

HS2 Ltd Audit and Risk Assurance Committee Meeting

Minutes

16 January 2014

HS2 Board Room, 2nd Floor, Eland House, Bressenden Place, London, SW1E 5DU

Present:

Mike Welton (Chair)

Richard Brown

Apologies:

XXXX, PWC

In attendance:

Alison Munro, Chief Executive

Kieran Rix, Director of Finance and Corporate Services

XXXX, National Audit Office

XXXX, Head of Internal Audit, DfT

XXXX, Internal Audit, DfT

XXXX, Head of Finance (items 1 – 5)

XXXX, Finance Trainee

XXXX, Head of Quality

XXXX, Head of the CEO and Programme Office (item 6)

XXXX, General Counsel and Company Secretary

XXXX, Assistant Company Secretary

1. Declaration of Interests

1.1 There were no changes to the previously declared interests.

2. Minutes of Previous Meeting and Matters Arising

2.1 The Minutes of the meeting held on 18 November 2013 were agreed as a true record and signed by the Chair.

2.2 The list of Action Points from previous meetings was discussed.

2.3 The Committee noted that a review of lessons learnt from Phase One is underway and it was agreed that this should be prioritised. It was agreed that the Committee would be informed of emerging findings.

Action: Director of Finance and
Corporate Services

2.4 It was noted an Incident Management and Resilience strategy is being worked up and a draft should be ready for review by the Committee in the short to medium term.

Update on Fee for 2013/14 External Audit

2.5 The Committee received an update on the fee for the 2013/14 External Audit. It was noted the fee had been assessed against organisations of a similar size in the private sector and was considered to be good value for money.

2.6 The Committee discussed whether the NAO would have the necessary specialist audit skills required going forward given the nature of the work to be carried out by the Company. It was noted that the NAO reviews whether it has the right skills for any particular audit, and would use external audit resource where necessary. It was noted that the Committee will want assurance that the NAO has the right skills at the appropriate time and it was agreed that this issue should be reviewed by the Committee in approximately one year.

Action: General Counsel and
Company Secretary / National Audit Office

3. Internal Audit Issues

3.1 Update on 2013/14 Internal Audit Programme

3.1.1 It was noted there were no completed audits with 'nil opinion' or 'partial opinion' to be reported to the Committee.

3.1.2 The Committee discussed the internal audit programme for the remaining quarter of the 2013/14 year and noted there were a number of inspections remaining to be completed.

- 3.1.3 The Committee observed that the internal audit programme should be phased throughout the financial year to avoid a backlog building up towards the end of the year.
- 3.1.4 It was noted that the audit of the process for delivering the hybrid Bill was conducted in parallel to the actual delivery work. This created a challenge for the closure of the audit given the demands associated with the delivery of the hybrid Bill.
- 3.1.5 It was noted there was scope to further promote and report the wider assurance activity taking place within the organisation.
- 3.1.6 The Committee discussed plans in place to work towards internationally accredited quality standards. A plan is in place for ISA 9000 certification by the end of the year. A longer term plan to secure PAS 99 standard integrating Health, Safety, Environment and Quality is in place.
- 3.1.7 It was agreed Terms of Reference for the planned Governance audit would be circulated to the Committee.

Action: DfT Internal Audit

- 3.1.8 It was proposed that the plan for the first six months of the 2014/15 internal audit would be reported to the Committee at its next meeting, with an outline plan for the remainder of the year to be put to the Committee in the summer.
- 3.1.9 It was agreed that the Chief Executive and the Director of Finance and Corporate Services would review the Efficiency Savings and Lessons Learned audit with the Head of Internal Audit

Action: CEO/ Director of
Finance and Corporate Services/
Head of Internal Audit

3.2 Internal Audit Recommendations Tracker

- 3.2.1 The Committee reviewed the Internal Audit Recommendations Tracker and received updates in relation to the Procurement, Staffing, Land and Property and Design Development recommendations.

4. Baseline Plan for 2013/14 Accounts

- 4.1 The Head of Finance briefed the Committee on the baseline plan for meeting the requirement to publish the Directors Report and Financial Statements (the Accounts) for 2013/14, approved by the Board and the Secretary of State, certified by the NAO, consolidated by the Department, laid before Parliament and lodged with Companies House to the requisite timescales.

- 4.2 The Committee noted the milestones and deadlines associated with the Accounts and noted that the Department for Transport and NAO are content with the plan. The Committee agreed that its meeting schedule should be checked to ensure that it aligns with key deadlines.

Action: General Counsel and
Company Secretary

- 4.3 It was noted the audit planning exercise associated with the Accounts had been undertaken in a detailed and rigorous manner and the Committee commended the approach taken. It was agreed that any emerging points of principle should be addressed early in the process.

Action: Director of Finance and
Corporate Services

- 4.4 It was agreed that an extra meeting of the Committee on 29 May would provisionally be arranged in case it is required.

Action: General Counsel
and Company Secretary

5. Mid-Year Management Assurance Statement

- 5.1 The Committee was advised that the revised template for the Mid-Year Management Assurance Statement (MAS) had just been received and the Finance team had started working on it.

- 5.2 It was noted that the Executive team would review the draft MAS. It was agreed that the completed MAS would be sent to the Committee for approval.

Action: Director of Finance
and Corporate Services

6. Review of Risk Register and DfT Risk Register

- 6.1 The Chair confirmed that he and the Director of Finance and Corporate Services would review some illustrative risks to establish whether the risk management process is an effective management tool.

- 6.2 The Committee was briefed on the risks which are managed by the Department for Transport and the process by which they are managed. It was noted that the Company works with the Department to allocate risks between them as appropriate.

- 6.3 It was noted that there is some duplication of risks as between the Company and the Department and the Committee expressed concern that there is

currently no one body with an overarching view of risk. It was agreed Richard Brown would raise this issue with the Department's Audit Committee

Action: Richard Brown

- 6.4 The Committee observed it would be useful for the Company to have visibility of all DfT risks to establish where there may be overlap with the risks allocated to the Company.

7. Date of Next Meeting

- 7.1 It was noted the date of the next meeting (20 March 2014) will need to change as the Company's Board is meeting in Leeds on the same day.

8. Any Other Business

- 8.1 There was no further business.

Signed: