

**High Speed Two (HS2) Ltd Audit and Risk Assurance Committee
Extraordinary Meeting held on 11 January 2018**

**Minutes
SnowHill, Birmingham**

Members	In Attendance	Apologies
Neil Masom (Committee Chair) Non-executive Director	Steve Allen Chief Financial Officer	██████████ Deputy Company Secretary
Roger Mountford Non-executive Director	Nicole Geoghegan (minutes to gam) General Counsel and Company Secretary	
Jo Valentine Non-executive Director	██████████ Interim Finance Director	
	Mark Thurston CEO	
	Emma Head (observer) HSSE Director	
	Neil Hayward HR Director	

1 WELCOME AND DECLARATION OF INTERESTS AND VALUES MOMENT

- 1.1 There were no declarations of interest other than those already recorded in the register.
- 1.2 The Committee noted the values moment given by the Company Secretary in relation to respectful use of mobile phones while in meetings (and that calls should be avoided unless such call is genuinely urgent).

2 STATUS OF NAO AND GIAA AUDIT FINDINGS

- 2.1 The Chair opened the meeting by explaining that a detailed review of the: (i) NAO action tracker; (ii) GIAA action tracker; (iii) internal audit tracker; and (iv) the 9-month Management Assurance Statement, was required and that this extraordinary meeting was to focus on (i) and (ii).
- 2.2 The Committee noted the paper setting out the status of the NAO and GIAA actions. CFO explained the format of the paper, focussing on the origin of the 'Confidence Level' column. **The Committee queried whether DfT should be notified as to the actions that are in whole or in part sitting with DfT. The Chair of the Committee will contact the Director General to request information about the status of DfT's actions.**

Action: Chair of the Committee

- 2.3 It was noted that the action responses needed to address the control failure identified by the NAO, but also needed to be fit for purpose for HS2 Ltd's business.

2.4 In relation to the status of the NAO actions, the HR Director gave a summary of the status of the HR-related actions (being items 1.1, 1.2, 1.3). The HR Director explained the re-induction programme was about to commence and that there are high registration levels for this programme. **It was agreed that the Board Members should be invited to attend the re-induction programme.**

Action: Chief Executive Officer

The Committee had no further questions on the HR-related items set out in section 5 of the action tracker.

2.5 The General Counsel & Company Secretary briefed the Committee in relation to the Conflicts of Interest actions. It was confirmed that the whistleblowing line was just about to be launched and confirmed that the target date of February stated in the tracker would be achieved. **The Chair challenged how any vexatious reports would be identified if the identity of the caller did not have to be provided. The General Counsel & Company Secretary agreed to consider this further.**

Action: General Counsel & Company Secretary

2.6 The CFO explained the status of the Loan to the High Speed Rail College. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] **The Chair of the Committee agreed to add this item to his note to the DfT Director General.**

Action: Chair of the Committee

2.7 The Finance Director briefed the Committee in relation to the Accounts Payable items and the meeting held with the NAO in December. Significant training on the purchase-to-pay system (**P2P**) has already occurred and other actions are being considered (e.g. notifying 80% or 90% utilisation of Purchase Orders to the affected cost centre owner). The Director of HSSE clarified that some minor items had been identified in considering the P2P process (such as whether there was any system or manual control that prevented orders being broken down) which were being considered further. There was a discussion in relation to the status of project controls, particularly in respect of accruals, and in relation to a revised approach to land and property payments to ensure no duplicated payments.

2.8 The Finance Director set out the work done with respect to bank reconciliations. It was agreed that HS2 Ltd needed to focus on what evidence the NAO was likely to request and to ensure such evidence was readily available. In response to a discussion as to IT systems fitness, **the Chair of the Committee agreed to attend the next ERP update meeting, scheduled for the end of January 2018.**

Action: Chair of the Committee

2.9 In relation to the issue with informality of communications with DfT (item 9.3), the CEO explained that the Corporate Sponsor will shortly implement a process for formalising correspondence.

2.10 In relation to the GIAA actions, significant progress has been made. There were two actions to be performed by DfT (actions 6 and 7), which are to be checked. Management confirmed that the re-induction slides had been provided to DfT so that DfT has visibility of the information being cascaded to HS2 Ltd staff about government controls (e.g. managing public money, specific HR controls currently in the Framework Document, etc). The CFO provided further information in relation to item 8 and clarified that HS2 Ltd had an opportunity (albeit limited) to tailor the content of the 9-month Management Assurance Statement. This 9-month statement will be subject to a detailed review at the Executive, prior to submission to the February ARAC meeting. In relation to item 9, **the Committee agreed with Management that a further audit by DfT was unlikely to be of value and that this would be communicated by the Chair of the Committee to the Director-General.**

Action: Chair of the Committee

2.11 In relation to the action tracker for the broader internal audit programme, the CFO discussed that there had been no process for identifying to any Directorate lead as to what actions were outstanding. This was now being rectified and, once the data is reviewed by each Directorate lead, the Executive Committee would review the action status, prior to any status update being submitted to ARAC.

2.12 The Committee discussed how risks should be reviewed that are significant to the Board compared to what may be significant to the Department. The ARAC effectiveness review is expected to provide feedback on any refinements that can be made to the ARAC agenda, papers, the risk and assurance framework, etc. **The CEO suggested that Board members should assist to provide their views on [REDACTED] so that this can be built into the FY18/19 Audit Plan and that the Chair of the Committee may wish to facilitate this with Board members.**

Action: Chair of the Committee

3 ANY OTHER BUSINESS

3.1 The CEO requested that the Committee received a presentation on the IMS. Co-Sec will work to schedule this for the 22 February or 9 May meeting.

Action: Company Secretariat

Signed:

Date: