policy for [REDACTED]

7.4 The Committee discussed the following:

7.4.1.1. The Committee received explanation of the threat assessment analysis noting that this is provided in order to demonstrate the number of IT threats which are automatically being defended which is not seen as an area of concern at the time of reporting. As an area of risk, this continues to be a key area of focus.

7.4.1.2. Management confirmed that phishing simulations are carried out as standard practice at HS2 Ltd

7.4.1.3. The Committee discussed the proposal [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

7.4.1.4. The Committee also noted and supported the roll out of an information campaign in order to educate the business on the classification and retention policies for documentation, again requesting that the practicality of the same be reviewed.

7.5 The Committee received the report positively and noted the update.

8 Senior Accounting Officer (SAO) HMRC Tax Certificate for FY2022/23 Look (ARAC_23_038)

8.1 The Committee received and noted the draft Senior Accounting Officer (SAO) Tax Certificate for FY2022/23 which advised that HS2 has appropriate tax accounting arrangements, for submission to HMRC by 31 December 2023.

8.2 The Committee queried [REDACTED]
[REDACTED]
[REDACTED]

8.3 The Committee noted that the SAO Tax Certificate process had been reviewed in the previous financial year due to changes in personnel and the process was found to be robust.

8.4 The Committee received the report positively.

9 Internal Audit Progress Report October 2023 (ARAC_23_039)

9.1 The Committee were asked to note the Internal Audit Progress Report for October 2023.

9.2 **The Committee received a verbal update with regard to a DfT commissioned report noting that the findings have been delayed. The Executive Chair has shared views on the draft report and the CFO will continue to work with the GIAA to conclude the work which will be shared with the Board at the relevant time.**

Action : Alan Foster

- 9.3 The Committee noted three of the 19 reviews have been completed with a further eight reviews being at an advanced fieldwork stage. A further five reports are anticipated to be issued in November.
- 9.4 The Committee noted that there are no proposals to make any changes to the 2023/24 Internal Audit Plan as a result of the Phase 2/Euston announcement, however, approval has been sought from the Audit and Risk Assurance Panel (ARAP) to reschedule two reviews to Q4.
- 9.5 **The Committee were advised that a 2023/24 draft Audit Plan will be available for the next meeting in February 2024 and that this will be shared with Committee Members in advance of the next meeting. The Committee noted that execution of the audit is a priority and there will be Management focus in coming weeks and months.**

Action : GIAA ([REDACTED])

10 NAO Update (ARAC_23-040)

- 10.1 The Committee received and noted materials from the NAO including:
- The 2022/2023 Management Letter.
 - The emerging view of the 2023/2024 Audit Planning Report.
 - NAO Reports and Wider Activities
- 10.2 The Committee noted [REDACTED]
[REDACTED]
[REDACTED] Management reminded the Committee that there was also development of the standard in the year.
- 10.3 The Committee noted that [REDACTED]
[REDACTED]
[REDACTED]
- 10.4 The Committee noted that work had begun in order to understand AUC impairment and there is an initial list of assets which has been shared with NAO and the DfT. The Committee noted further complexity for this standard, taking Euston as an example in light of the Government announcement. [REDACTED]
[REDACTED]
[REDACTED].
- 10.5 **The Committee have requested an update be brought to the February meeting in order to understand principles and required accounting treatments in light of the announcement. Engagement will be sought from Non-Executive Directors, the DfT and NAO in advance of the meeting.**

Action: [REDACTED]

- 10.6 The Committee went on to consider the 2023/2024 planning report which was submitted as an emerging view in light of the current challenging environment.
- 10.7 The Committee noted a reduction to the materiality threshold being applied for 2023/2024 given the increased scrutiny which is felt to be proportionate by the NAO.
- 10.8 The Committee noted that the NAO will engage with a Quality Reviewer in order to apply a level of quality control on any areas of challenge or contention during the audit process and in order to provide explanation of any judgement exercised.

11 Any Other Business

- 11.1 Committee Members thanked Management and other attendees for the attendance.
- 11.2 The Committee referenced the recent successful outcome of a litigation matter, congratulating and thanking those involved to get to a positive outcome.
- 11.3 There being no further business, the meeting closed.