

**High Speed Two (HS2) Ltd Audit and Risk Assurance Committee
Meeting held on 11 January 2017**

Minutes

The Boardroom 19th Floor - One Canada Square, Canary Wharf, London E14 5AB

Members	In Attendance	Apologies
Neil Mason (Committee Chair) Non-executive Director	Steve Allen Chief Financial Officer	Jo Valentine Non-executive Director
Roger Mountford Non-executive Director	Nicole Geoghegan General Counsel and Company Secretary	
	██████████ Head of Internal Audit	
	██████████ Risk and Assurance Director	
	Roy Hill Interim Chief Executive Officer	
	██████████ Director of Finance Operations	
	██████████ National Audit Office	
	██████████ Assistant Company Secretary	
	Kieran Rix Finance and Corporate Services Director	
	██████████ National Audit Office	
	██████████ Head of Assurance	
	██████████ Head of Quality	

1. Welcome and Declaration of Interests

- 1.1 There were no declarations of interest other than those already recorded in the register.
- 1.2 The Committee Chair introduced the format of the meeting. The following key points were raised:
 - 1.2.1 The light agenda will allow the committee to cover the emerging year end issues, the internal audit programme and the management assurance statement (MAS);
 - 1.2.2 The Committee has previously discussed and inputted to the draft Integrated Assurance and Approval Plan (IAAP), agreed the approach to risk deep dives and the need to review capability, land and property, enterprise resource planning (ERP), information technology and resourcing; and

- 1.2.3 **It was agreed that there would be an out of cycle meeting held for a dedicated risk and deep dive review.**

Action: Company Secretariat to arrange additional meeting

2. Minutes of the Previous Meeting, Matters Arising & Actions

2.1 The minutes of the meeting held on 14 November 2016 were agreed as a true record and signed by the Committee Chair.

2.2 The Committee noted the status of the actions.

3. Approach to the Financial Year End

3.1.1 The Committee noted the approach to the financial year end which is being led by the director of Finance Operations. The Committee noted the experience of the past five submissions being led by the same person.

3.1.2 The Committee discussed the importance of this submission of the Annual Reports and Accounts (ARA) due to the proximity of the passing of the Hybrid Bill.

3.1.3 It is anticipated therefore that there will be more scrutiny and a wider range of audiences accessing the document. There must be a successful balance to the work on the front end and narrative aspect of the reports.

3.1.4 The Committee discussed the need for quality and transparency and encouraged taking a listed company approach to the production for "fair, balanced and understandable reporting".

3.1.5 The Committee noted that whilst HS2 Ltd is required to follow the central Government code, HS2 Ltd should review the reports with comparison of the UK Corporate Governance Code, noting that these are minimum requirements to achieve only.

3.1.6 The Committee asked that based on the points in 3.1.5 that this work be reflected in the timetabling together with the political and governmental navigation of the document.

3.1.7 The Committee noted the significant piece of work on the accounting treatment of assets.

3.1.8 The National Audit Office advised that the audit work will remain the same but will not cover the land and property expenditure as this is retained by the DfT.

3.1.9 There will be narrative on the continuing work of the control environment until the integration of the ERP.

- 3.1.10 HS2 Ltd will work with the NAO on the 2017 issues and treatment of assets, looking at the allocation of corporate costs.
- 3.1.11 The Committee discussed contingent liabilities and the ongoing work to capture the appropriate treatment.
- 3.1.12 The Committee were advised that the VAT treatment is an ongoing issue and risk areas as to whether HS2 Ltd is an intending trader. The principle is being reviewed.
- 3.1.13 HS2 are looking at land and property as an end to end process and must understand the treatment to reflect this properly in the DfT accounts to pragmatically capture the treatments of the transactions.
- 3.1.14 The Committee were assured by the tried and tested methodology being adopted. The key risks should be actively reviewed and managed throughout the process.

4. National Audit Office Verbal Update

- 4.1 The Committee received a verbal update from the National Audit Office (NAO).
- 4.2 The following key points were raised:
- 4.3 The VAT issue and contingent liability controls are being reviewed as far as possible in the interim.
- 4.4 The Committee noted that a paper regarding the accounting officer is being dealt with and the plans will need to be made clear in the governance statement.

5. Management Assurance Statement

- 5.1 The Committee noted the plan for completing the management assurance statement (MAS) which is a twice yearly process.
- 5.2 The MAS is an important element of HS2 Ltd's internal control framework. The format has changed slightly for this submission. There is a more evidence based response to support and recognise that some of the questions are not relevant.
- 5.3 The ARAC will be asked to endorse the MAS for the CEO to sign it off.
- 5.4 The Committee advised that the intent of the MAS should be to complete to the satisfaction of HS2 Ltd.

5.5 The Committee requested that the issues from MAS feed into annual governance statement

Action: [REDACTED]

- 5.6 The Committee discussed the potential disconnect from DfT governance regarding the accounting officer treatment further to the update on the DfT governance/assurance framework. The point was raised at the audit chair forum with HS2 volunteering to support this although there has been no further information since.

5.7 **It was agreed that this would be updated in the HS2 Ltd governance review.**

Action: Nicole Geoghegan

5.8 The Committee noted the MAS will be presented at the next meeting ahead of the 09 month submission.

6. Regular GIAA Update Report

6.1 The Committee noted the summary of progress to date on completion of the delivery of the 2016/17 programme.

6.2 The Committee noted the large number of Integrated Project Management Office (IPMO) actions and the revised approach to the work due to the reallocation of roles and responsibilities.

6.3 The Committee discussed the work on business planning and were advised that there has been a business planning manager brought in. The Committee reinforced the importance of the link to the ARA, should track across.

6.4 The Non-executive Directors have requested to be part of the process to link up the ARA, corporate plan, KPIs, values and scorecard.

6.5 **The Committee discussed the budget increase for the audit process and asked for insight of the cost and value output of assurance. The IAAP should summarise what activities require three lines of defence which should link into the risk based approach and identify required audit areas.**

Action: [REDACTED]

6.6 The Committee noted the timeline for the recruitment process of the new Head of Internal Audit, noting that [REDACTED] will remain involved in the close out of 2016/17 and the annual opinion.

7. Internal Audit, Management Assurance Statement and National Audit Office and Infrastructure Projects Authority

7.1 The Committee noted the Internal Audit, Management Assurance Statement, National Audit Office and Infrastructure & Projects Authority findings and the status of the actions being taken to address these.

7.2 **A framework agreement audit was requested by General Counsel and Company Secretary.**

Action: [REDACTED]

7.3 **The Committee requested confirmation that the dates for closure of open actions is robust and requested an update on this at the next meeting.**

Action: [REDACTED]

7.4 The Committee requested sight of all closed out actions including those from the value for money recommendations and a consolidated response to all the issues from the original management letter.

Action: [REDACTED]

8. Compliance Audit Update

- 8.1 The Committee noted the audit programme, the targeted 20 compliance audits for 2016/17 and the forthcoming audits.
- 8.2 The Committee noted that actions are being tracked through the management committee.

9. Any Other Business

- 9.1 ***IAAP and Dashboard*** – The Committee received a brief update on the IAAP and assurance dashboard noting that the principle risks for the dashboard is a work in progress.
- 9.2 ***Owner Controlled Insurance Programme*** - The Committee were advised that there has been good progress and necessary approvals for the progression of procurement of the Owner Controlled Insurance Programme (OCIP). A market engagement day on 09 January 2017 for the supply chain revealed good market appetite.

10. Date of the next meeting

- 10.1 The date of the next in cycle meeting is 09 March 2017.

Signed:

Date: