Meeting minutes

Audit and Risk Assurance Committee

Meeting date	Tuesday, 11 February 2025
Meeting location	Hybrid: MS Teams / The Podium / Snowhill
Meeting time	10:00-13:00

Members	**Attendees**	
Keith Smithson Committee Chair	[redacted] Head of Internal Audit	[redacted] (item 8) Tax Manager
Stephen Hughes Non-Executive Director	[redacted] Chief Financial Officer (Interim)	[redacted] (item 10) Head of Financial Control and Governance
David Goldstone Non-Executive Director	Alan Foster Deputy Chief Executive Officer (Interim)	[redacted] (item 10) Business Manager
	Neil Mortimer Group Finance Director	[redacted] (Item 11) Head of IMS & Quality
Apologies	Non Owen Company Secretary	[redacted] - GIAA
Sir Jon Thompson Non-Executive Chair	[redacted] Company Secretary (Interim)	[redacted] - GIAA
	[redacted] Programme Controls Director	[redacted] - P-Rep
	[redacted] (item 3) Risk Director (Interim)	[redacted] - DfT
	[redacted] (Items 3-7) Head of Corporate Quality and Assurance	[redacted] - NAO
	[redacted] (items 3-4) Risk & Opportunity Director	[redacted] - NAO
	[redacted] (Item 6) Quality and Assurance Director	[redacted] - NAO

1 Welcome, Declarations of Interest and Values Moment

1.1 The Chair welcomed members and attendees to the meeting.

1.2 It was noted that Sir Jon Thomson had provided his apologies. As the Committee continued to be quorate, the meeting continued to deliberate on business at hand.

1.3 The Committee received a values moment from David Goldstone on Respect.

1.4 Each Member of the Committee confirmed that there had been no additional or change to their existing interests.

2 Minutes of the previous meeting and review of Action tracker (ARAC_24-066 and ARAC_24-067)

2.1 The minutes of the meeting held on 10 December 2024 were approved as a true record of the meeting.

2.2 The Committee noted and agreed the status of the actions:

2.2.1 Actions related to cost assurance, cost verification, and the Committee's effectiveness review, would be dealt with as part of the agenda for this meeting.

2.2.2 Progress against Action 24.048 would be communicated to the Committee in due course.

3 Risk Control and Assurance Management Information Report (ARAC_24-068)

3.1 The Risk, Control and Assurance Management Information Report ('RCA report') was presented to the Committee and taken as read.

3.2 The Head of Corporate Quality and Assurance, and Risk and Opportunity Director provided an overview on key risks for the business and mitigations.

3.2.1 Context was provided on immediate challenges, and the Committee appreciated the oversight and good progress made on the P-Rep actions. Whilst momentum was being made to deliver a refined set of actions, updated as necessary with smart objectives, it was noted that there was still further work to be done.

3.2.2 It was agreed that it would be useful to do a level of deep dive on some of the specifics once the list was refined.

ACTION: [redacted]

3.2.3 Members raised their concerns around the Integrated Management System (IMS) and that not all areas were being regularly reviewed. Whilst the Committee noted that next steps would include all Control Framework and Function Page owners to agree a programme to review their respective areas, the Committee challenged Management to provide a target date for delivery of this activity by the April meeting.

ACTION: [redacted]

3.3 The Committee went on to consider the risk summary for the period, noting developments against the risk transformation plan; control and effectiveness; and the spending review.

3.4 A review of all assurance providers (LOD1 Assurance) was recommended across the programme, with the need to sense check the level of reliability placed on them by the business. The Committee discussed the relationship required to the Integrated Assurance and Approval Plan (IAAP) and that this topic had been discussed at the external Cost Oversight Group (COG), that a more systemic solution was required longer term.

3.5 The Committee commented that at presented, the control assessments on the risk register were unsatisfactory. The Committee requested for management to collaborate with and incorporate the views of the new CEO when reviewing the strategic risks, controls and mitigations, as well as the risk appetite in line with the reset; to be reviewed and finalised by April. Following which, this exercise would be carried out by the Board in line with their duties.

ACTION: [redacted]

3.7 The Committee queried the large number of active risks and the plan to monitor and mitigate the same; asking about the resultant impact to cost and schedule. The Committee further challenged the level of process effectiveness which could be demonstrated by looking at real examples. Case study samples and a 15-minute discussion was requested for the next meeting to present flow of steps and provide assurance to the Committee.

ACTION: [redacted]

4 HS2 Risk Appetite Refresh - Update (ARAC_24-069)

4.1 The Committee received and noted the HS2 Risk Appetite Refresh Update, which was taken as read.

4.2 It was noted that papers had provided insight into work completed by an executive sub-group to develop the methodology and approach for refreshing the HS2 Ltd Risk Appetite Statement.

4.3 The following key points were discussed:

4.3.1 Upon reviewing the heatmap and risk appetite grid, it was unclear how items translated between each document. It was requested that qualitative descriptions be provided to demonstrate this and how risks had been positioned. The DfT representative raised concerns about the rationale provided for certain strategic risks and the ability to control. Whilst current strategic risks were under review, the Committee requested that Management consider the rationale provided for the updated position also.

4.3.2 [redacted] Management had accepted these comments, and it was agreed for feedback from this meeting and advice from the Members to be relayed to executive sub-committees, in order to review the status of risks and alignment with bridge and reset focus. That following this exercise, management should resubmit their papers to the Committee in due course.

ACTION: [redacted]

4.3.3 The Committee expressed that the more strategic risks there were, the harder these were to control, and 'less is more' approach was advised.

4.4 The Committee were asked to endorse the Risk Appetite for the purpose of discharging the Committee's obligations for the Annual Report 2024/25 disclosure. Members agreed to endorse the direction of travel of the framework rather than the Risk Appetite as presented. This item was noted as being scheduled for an upcoming Board Briefing session which would look to understand the executive's view on the risk register and risk appetite, followed by the Boards' endorsement thereafter.

ACTION: [redacted]

4.5 The Committee discussed that the strategic risks themselves were a Board product and requested that a Plan on a Page (POAP) be submitted indicating the timing and next steps for the Board to review and agree the strategic risk register, risk appetite and assessment of the control environment.

ACTION: [redacted]

5 Counter-Fraud and Business Ethics Six-Monthly Update (ARAC_24-070)

5.1 The Group Finance Director provided an overview of the Counter-Fraud and Business Ethics Six-Monthly Update, which was taken as read. The Committee noted that due to changes in personnel the previous format of reporting had been retained but that changes to the same would follow

5.2 The following key points were raised and noted:

Whistleblowing

5.2.1 Members were concerned about the whistleblowing procedure, capability and efficacy in dealing with certain cases. The Committee reiterated their previous advice and steer, that fraud should be seen and treated differently to whistleblowing; requesting for a new process to be implemented, with dedicated resource allocated to bolster the function. Management advised that this was being attended to as priority, with the expectation to review team structure and capability over the next quarter.

5.2.2 The DfT representative suggested a firm deadline be adhered to for providing the Committee with satisfactory assurance. Remedial action has been requested no later than the end of June with a suggestion for Management to review the DfT Whistleblowing Policy, which Management confirmed was already in hand.

ACTION: [redacted]

5.2.3 The Committee requested further information regarding the key themes of cases, as well as a summary of key risks and materiality of the same.

ACTION: [redacted]

Fraud Prevention and Detection

5.2.4 [redacted]

5.2.5 [redacted]

5.2.6 The Committee additionally requested industry benchmarking and data and highlighted that they would continue to oversee these workstreams at each meeting, noting the level of risk in the meantime.

ACTION: [redacted]

6 Actual Cost Assurance Strategy and Cost Verification Status Update (ARAC_24-071)

6.1 The Committee noted the Actual Cost Assurance Strategy and Cost Verification Status Update paper, which was taken as read.

6.2 The Actual Cost Assurance Director provided an overview on priority activities for the next three to six months and an update on cost verification work done in the period since last reported. The Committee continued to be very supportive of the work in this area and fully endorsed the strategy; that implementation should proceed at the fastest possible pace and as a high priority for allocation of resources.

6.3 It was noted that CVA had been escalated to Board in October 24. It was proposed another update be provided to Board in April.

ACTION: [redacted]

6.4 [redacted]

6.5 [redacted]

6.6 The Committee considered for the NAO to provide a view of the adequacy of the approach being taken to ACA and that this would be preferable prior to audit activity on the same commencing. It was suggested that this item be considered for a future Board Briefing Session.

ACTION: [redacted]

7 Integrated Assurance & Approval Plan (IAAP) for 2025/28 (ARAC_24-072)

7.1 The Head of Corporate Quality and Assurance introduced the Integration Assurance and Approvals Plan (IAAP), which was taken as read.

7.2 The Committee noted that the IAAP was a requirement of the DfT under the Development Agreement, and which provided an aggregate view of assurance activity associated with key milestones and decision points identified within the forward plan. The IAAP provided assurance around both the HS2 programme and HS2 enterprise-level capabilities, processes and procedures required to manage the organisation.

7.3 The Committee were asked to:

7.3.1 Provide feedback on the IAAP for FY2025/2026 and the following two fiscal years;

7.3.2 Endorse the IAAP for FY 2025/2026 for LoD2 Programme and Corporate Assurance Reviews;

7.3.3 Review and provide feedback on the responses to previous Committee comments and queries following update to the December 2024 meeting;

7.3.4 Note that the GIAA audit programme was still in development, so there could be some LoD2 duplication in both IAAPs. Once the GIAA audit programme is confirmed, the IAAP change process would be used to resolve any duplication; and

7.3.5 Note the intention to expand the IAAP to include the broadest range of assurance activities taking place across HS2.

7.4 The Committee noted that:

7.4.1 Executive Leadership and Senior Leadership Teams had been engaged in the mapping process and had endorsed the item subject to addressing some gaps which had been discovered.

7.4.2 Whilst this was an annual process, Members challenged if a retrospective review had been carried out to assess effectiveness and requested that an update on this be provided following managements review.

7.5 The following key points were raised and noted:

7.5.1 The Committee were of the view that that the CRO had already reviewed the IAAP. The Committee agreed to endorse the IAAP subject to:

7.5.1.1. The CEO having provided his feedback and being content with alignment;

7.5.1.2. The GIAA plan having been incorporated as soon as possible; and

7.5.1.3. Management having reviewed and incorporated any further changes recommended by the Stewart Review for assurance arrangements.

ACTION: [redacted]

7.5.2 [redacted]

ACTION: [redacted]

7.6 The Head of Corporate Quality and Assurance left the meeting

8 NAO Update (ARAC_24-073)

8.1 The UK National Audit Office (NAO) introduced the NAO Update on 2024/2025 planning and the interim audit.

8.2 The Committee noted that good progress continued to be made to date. That there were no changes to risks as since submitted to the December Committee, nor to the materiality from planning, which would subsequently be revisited on receipt of the draft accounts in April.

The Committee were remined that as reported to the Committee in August 2024, there were internal control issues identified during the 2023/24 financial audit, where subsequent recommendations were made. Updates had since been provided against those recommendations and which would continue to be monitored throughout the audit cycle and reported to future Committee meetings.

9 Internal Audit Progress Report December 2024 (ARAC_24-074)

9.1 The Head of Internal Audit from the GIAA introduced the Internal Audit Progress Report dated February 2025, which was taken as read.

9.2 The Committee noted that good progress continued to be made on actions to date, and that clear accountable owners be identified and disclosed against open actions going forward. It was also requested for the new CEO to be provided an opportunity to review the internal audit plan and status.

9.3 The Committee discussed a limited opinion which has been given on the foreign exchange review, with management advising that this was a low risk requiring a policy update. There were no changes to risks set out in the Audit Planning Report following the December Committee meeting, nor to the materiality from planning, which would be revisited again on receipt of the draft accounts in April.

9.4 The Committee was reminded of internal control issues identified during the 2023/24 financial audit and subsequent recommendations made by Members at the August 2024 meeting. The Committee noted that updates against those recommendations had been provided and would continue to be monitored throughout the audit cycle and reported to future meetings accordingly.

10 Annual Report and Accounts 2024/25: Update on Progress (ARAC_24-075)

10.1 The Head of Financial Controls and Governance and Business Manager joined the meeting.

10.2 The Committee received and noted the Annual Report and Accounts 2024/25 Update, which was taken as read.

10.3 It was noted that:

10.3.1 Progress against open actions was on track;

10.3.2 To build on previous years' success, management had provided the Committee with key accounting judgements, together with the timetable for the ARA audit and progress of NAO recommendations from prior years; and

10.3.3 There were no significant changes since December 2024 and that the accounting judgements would not be on the same scale as they were for 2023/24 following scope changes arising from 'Network North' announcements.

10.4 The Committee briefly discussed the narrative required from the HS2 Board Chair, the timing of the departure of the current author and onboarding of the new Chair. It was agreed that the level of detail for inclusion would be reviewed subject to the timing of the incoming Chair.

10.5 The Head of Financial Controls and Governance and Business Manager left the meeting.

11 IMS Management System Review (ARAC_24-076)

11.1 The Head of Business Quality and IMS joined the meeting.

11.2 The Committee received and noted the IMS Management System Review, which was taken as read.

11.3 It was noted that submission was part of an annual cycle being a requirement of the management system certification to ISO 9001:2015 (quality), ISO 14001:2015 (environmental) and ISO 45001;2018 (occupational health and safety).

11.4 The Committee challenged whether there was any conflict between endorsement being sought to actions following peer review, and the contradictory position presenting an Improvement Programme around the IMS. Management confirmed that there was no conflict and that this was an annual requirement under the Development Agreement with the DfT.

11.5 Having understood there being no overlap with deficiencies with the IMS, the Committee agreed to endorse the same.

11.6 The Head of Business Quality and IMS left the meeting.

12 ARAC Effectiveness Review – Action Recommendations (ARAC_24-077)

12.1 The Company Secretary introduced the Effectiveness Review Action Recommendations, which were taken as read.

12.2 The Committee provided their agreement to the recommendations presented noting that the overall assessment was a positive one.

12.3 The Committee requested that:

12.3.1 For governance recommendations outlined in the Stewart Review to be considered and incorporated for action, where deemed appropriate;

12.3.2 This review and its recommendations be considered as part of the wider Board Effectiveness Review, which was scheduled to be external for 2025; and

12.3.3 Membership of only three for this Committee be reconsidered, as well as a quorum of only two Members.

12.4 It was noted that this annual effectiveness review would be summarised for the Board and its activity informed of in the 2024/25 ARA.

13 Committee Forward Look (ARAC_24-078)

13.1 The Committee noted the forward look.

14 Any Other Business

14.1 There being no further business, the meeting closed.