HOUSE OF LORDS

# HOUSE OF LORDS AUDIT COMMITTEE

## Thursday 30 April 2020, 4.30pm (Virtual Meeting)

## MINUTES

**Present:**
Liz Hewitt (Chair)
John Beckerleg
Lord Fink
Baroness Fritchie
Lord Haskel
Lord MacPherson of Earl's Court
Lord Shutt of Greetland

**Officials**
Ed Ollard (Clerk of the Parliaments)
Fehintola Akinlose (Director of Finance)
Jonathan Smith (Head of Finance)
Paul Thompson (Head of Internal Audit)
Damian Brewitt (National Audit Office)
Ioana Stefu (National Audit Office)
Jake Vaughan (Reading Clerk)
Carl Woodall (Director of Facilities)
Stephen Perkins (Head of Catering Services)
Sarah Clarke (Lady Usher of the Black Rod)
Robert Noye-Allen *(*BDO*)*

The Chair noted that it was the first time that the Committee had met virtually and thanked the House authorities and the Digital Service for enabling the Committee to meet during the Covid-19 pandemic.

**1. Declaration of interests for the meeting on 30 April**
The Chair invited members to declare any interests relevant to the matters under discussion. No interests were declared.

**2. Matters arising from the minutes of the meeting on 6 February**
The Chair updated the Committee on progress on the agreed actions arising from the Committee's previous meeting. The items referred to in the paper were:

- The risk report was to be considered at each Audit Committee meeting.
- A meeting with Lord Carter of Coles from the R&R Sponsor Body to be arranged. This had been challenging to arrange during the Covid-19 disruption but the Committee supported arranging this meeting with Lord Carter.
- The Readiness Review concerning the R&R Programme had been published and shared with the Committee. The Chair also noted that the NAO's report on the R&R Programme has been published and this would be proposed for

consideration at a future Joint Committee meeting with the House of Commons Audit Committee.

- Lord Shutt asked what had been the changes that had taken place on the R&R programme on 8 April. Ed Ollard said that the Sponsor Body was now constituted as a substantive body under the Parliamentary Buildings (Restoration and Renewal) Act 2019. He said that the Parliamentary Relationship Agreement had been signed by the Clerks of both Houses and the CEO of the Sponsor Body.

## 3. Updates from the Commission meetings

3.1 The Chair updated the Committee on the meetings of the Commission since the previous Audit Committee meeting in February. The Commission had met physically and virtually during this period and considered issues including:

- Update on the Elizabeth Tower project;
- The Medium Term Financial Plan;
- The R&R Estimate for the forthcoming year. The House of Commons Commission agreed an estimate for the first three months of the 20-21 financial year which the Lords Commission endorsed. The Sponsor was working on a paper to present to both Commissions including proposals for funding for the rest of the year; and
- The response to the Covid-19 pandemic and the virtual proceedings which were now in effect in the House of Lords. The Commission was expected to propose revised guidance concerning Members' financial support in the context of virtual proceedings later in the week.

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## 4. National Audit Office – Interim Audit Update Report

4.1 Damian Brewitt introduced the paper.

4.2 He said the interim report provided to the Committee summarised observations from the interim audit activity which had not identified any significant new risks. He said discussions had taken place concerning the revaluation of the building. Lord MacPherson of Earl's Court noted the challenges of obtaining a meaningful valuation of the building and the Chair said the valuation basis should be revisited in the future. Damian Brewitt said they had made good progress in satisfying themselves about that risk. He added that he had noted the recommendations made in the Internal Audit report about shared costs.

4.3 On the impact of Covid-19, Damian Brewitt said HM Treasury were not relaxing the existing framework but would be issuing further guidance about the preparation of accounts. There was likely to be a significant impact on House of Lords accounts in some areas, such as revenue from banqueting but from the discussions that had taken place with the Finance Department he expected to be able to complete the audit as planned.

4.4 On the transition of the R&R programme to the substantive Sponsor Body and Delivery Authority, he said this would have an impact on the accounts as a non-adjusting event. Discussions were ongoing with the Finance Departments in both Houses and the Sponsor Body.

4.5 The Committee **took note** of the paper.

## 5. Outstanding audit recommendations

5.1 Paul Thompson introduced the paper.

5.2 The Committee **took note** of the paper.

## 6. Progress against the Internal Audit plan for 2019/20 and proposed plan for 2020/21

6.1 Paul Thompson introduced the paper.

6.2 He noted the progress made on the 2019-20 plan and this was welcomed by the Committee.

6.3 He summarised the process for preparing the plan for 2020-21 and that he had consulted with all of the key officials in the Administration including the Clerk of the Parliaments. The Management Board had endorsed the plan at their meeting in April. He said that the plan had been developed using standard planning assumptions but he acknowledged that the plan may be affected by the ongoing disruption resulting from the Covid-19 pandemic. There may also be an impact on efficiency from staff working differently and other audits may be added to the plan as the year progresses.

6.4 John Beckerleg and Baroness Fritchie welcomed the flexibility in the plan for the forthcoming year and the intention to proceed with assurance work during the current situation. Lord MacPherson agreed and added that the Internal Audit team should feel empowered to recommend amendments to the plan if circumstances required. Baroness Fritchie enquired about possible reviews of workplace culture and the Chair asked about planned audits in financial controls in estates and digital. Paul Thompson said that the plan had been designed to allow for some flexibility for additional audits during the year once the full impact of the pandemic was more well understood.

6.5 The Chair summarised the discussion and advised the Clerk of the Parliaments that the Committee:

- Congratulated the Internal Audit team on the delivery of the 2019-20 Internal Audit Plan;
- Supported the plan for 2020-21 and recognised the challenge of planning during the current situation; and

- Would review the plan at the October meeting in the light of any changed circumstances, and in particular (a) financial controls in estates, (b) digital, (c) lessons learned from Covid-19.

6.6 The Committee **took note** of the progress during 2019/20 and **approved** the audit plan for 2020/21.

## 7. Draft Audit Committee Annual Report

7.1 The Chair noted the draft report and asked for members of the Committee to send comments on the draft report by correspondence.

7.2 The Committee **took note** of the draft report.

## 8. Draft Audit Committee progress report to the House of Lords Commission

8.1 The Chair asked for Committee members to send comments on the draft update before it is provided to the Commission.

8.2 The Committee **took note** of the draft update.

## RISK

## 9. Corporate Risk Report

9.1 Jake Vaughan introduced the paper.

9.2 He said the risk report before the Committee was an update on the position at the end of December 2019 so did not take account of the impact of the Covid-19 pandemic. He said that the priority during the current situation for the Administration was the welfare of staff. Significant work had been done to enable the majority of staff to work remotely using digital platforms and guidance had been provided to assist them in adapting to working differently. A bicameral group met regularly to consider Parliament's response to the pandemic and both Houses had moved quickly to virtual sittings for the Chambers and Committees. Measures were in place to allow social distancing for Members and staff in attendance on the Estate. *[Additional data – restricted access]*

9.3 The Chair noted the risk scores associated with staffing and health and safety on the risk register. Jake Vaughan agreed that these were important areas which the Management Board were monitoring closely.

9.4 The Committee **took note** of the report.

## INTERNAL AUDIT REPORTS: FOR DISCUSSION

## 10. CRS Retail Operations [Limited Assurance]

10.1 Stephen Perkins introduced the report. He said that the report had identified the challenges of the interface between the stock system with the point of sale system. The expiry of a relevant software licence had led to difficulties in compatibility between the systems. Carl Woodall added that this was being addressed at a bicameral level and with digital developers to resolve the issue.

10.2 In summing up the Chair noted the concerns of the Committee about the software problems.

10.3 The Committee **took note** of the report.

## 11. Business Continuity [Substantial Assurance]

11.1 Paul Thompson introduced he paper and noted that the report had been completed before the Covid-19 outbreak and that the conclusions were generally positive. Sarah Clarke said that the response to the pandemic had been an extremely challenging one for Parliament but that existing plans had been stood up and adapted for the situation to enable both Houses to sit. She emphasised the importance of bicameral work including the Covid-19 Group which had met daily. Carl Woodall added that there would clearly be lessons learnt from the situation and implications for work in the future.

11.2 Lord MacPherson praised the response of both Houses to the situation and asked if the response would have been different if the Houses had not been in recess. Sarah Clarke said the fact that both Houses weren't sitting allowed staff to concentrate wholly on the response to the pandemic and that officials had followed the guidance provided by Public Health England. Ed Ollard added that the Administration had to wait for a steer to be given by the political leadership before proceeding with decisions surrounding virtual proceedings.

11.3 Lord Fink asked whether there were positive outcomes from what staff had been able to achieve by working remotely and whether this practice will continue. Sarah Clarke said work was underway to analyse the response and that general principles of what had been effective were in place. During the pandemic offices had introduced rotas where possible so there was resilience in teams for staff who were still required to be in attendance. She noted the importance of face -to-face work in some areas in Parliament and said it was important to be clear about what Parliament wanted to maintain and why. Ed Ollard said the Administration would be looking at the operating model and which staff would need to be in attendance.

11.4 The Chair gave congratulations and thanks on behalf of the Committee to Administration and bicameral teams for creating an effective working environment and keeping people safe during the very challenging situation. She said that the experience of responding to the situation should be captured and reflected in updated business continuity plans. She noted the concerns surrounding a possible second wave of the virus and invited the Administration to consider their response

in that scenario. The Committee would welcome reflections of the response to the pandemic at the October meeting.

11.5 The Committee **took note** of the paper.

### 12. Assurance Arrangements for R&R Workstreams 1 [Moderate Assurance]

12.1 Robert Noye-Allan introduced the paper. He confirmed there were good assurance arrangements in place for R&R Workstream 1.

12.2 The Committee **took note** of the report.

### 13. Mandatory Training – Follow Up

13.1 The Chair noted the written submission from the Director of Human Resources who was not able to attend in person which questioned whether recommendations in the report were correctly listed as outstanding. Paul Thompson said that he was satisfied with the listing of items in this follow-up as outstanding. The Committee would have the opportunity to discuss progress in this area on the Outstanding Audit Recommendations at forthcoming meetings.

13.2 The Committee **took note** of the report.

## INTERNAL AUDIT REPORTS: FOR INFORMATION

### 14. GDPR [Moderate Assurance]

14.1 The Chair noted the level of assurance in this area. Paul Thompson said this was a recent area where a lot of excellent work had been carried out. The level of assurance was an indicator that more work was yet to be done rather than a concern about work already undertaken. Baroness Fritchie asked whether any analysis had been carried out on the circumstances where recommendations from Internal Audit were rejected by management. Paul Thompson agreed to update the Committee with some analysis in this area at the next Committee meeting.

14.2 The Committee **took note** of the report.

### 15. Shared Service Cost Sharing [Moderate Assurance]

15.1 Lord MacPherson noted the three recommendations made in this report and these were not new issues that had been identified. The Chair drew this report to the attention of the NAO.

15.2 The Committee **took note** of the report.

### 16. Members' Mobile Phone [Moderate Assurance]

16.1 The Committee **took note** of the report.

## 17. NEP Risk Management Arrangements [Substantial Assurance]

17.1 The Committee **took note** of the report.

## 18. Skype for Business Programme [Moderate Assurance]

18.1 The Committee **took note** of the report.

## 19. Parliamentary Maintenance Service Team – Follow Up

19.1 The Committee **took note** of the report.

## OTHERS PAPERS FOR INFORMATION

## 20. R&R Q3 Report

20.1 The Chair asked whether there were remaining issues outstanding concerning the allocation of risks between the R&R programme and the two Houses. Ed Ollard said that agreement on allocation of strategic risks had been concluded before the Sponsor Body became substantive. Responsibility for all significant risks had all been agreed and a risk user group had been established to consider any further matters that arose.

## 21. Private Meeting with Finance Director

21.1 The Committee met in private with the Finance Director.

- *[Additional data – restricted access]*

**The next meeting of the Committee will be held on 6 July 2020.**

**Actions**

| Item | Action |
|---|---|
| **Matters arising** | Arrange meeting with Lord Carter of Coles |
| **Matters arising** | Arrange Joint Meeting with HoC to consider NAO report on R&R |
| **Internal Audit Plan** | Committee to review plan at October meeting |
| **Draft Audit Committee Annual Report** | Members to send comments to the Committee Clerk |
| **Draft Commission Update** | Members to send comments to the Committee Clerk |

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| **Business Continuity** | Committee to consider reflections on business continuity in the light of Covid-19 at October meeting |
| **GDPR** | Head of Internal Audit to provide an analysis of rejected IA recommendations |