

High Speed Two (HS2) Ltd Audit and Risk Assurance Committee Meeting

Minutes

21 March 2014

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

Present:

Mike Welton (Chair)
Richard Brown (by telephone)

Apologies:

XXXX, National Audit Office
XXXX, General Counsel and Company Secretary

In attendance:

Alison Munro, Chief Executive
Kieran Rix, Finance and Corporate Services Director
XXXX, Head of Finance
XXXX, National Audit Office
XXXX, National Audit Office
XXXX, Head of Internal Audit, DfT
XXXX, Internal Audit, DfT
XXXX, Head of Quality
XXXX, Head of the CEO and Programme Office (item 8)
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 16 January 2014 were agreed subject to the following amendment:

- In paragraph 2.6 it was agreed to add the National Audit Office to the owners of the Action Point for this item.

2.2 It was agreed a corrected version of the minutes would be signed at the next meeting.

Action: Assistant
Company Secretary

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

2.4 The Committee noted the continuing pressure on the membership of the Committee and agreed to retain this action point for continuing review. It was noted the risk remains that the Committee is unable to transact business.

2.5 The Committee discussed the forthcoming internal audit of Professional Services Contractors (PSCs). Members observed key themes include: selection of PSCs; arrangements in place for selection; relevant content of the Procurement Strategy.

2.6 It was agreed a meeting would take place between Committee members, the Chief Executive, the Finance and Corporate Services Director, the Chair of DFT's Audit Committee and DFT's newly appointed Director with responsibility for assurance across DfT to discuss ensuring risk and internal audit issues are tackled in a joined up way between the Company and DfT.

Action: Director of Finance
and Corporate Services

Update on Lessons Learned

2.7 The Committee discussed the emerging findings from the review of Lessons Learned and an Internal Audit of the process to identify Lessons Learned. It was noted a report including a high level Action Plan was due to be issued shortly.

2.8 It was noted the process is divided into the report of Lessons Learned; and secondly an internal audit of the Lessons Learned process. It was agreed the Chair would report to the next meeting of the Company's Board on progress.

Action: Chair

2.9 The Committee discussed the key findings of the report. Members discussed the plan for Phase Two and looked forward to receiving a full action plan with details of how Internal Audit and the Committee will continue to monitor the process.

2.10 It was agreed the report of Lessons Learned and internal audit management letter would be circulated to members of the Committee.

Action: Director of Finance
and Corporate Services

3. Internal Audit Issues

3.1 Update on 2013/14 Internal Audit Programme

3.1.1 The Committee received an update on progress with the 2013/14 Internal Audit Programme.

Resourcing issues

3.1.2 The Committee was advised that resourcing issues during the 2013/14 year were now being resolved and several reports would be issued within the next week.

3.1.3 The Committee was advised that recruitment of specialist audit staff and managers by DfT is taking place. The Committee was updated on plans for DfT internal audit to become part of the XGIS cross governmental audit service, an executive agency of the Treasury.

3.1.4 Members observed that the change could result in wider demand for resources and noted the need to be vigilant in this respect. Members looked forward to early feedback on any issues.

3.1.5 The Committee discussed the link from the internal audit statement to the governance statement and noted the importance of work commencing on drafting at an early stage.

3.2 Approach to Formulating Year End Opinion

3.2.1 The Committee discussed the link from the internal audit statement to the governance statement and noted the importance of work commencing on drafting at an early stage

3.2.2 The Committee was updated on the likely internal audit opinion to be offered for the internal audit statement, in the Year End financial

statements. It was noted that overall, good progress had been made during the year with no significant issues to report.

3.3 Completed Audits with 'Nil Opinion' for discussion: None

3.3.1 The Committee noted there were no Audit reports with a 'nil opinion' issued during the period under review.

3.4 Completed Audits with 'Partial Opinion' for Discussion: None

3.4.1 The Committee noted there were no Audit reports with a 'partial opinion' issued during the period under review.

3.5 Internal Audit Recommendations Tracker

3.5.1 The Committee received an update on progress on closing out recommendations from previous internal audit inspections.

3.5.2 The Committee was updated on progress in relation to the findings of the internal audit on Business Continuity with particular regard to Incident Management.

3.5.3 The Committee observed that Incident Management is an issue requiring involvement of the Company's Chair, Chief Executive and Board.

3.5.4 Members made some presentational observations on the tracker report and it was agreed these would be picked up for the next meeting.

Action: Head of Quality

4. 2013/14 Draft Financial Statements / Governance Statement

4.1 The Committee received the draft Annual Financial Statements as at Period 9 (December 2013) including a Governance Statement for the Company prepared at that date. It was noted the report would be updated with final financial information at the close of the financial year. The Committee also received a draft year-end Governance Statement for comment

4.2 With regard to structure of the Annual Accounts, the Committee agreed that the addition of Chair and CEO's forewords would provide additional focus on the Company's achievements over the past year.

Action: Head of Finance

- 4.3 Members made some observations associated with the tone and content of the draft Accounts and it was agreed these would be picked up subject to meeting the statutory format.

Action: Head of Finance

- 4.4 It was noted that the final draft Accounts will be considered at the Committee's meeting on 8 May and that a placeholder for a meeting to take place on 29 May is being kept to agree the final audited Accounts prior to submission to the DfT. Final accounts with DfT amendments would be presented to the Committee's meeting on 12 June with approval by the High Speed Two (HS2) Ltd Board immediately afterwards.

5. 2013-14 Interim Audit Report and Updated Year End Plan

- 5.1 Representatives of the National Audit Office (NAO) presented their interim findings of the 2013-14 External Audit of the Company and an updated plan for the Year End.
- 5.2 It was noted that in summary there were no issues of concern needing to be drawn to the attention of the Committee, with the quality of accounts and level of engagement by officers both being of a high standard.
- 5.3 It was noted the progress of the external audit had been good and a number of issues were timetabled to be tackled before the year end.
- 5.4 It was noted some routine technical discussions around accounting policy were expected before the final accounts are drafted.

6. Approval Process for Management Assurance Return

- 6.1 The Committee received an update on the Management Assurance Statement (MAS), a standard return submitted by Non-Departmental Public Bodies.
- 6.2 It was noted the approval of the MAS would be by the Accounting Officer; however the Board would sign off the MAS as part of the governance statements.

7. 2014/15 Draft Internal Audit Plan

- 7.1 The Committee received the draft 2014/15 Internal Audit Plan for discussion. It was noted it had been determined to divide the plan into the first and second halves of the year to build in flexibility as the year progressed. The

total scheduled number of audit days had increased from the previous year, reflecting the substantial growth of the Company.

- 7.2 It was agreed the Company's Executive team would receive the plan for formal endorsement.

Action: Director of Finance
and Corporate Services

- 7.3 Members observed a key issue is the timing of reviews, noting the fast pace of change with the Company and the external environment. It was noted the Plan allows for a degree of change in the timing of reviews.

- 7.4 It was noted DfT internal audit will look to co-ordinate its work with the Company's internal audit team to avoid issues of clash or overlap.

8. Risk Management Process – Worked Examples

- 8.1 The Committee received an update on improvements to the Company's Risk Management procedure including several worked examples.

- 8.2 Members stressed the importance of the procedure being used as a management tool and for the procedure to continue to evolve and improve. It was noted a progress update will be given to the Company's Board.

- 8.3 It was reported that directorate Risk Registers have been established and workshops are being carried out to train staff. Risks are regularly reviewed to show regular progress against actions

- 8.4 It was reported that a separate Health and Safety Risk Register has been established which is set a higher level of detail; however the Register is consistent with and integrates with the other risk registers in operation.

- 8.5 It was noted the Internal Audit statement in the Annual Accounts will include narrative around how risk management is operating across the organisation

9. CIPFA Financial Management Health Check

- 9.1 The Committee received an update on the independent Financial Management Health Check being carried out on behalf of the Company by CIPFA. It was noted the Health Check is a routine procedure used by many government departments and arms-length bodies.

- 9.2 It was noted the Health Check was progressing well and the findings would be reported to the next meeting of the Committee.

10. Date of Next Meeting – 8 May 2014

10.1 It was agreed that the duration of future meetings should be increased to two hours to allow a full discussion of agenda items.

Action: Assistant
Company Secretary

11. Any Other Business

11.1 There was no further business.

Signed: