

Meeting minutes

Audit and Risk Assurance Committee

Meeting date Tuesday, 10 December 2024
Meeting location Hybrid: MS Teams / The Podium / Snowhill
Meeting time 10:00-13:00

Members	Attendees	Apologies
Keith Smithson Committee Chair	██████████ Head of Internal Audit	
David Goldstone (Items 4-14) Non-Executive Director	██████████ Chief Financial Officer (Interim)	
Stephen Hughes Non-Executive Director	██████████ (item 4) Principal IT Security Manager	
	██████████ (items 8-9) Head of Financial Control and Governance	
	██████████ NAO	
	██████████ (Items 3-7) Quality and Assurance Director	
	Alan Foster Deputy Chief Executive Officer (Interim)	
	██████████ (item 8) Tax Manager	
	██████████ (item 3) Risk Director (Interim)	
	██████████ NAO	
	██████████ NAO	
	██████████ Group Finance Director	
	██████████ (item 3) Risk Director	
	██████████ GIAA	
	██████████ GIAA	
	Non Owen	

Members	Attendees	Apologies
	Company Secretary	
	██████████ (Items 3-7) Head of Corporate Quality and Assurance	
	██████████ P-Rep	
	██████████ (Item 5) Head of IMS & Quality	
	██████████ DfT	
	██████████ (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 Group Finance Director.

2 Minutes of the previous meeting and review of Action tracker (ARAC_24-052 and ARAC_24-053)

- 2.1 **The minutes of the meetings on 08 October 2024 were approved as a true record of the meeting subject to the addition of some wording to reflect a level of attention needed for the approach to Integrated Assurance Plans and an increase in scrutiny from the Committee to the same to ensure greater confidence in assurance so that greater reliance is placed on it.**

Action: Company Secretariat

- 2.2 The Committee noted and agreed the status of the actions, and the following update:
 - 2.2.1 Action 23/024: HS2 Civils Design Cost Review – Summary and next steps: It was agreed that this action would be closed.

3 Risk Control and Assurance Management Information Report (ARAC_24-054)

- 3.1 The Quality and Assurance Director, the Head of Corporate Quality and Assurance, the Risk Director (Interim) and Risk Director joined the meeting.

3.2 The Risk, Control and Assurance Management Information Report ('RCA report') was presented to the committee, as included with the meeting pack.

3.3 The following key points were raised and noted:

3.3.1 **The Committee requested that for future presentations, there is one Programme and one function/ corporate risk to be covered in more detail whilst noting that some of the risks are mapped to other Sub-Committees of the Board and would be subject to more detail there.**

Action: [REDACTED]

3.3.2 **The Committee noted that the information presented excludes risk managed by the contractors and the Committee asked for a definition of these types of risk.**

Action: [REDACTED]

3.3.3 The P-Rep Observer suggested that it would be useful for identification of significant risks which can be influenced/ mitigated and monitoring of how successfully.

3.3.4 **The Committee discussed those high level risks without an action plan and noted that as part of the Risk Management Assurance Plan there would be a review of when a risk needs to have an action plan. The Committee asked for visibility of the type of actions which are being set.**

Action: [REDACTED]

3.3.5 The Committee went on to discuss the approach to Risk Appetite, noting that:

3.3.5.1. At the October Executive Committee meeting, it was agreed that a sub-group would be established to agree the approach for refreshing HS2's Risk Appetite Statement and produce an initial draft for consultation and review.

3.3.5.2. The sub-group met twice in November and has decided to proceed with an approach aligned to the Orange Book Standard.

3.3.5.3. A working draft Risk Appetite Statement is being drawn up to articulate Optimal and Tolerable positions against 5 risk impact categories.

3.3.5.4. The sub-group will meet again in December with a view to agreeing a proposed Risk Appetite Statement for ARAC and Board consideration.

3.3.6 The Committee discussed the requirement to complete the framework for each of the risks and that a position is needed for Enterprise Risk Management to inform year end activity including annual opinions for internal and external audit activity.

3.3.7 **The Committee went on to discuss the Integrated Management System (IMS) Improvement Programme and requested visibility of how this plan links to the Strategic Risks.**

Action: [REDACTED]

3.3.8 The Committee queried whether there needed to be a reduction in the volume or categorisation of IMS activity as the current approach is perceived as a large effort and

onerous and therefore a risk based approach, similar to that applied to Undertakings and Assurances (U&As) may be appropriate.

3.3.9 Finally, the Committee discussed the P-Rep actions and status of the same noting that meetings have been scheduled to progress this over the next six weeks. Whilst the Committee noted the continued emphasis and areas of interest it was noted that this has been a point of discussion and frustration at each meeting and resolution is expected before the next meeting.

3.4 The Committee noted the RCA report.

3.5 The Risk Director and Risk Director (Interim) left the meeting.

4 Senior Information Risk Owner – Six monthly (ARAC_24-055)

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 The Committee received and noted an update on the Cyber Maturity Programme almost 12 months on from initial assessment and activity.

4.3.2 The Committee received an overview of activity for the 18 month workstream identified as part of that review.

4.3.3 It was noted that there will be a planned GIAA review for independent scrutiny of the maturity model and work done versus the initial assessment.

4.3.4 **The Committee noted** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Action: [REDACTED]

4.4 The Committee noted the update.

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

5 Update on Business Critical Models (ARAC_24-056)

5.1 The Head of Quality and IMS joined the meeting,

5.2 The Head of Quality and IMS and Quality and Assurance Director introduced the Update on Business Critical Models, as included within the meeting pack.

5.3 The following key points were raised and noted:

5.3.1 The Committee received an introduction and overview of the paper provided.

5.3.2 **The Committee challenged whether there should be inclusion of safety and security over and above that referenced for the engineering safety model. Management advised that this would be tested with Directorates but that if the classification led to identification of a system rather than a model then this would be captured differently. It was agreed that an update would be provided once testing had concluded.**

Action: [REDACTED]

5.4 The Committee noted the update.

5.5 The Head of Quality and IMS left the meeting.

6 Actual Cost Assurance and Cost Verification Status Update (ARAC_24-057)

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

6.2 The following key points were raised and noted:

6.2.1 The Committee received a summary and overview of the paper presented to provide an update on:

6.2.1.1. The proposed structure of the ACA strategic framework, supporting commentary and implementation plan.

6.2.1.2. The progress on applying the ACA strategic framework [REDACTED]

6.2.1.3. The continued progress of an improved approach for cost verification and the update to performance of cost verification activities.

6.2.2 The Committee observed that there remains reliance of the quality of information from the supply chain.

6.2.3 The Committee discussed the remit of activity not currently classified as in scope, what the status of these is and what this means for final accounting.

6.2.4 The Committee noted the risk based sampling approach taken but asked for better visibility of what the basis was to continue this approach and a table summarising findings for each Joint Venture (JV) with explanation of root causes.

6.2.5 The Committee noted [REDACTED]

6.2.6 [REDACTED]

[REDACTED]

Action: [REDACTED]

6.2.7 The Committee requested [REDACTED]

Action: [REDACTED]

6.2.8 The Committee discussed the seven tests for cost assurance and the difference between this work and that of the NAO to support final accounting activity. Management advised that the CVA work was looking for actual or proposed costs directly attributable to defined cost activities whereas the NAO will look at end to end including commercial and benchmarking.

6.2.9 Management advised that fraud, bribery and corruption is a separate workstream to the CVA activity and there is a level of control for sharing information with the supply chain required. The Committee requested an update on fraud, bribery and corruption, data analytics and process to the next meeting.

Action: [REDACTED]

6.2.10 The Committee queried [REDACTED]

Action: [REDACTED]

6.3 The Committee noted the update.

7 Integrated Assurance and Approvals Plan (IAAP) 25-28 Development (ARAC_24-058)

7.1 The Quality and Assurance Director and Head of Corporate Quality and Assurance introduced the Integration Assurance and Approvals Plan (IAAP) paper, as included within the meeting pack.

7.2 The Committee noted:

7.2.1 The timeline for the IAAP 2025 – 2028 development and formal endorsement.

7.2.2 The process behind the IAAP 2025 – 2028 development including consultation.

7.2.3 The enhancements to the IAAP 2025 – 2028 compared with previous years.

7.2.4 Timing and next steps including formal endorsement which will be sought at the February meeting.

7.3 The following key points were raised and noted:

7.3.1 The Committee referenced the point made at the start of the meeting regarding [REDACTED]

[REDACTED]

Action: [REDACTED]

7.3.2 The Committee queried that [REDACTED]

Action: [REDACTED]

7.3.3 The Committee noted that whilst this will be a living document, it is key to understand who is performing what activity.

7.4 The Committee noted the update.

8 Senior Accounting Officer (SAO) HMRC Tax Certificate for FY2023/24 (ARAC_24-059)

8.1 The Head of Financial Controls and Governance and Tax Manager joined the meeting.

8.2 The Committee received and noted the Senior Accounting Officer HMRC Tax Certificate paper, as included within the meeting pack.

8.3 The following key points were raised and noted:

8.3.1 The Committee noted that at the time of reporting there was appropriate tax compliance with no objections received from HMRC.

8.3.2 HS2 are required to appoint a Senior Accounting Officer (SAO) and submit an SAO Tax Certificate to HMRC by 31 December 2024. Consistent with previous years, it is proposed to appoint Alan Foster.

8.3.3 The Committee noted that there is work underway to review historic NRAPSI's to determine which are outside of the VAT heading. Once identified, VAT reclaimed to date will be identified and repaid (with interest), with no future VAT being reclaimed.

8.4 The Committee noted the update.

8.5 The Tax Manager left the meeting.

9 ARA 2024/25: Accounting Judgements and Management Actions (ARAC_24-060)

9.1 The Committee received and noted the Annual Report and Accounts (ARA) 2024/25 Accounting Judgements and Management Actions paper, as included within the meeting pack.

9.2 The following key points were raised and noted:

- 9.2.1 The Committee noted the commencement of activity to prepare for the Annual Report and Accounts with sampling and introductory sessions.
- 9.2.2 The Committee noted that [REDACTED] and whilst this was probable it was not appropriate to pre-empt at the time of reporting.
- 9.2.3 Phase 2 decisions will also be reflected as appropriate and will be factored into planning but the timing for this remains uncertain.
- 9.2.4 **The Committee requested a further similar paper on the accounting judgments which will be taken together with a recap on the previously made decisions and judgements.**

Action: [REDACTED]

9.3 The Head of Financial Controls and Governance left the meeting.

10 NAO Update (ARAC_24-061)

10.1 The UK National Audit Office (NAO) introduced the NAO Update.

10.2 The Committee were asked to discuss and consider:

- 10.2.1 Whether the assessment of the risks of material misstatement to the financial statements is complete (including any matters those charged with governance consider warrant particular attention during the audit, and any areas where they request additional procedures to be undertaken).
- 10.2.2 Whether management's response to these risks are adequate.
- 10.2.3 The proposed audit plan to address these risks.
- 10.2.4 Whether the financial statements could be materially misstated due to fraud and communicate any areas.

10.3 Those with specific responsibility to do so were asked to consider:

- 10.3.1 Other matters those charged with governance consider may influence the audit of the financial statements.
- 10.3.2 The entity's objectives and strategies, and the related business risks that may result in material misstatements.
- 10.3.3 Possibility, knowledge of and process for identifying and responding to the risks of fraud.
- 10.3.4 Oversight of the effectiveness of internal control.
- 10.3.5 Whether any non-compliance with any laws or regulations (including regularity) have been reported to those charged with governance (e.g. from staff, service organisations or other sources).

10.3.6 Policies, procedures and systems for recording non-compliance with laws, regulations and internal policies.

10.3.7 Whether members have knowledge of any actual, suspected or alleged fraud affecting the entity.

10.4 The following points were raised and noted:

10.4.1 The Committee noted that materiality is being assessed with comparable organisations and then areas of greatest importance will be reviewed.

10.4.2 The Committee noted the significant risks and areas of focus.

10.4.3 The Committee noted the proposed fee for the 2024-2025 audit and noted this in line with expected cost for the same.

10.4.4 The Committee confirmed that there was no knowledge of any actual, suspected or alleged fraud affecting the entity.

10.5 The Committee noted the update.

11 Internal Audit Progress Report December 2024 (ARAC_24-062)

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

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

11.3 The Committee were asked to note the internal audit work and findings in the period.

11.4 The Committee were asked to endorse the proposed changes to the 2024/25 Internal Audit Plan, namely:

11.4.1 [REDACTED]

11.4.2 [REDACTED]

11.5 The Committee endorsed the changes and noted the update.

12 ARAC Effectiveness Review – Initial Findings (ARAC_24-062)

12.1 The Company Secretary introduced the ARAC Effectiveness Review – Initial Findings paper, as included within the meeting pack.

12.2 The following key points were raised and noted:

- 12.2.1 The Committee noted the initial findings of the Effectiveness Review which represented a positive position, and a summary of areas of strengths and areas for improvement.
- 12.2.2 **It was agreed that the Company Secretary would lead on proposing actions for agreement at the February meeting and would consult with Committee Members offline to inform the same.**

Action: Non Owen

12.3 The Committee noted the update.

13 Committee Forward Look (ARAC_24-063)

13.1 The Committee noted the forward look.

14 Any Other Business

- 14.1 **It was agreed that the sequencing of meetings for May and June 2025 would be adjusted to allow for review of the Annual Report and Accounts.**

Action: Non Owen

14.2 There being no further business, the meeting closed.