HS2

Meeting minutes

Audit and Risk Assurance Committee

Meeting date   Thursday, 22 August 2024

Meeting location   Hybrid: MS Teams / The Podium / Snowhill

Meeting time   11:00-13:30

Members	Attendees	Apologies
Stephen Hughes Committee Chair	▓▓▓▓▓▓▓ (items 6, 7 & 8) Head of Counter Fraud and Business Ethics	Sarah Che NAO
Keith Smithson Non-Executive Director	▓▓▓▓▓▓▓▓▓ Deputy Chief Financial Officer	Liam Orme GIAA
	▓▓▓▓▓▓▓ (item 4) Principal IT Security Manager	
	▓▓▓▓▓▓▓ (item 3) Quality and Assurance Director	
	Alan Foster Chief Financial Officer	
	▓▓▓▓▓▓▓ Risk Director	
	▓▓▓▓ NAO	
	▓▓▓▓▓▓ NAO	
	▓▓▓▓▓▓ Finance Director	
	▓▓▓▓▓▓▓ GIAA	
	Non Owen Company Secretary	
	▓▓▓▓▓▓ P-Rep	
	▓▓▓▓▓ DfT	
	▓▓▓▓▓ GIAA	
	▓▓▓▓▓▓▓ (Item 4) 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 Risk Director.

2 Minutes of the previous meeting and review of Action tracker (ARAC_24-030 and ARAC_24-031)

2.1 The minutes of the meetings on 20 June 2024 were approved as a true record of the meeting.

2.2 The Committee noted and agreed the status of the actions.

3 Risk Control and Assurance Management Information Report (ARAC_24-032)

3.1 The Quality and Assurance Director joined the meeting.

3.2 The Quality and Assurance Director presented to the Committee on the Risk, Control and Assurance Management Information Report ('RCA report').

3.3 The following key points were raised and noted:

3.3.1 The Committee remain pleased to see the continuous improvement to the Management Information (MI).

3.3.2 **The Committee requested that a further level of detail on control assessments be discussed with the Committee on a cyclical basis.**

Action: ▮▮▮▮▮▮▮▮▮

3.3.3 The Committee received an overview of risk summary developments in the period.

3.3.4 **The Committee noted the risk management performance noting that severity is measured but as an aggregate. It was agreed that mapping would be done to show where this is no action plan in place.**

Action: ▮▮▮▮▮▮▮

3.3.5 **The Committee were pleased to see the progress for the control of risk management. The Committee requested that a couple of examples would now be useful to show how this works in practice.**

Action: ▮▮▮▮▮▮▮

3.3.6 **The Committee requested a complete view of the assessment against the strategic risks and that this be dovetailed to go back to the HS2 Ltd Board formally with the strategic risk register in November or December.**

Action: ██████████

3.3.7 The Committee noted that the control assessment also includes assurance, and this is what has added time to mapping the controls to the strategic risks.

3.3.8 **The Committee advised that it is important that ARAC is able to provide assurance to the Board in terms of identification of the risks, the appetite of the same, the evaluated controls and evidence that this is working and requested this to the next meeting.**

Action: ██████████

3.3.9 The Committee received an update on the delivery of the Integrated Assurance and Approval Plan (IAAP delivery) noting that CDM is outstanding at the time of reporting and has been escalated.

3.3.10 The Committee noted that there has been positive progress with assurance actions, but less so with P-Rep actions. An in depth review has been conducted with Sponsorship which recommended of the 63 active actions, 38 be proposed for closure. Seven of these have been rejected and work continues with P-Rep on these and closing out the others with evidence based record to support.

3.3.11 The Committee advised that it was not surprising that the P-Rep actions were not being closed as the wording is open to interpretation and vague.

3.3.12 The DfT Observer was asked to assist in escalation of closing out P-Rep actions and it was noted that the DfT have also commented that there is a repetitive nature to the actions.

3.4 The Committee noted the RCA report.

3.5 The Quality and Assurance Director left the meeting.

4 Senior Information Risk Owner – Six monthly Update – and next steps from Templar session (ARAC_24-033)

4.1 The Chief Information Officer and Principal IT Security Manager joined the meeting.

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

4.3 The following key points were raised and noted:

4.3.1 Management summarised that a lot of progress has been made in this area and referenced the recent Board Briefing which had been held to share risks and issues.

4.3.2 The Committee received a summary of the activities in the six-month period including the successful launch of a 24/7 service which is seeing good progress.

4.3.3   The Committee noted █████████████████████████████████
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4.3.4   The Committee noted that there has been enforcement of sensitivity labelling, leading to closer working between HR and IT.

4.3.5   The Committee noted that the pilot for NED emails has been deemed a success and that HS2 Ltd email addresses will be issued.

4.3.6   **The Committee noted that the cyber security risk appetite will be aligned to the risk appetite. The Committee requested that there are keys to define the approaches in future materials.**

Action: ███████████

4.3.7   The Committee were supportive of the approach however advised that it would be important to gain ARAC endorsement of the next level of detail before this is embedded.
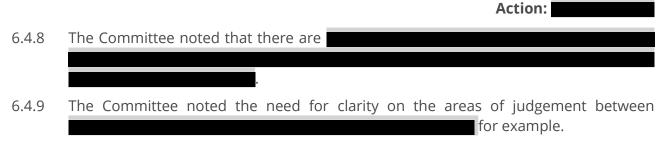
4.3.8   **The Committee noted that the forward look** ████████████████████████
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Action: ███████████

4.4   The Committee noted the update.

4.5   The Chief Information Officer and Principal IT Security Manager left the meeting.

5   Strategic Risk Update (ARAC_24-034)

5.1   The Risk Director introduced the Strategic Risk Update paper, as included within the meeting pack.

5.2   The Committee were asked to note completed and planned work to update HS2's Risk Appetite Statement.

5.3   The following key points were raised and noted:

5.3.1   Management advised that slides had been submitted in advance of a further session with the Executive Committee in order to better define a statement and approach to risk appetite.

5.3.2   The Committee noted that the discussion at the Executive Committee had covered the need to understand risk versus reward for decision making and that an alternative approach has been requested, drawing on case studies to bring this to life better.

5.3.3   The Committee noted that the framework would be reviewed by the ARAC, but that engagement would be required at the other Sub-Committees as appropriate.

5.3.4 **The Committee requested a timeline for when this would be submitted to the HS2 Ltd Board, and a view of what governance would be required following.**

Action: ███████████

5.4 The Committee noted the update.

5.5 The Risk Director left the meeting.

6 Actual Cost Assurance and Cost Verification Status Update (ARAC_24-035)

6.1 The Head of Counter Fraud and Business Ethics joined the meeting.

6.2 The Committee received and noted the Actual Cost Assurance and Cost Verification Status Update paper, as included within the meeting pack.

6.3 The Committee was asked to note the proposed approach and activities associated with ACA development, the initial progress made, and the further progress made to enhance oversight of CV in 2024.

6.4 The following key points were raised and noted:

6.4.1 Noting the timeline provided in the materials, the Committee challenged the length of time take to develop the plan and whether any activity could be commenced in parallel. Management advised that work has begun in parallel but there is more to do for a holistic picture across activities.

6.4.2 The Committee noted that for example ████████████████████████ ████████ which has produced some actions for better coordination with cost verification activities.

6.4.3 The Committee noted the Actual Cost Assurance strategic framework but emphasised the importance of having a pessimistic starting view as HS2 Ltd.

6.4.4 The Committee queried what level of benchmarking was available to show progress in this area with Management advising that a better view of Tier 1 contractors would be needed to inform this.

6.4.5 The Committee queried how to get assurance on the risk based approach to ensure the right coverage is being pursued. Management advised that this was linked to the Pof6 audit and that there will be more scope brought in over time.

6.4.6 **The Committee requested a better narrative is supplied to advise** ████████████ ████████████████████████

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6.4.7 **The Committee also requested detail** ████████████████████████████ ████████████████████████████████████ ████████████████████

6.4.8   The Committee noted that there are ███████████████████████████ ██ ██████████████████████.

6.4.9   The Committee noted the need for clarity on the areas of judgement between ██ for example.

6.5   The Committee noted the update.

7   Counter Fraud and Business Ethics Update (ARAC_24-036)

7.1   The Head of Counter Fraud and Business Ethics introduced the Counter Fraud and Business Ethics Update paper, as included within the meeting pack, providing a status report on counter fraud and whistleblowing activities undertaken by the Counter Fraud & Business Ethics ("CFBE") team and a forward look of priority areas for the coming six-months.

7.2   The following key points were raised and noted:

7.2.1   The Committee noted that the commissioned software ████████████████ ██ ██ ███████████.

7.2.2   The Committee noted ████████████████████████████████ ██ ███████████.

7.2.3   The Committee noted ████████████████████████████████ ██ ████████████████████.

7.2.4   The Committee noted ████████████████████████████████ ██ ██████████████████████.

7.2.5   The Committee noted whistleblowing activity, which has varying complexity, but the age of some cases needs to be resolved, noting that thorough review needs to be done and that a triage process exists.

7.3   The Committee noted the update.

8   Learning Lessons from Whistleblowing reviews and Improvement planning (ARAC_24-037)

8.1   The Committee received and noted the Learning Lessons from Whistleblowing reviews and Improvement planning paper, as included within the meeting pack.

8.2   The Committee was asked to:

8.2.1 Note the summary findings of Whistleblowing cases.

8.2.2 Endorse the identified Actions and Lessons Learned associated with these cases.

8.3 The following key points were raised and noted:

8.3.1 The Committee noted that there is emerging Generative IA intelligence being shared in this area and that action tracking and reporting would be submitted regularly to the Committee.

8.3.2 **The Head of Internal Audit advised that there is an analytics team at GIAA who can share information on the Generative AI and an introduction would be made.**

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8.3.3 The NAO Observer advised that the NAO have been engaged on this work and the lessons learned and have been pleased with the response to date.

8.4 The Committee noted the update.

8.5 The Head of Counter Fraud and Business Ethics left the meeting.

9 Annual Report and Accounts (ARA) 2023/24 – Changes made to the NAO's Audit Completion Report (ACR) since ARAC on 20 June 2024 (ARAC_24-038)

9.1 The Committee received and noted the Annual Report and Accounts (ARA) 2023/24 – Changes made to the NAO's Audit Completion Report (ACR) since ARAC on 20 June 2024 paper, as included within the meeting pack.

9.2 The paper provided ARAC members with visibility, and an explanation, of the changes between the NAO's Audit Completion Report (ACR) provided to ARAC on 20 June and the final version dated 18 July 2024.

9.3 The Committee was asked to note the changes.

9.4 The Committee confirmed that they were content with the update and that the two reports are aligned.

9.5 The Committee noted the update.

10 NAO Update, including Management Letter (ARAC_24-039)

10.1 The Engagement Manager, UK National Audit Office (NAO) introduced the NAO Management Letter on the 2023-24 financial statements audit.

10.2 The following points were raised and noted:

10.2.1 The NAO extended thanks to the Finance Director and the team for the effort involved in concluding the Annual Report and Accounts.

10.2.2   The Committee noted the actions taken away from this audit including the areas of audit which required increased audit effort and therefore addressing this would benefit both sides and that data cleanse before sampling commences is an improvement to be made.

10.2.3   The Committee noted that Impairment got to a good position by the end of the audit but that it would be beneficial to have underlying data in place for any potential impairments. It was noted that changes in personnel also impacted this element.

10.2.4   The Committee noted that the closure of the majority of previous recommendations is positive although AUC Impairment will be retained as high risk.

10.2.5   **The Committee queried whether for Impairment there was a difference of opinion where scope change is not completely clear. Management advised that this has been a topic of discussion for a number of years regarding design development or requirement changes. The Committee advised that the Management response is not as strong as would be liked in terms of how this will be resolved and managed in future years and requested an update on the criteria and examples ahead of the next financial year end.**

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10.3   The Committee noted the update.

11   Internal Audit Progress Report August 2024 (ARAC_24-040)

11.1   The Head of Internal Audit from the from the GIAA introduced the Internal Audit Progress Report for August 2024.

11.2   The Committee received and noted the report, as included in the meeting pack.

11.3   The following key points were raised and noted:

11.3.1   The Committee noted that whilst all audits have been resourced, current delivery is behind profiled and there will need to be continued focus to achieve the plan.

11.3.2   The Committee noted one proposed change to the plan, being a request ▮▮▮▮▮▮▮▮ ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮. The Committee provided approval to this deferral.

11.3.3   The Committee noted the work on the plan for next financial year with engagement from the Quality and Assurance Director. The Committee noted that an update would be provided to the October meeting.

11.3.4   **The Head of Internal Audit confirmed that the wording to the previous report on the Estimate at Completion (EAC) had been updated as requested by the Committee and a clean version would be added to Admincontrol for completeness.**

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11.4   The Committee noted the update.

12 Committee Forward Look (ARAC_24-041)

12.1 The Committee noted the forward look and that CVA will continue to be reported as a standing item.

13 Any Other Business

13.1 The Committee noted that Stephen Hughes would be stepping down as Committee Chair and that Keith Smithson would take over this activity from the next meeting. The Committee thanked Stephen for his engagement and work to Chair the Committee during tenure to do so.

13.2 There being no further business, the meeting closed.