HOUSE OF LORDS

HOUSE OF LORDS AUDIT COMMITTEE

Monday 06 July 2020, 4.15pm (Virtual Meeting)

MINUTES

Present:	Liz Hewitt (Chair) John Beckerleg Baroness Fritchie Lord Haskel Lord MacPherson of Earl's Court Lord Shutt of Greetland
Apologies	Lord Fink
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) Aisha Bi (Risk and Governance Manager) James Taylor (Deputy Director of Human Resources)

1. Private meeting with the NAO

1.1 The Committee met in private with Damian Brewitt and Ioana Stefu from the NAO.

- *[Additional data – restricted access].*

2. Declaration of interests for the meeting on 06 July

The Chair invited members to declare any interests relevant to the matters under discussion. No interests were declared.

3. Matters arising from the minutes of the meeting on 30 April

The Chair updated the Committee on progress on the agreed actions arising from the Committee's previous meeting. The Chair noted that the planned call with Lord Carter had not yet taken place but she was still keen to arrange this.

4. Updates from the Commission meetings

4.1 The Chair updated the Committee on the meetings of the Commission since the previous Audit Committee meeting in April. The Commission had met on several occasions during that period and had considered issues including:

- Members' allowances;

- An update from the Steering Group for Change;
- An update from the R&R programme and information concerning the Strategic Review.

RISK

5. Corporate Risk Update

5.1 Jake Vaughan introduced the paper. He noted that it had been challenging to capture everything that had taken place over the past three months as it had been essentially a single large risk mitigation exercise. He said there had been large scale health and safety changes to the estate, and there had been the move initially to virtual and then hybrid proceedings. The changed model for working had meant there had been rapid changes in digital tools for staff and Members, and those changes had brought new cyber security challenges. He noted the challenges for staff during this period, including high workloads over a sustained period and the potential isolation for those working remotely.

5.2 Lord Shutt asked about risks associated with the R&R programme. Jake Vaughan noted that the Sponsor Body was carrying out a strategic review of the programme. He said that a Risk Interface Forum had been set up so the two Houses and the Sponsor Body would work together on risks associated with the programme. The Clerk was asked to circulate to Committee members how to contribute views to the Strategic Review.

5.3 Lord MacPherson asked what had been learnt as a result of the Administration's response to the COVID-19 pandemic. Jake Vaughan replied that he thought the Administration had responded well to the pandemic, with Members and staff rising to the challenge. Some staff had been required to work very hard for prolonged periods and a challenge for the Administration was to make work and sittings more predictable and routine for Members and staff. He said the Administration was also tracking examples of good changes to working practices which had occurred during this period.

5.4 Baroness Fritchie asked about what work was being done prioritising work during this period. Jake Vaughan replied that the staff were prioritising essential services and ensuring these were done well.

5.5 The Committee took note of the paper.

INTERNAL AUDIT REPORTS

6. Corporate Risk Management Arrangements – [Moderate Assurance]

6.1 Paul Thompson introduced the paper. He said that the report had shown there were many strengths to the current system and had concluded there was an effective and proportionate risk system. All of the recommendations had been accepted and one had already been actioned.

6.2 John Beckerleg asked about risk management arrangements for projects and programmes. Jake Vaughan replied that this was an area where progress had been made and noted that the Joint Investment Board now had its own risk register. The

Management Board would be considering how projects and programmes were monitored at their meeting in September.

6.3 The Chair noted the comments from the NAO concerning the reliability of data and effectiveness of controls in Strategic Estates and asked whether the actions concerning the recommendations could be implemented more quickly. Jake Vaughan noted that one had been actioned already and the remaining recommendations were expected to be cleared by the end of 2020.

6.4 The Committee took note of the paper.

7. Financial Support to Members 2019-20 – [Substantial Assurance]

7.1 Paul Thompson introduced the paper. He said that the report indicated that the administration of scheme continued to exhibit strong controls. As with previous years, he confirmed that the audit had focussed on the administration of the scheme rather than the terms of the scheme itself. He remained impressed at the application and diligence of the Finance Department in administering the scheme but, in common with previous years, had also listed what IA consider to be on-going vulnerabilities associated with the scheme.

7.2 The Committee took note of the paper.

8. Review of Management and Control of HR Data – [Limited Assurance]

8.1 Paul Thompson introduced the paper. He said that the limited assurance had been provided because IA were unable to confirm HR compliance with the terms of the Data Protection Act. Despite this the review had found some strengths in current processes and these were noted in the report. The management response to the single recommendation raised had been positive. The Deputy Director of HR indicated that this would organised on a project basis, drawing in additional resource as necessary.

8.2 James Taylor said that he welcomed the report. The audit had given an indication of existing weaknesses in processes. The project to take forward the recommendation made in the report had already commenced, with the assistance of colleagues from the communications team.

8.3 Lord MacPherson noted the challenging timetable HR had set to complete the project. James Taylor said the full project would run until the end of 2020-21. Key deliverables including data transfer practice and controls for data security were expected to have been completed by October 2020.

8.4 The Chair noted that Human Resources may wish to consider as part of this work whether there were any data held which they do not now need.

8.5 The Committee took note of the paper.

9. Outstanding Audit Recommendations

9.1 Paul Thompson introduced the paper. He said that since the last meeting two outstanding items had been cleared and that a further two were expected to be cleared soon.

9.2 The Committee took note of the paper.

10. Analysis of Internal Audit Recommendations

10.1 Paul Thompson introduced the paper. He summarised the data which set out the numbers of recommendations made by Internal Audit and the number of those that were (i) accepted, (ii) rejected, and (iii) were not actioned by the time of follow-up reports.

10.2 The Committee took note of the paper.

11. Draft Annual Report and Resource Accounts 2019-20
Draft Audit Committee Annual Report 2019-20

11.1 Jonathan Smith introduced the paper. He said that the report and accounts had been updated, following feedback from the Management Board, the NAO, and the Audit Committee at the read-through on 22 June. He confirmed the letters referred to in the Governance Statement concerning expenditure on Cranborne Money and on the Metropolitan Police had been received. The letter of assurance from the Clerk of the House of Commons concerning shared service costs and shared asset values was expected to follow once the House of Commons accounts had been signed off.

11.2 Lord Shutt asked about the salaries of members of the Commission which he had raised at the read-through and wider concerns about the allowance scheme for Members. Jonathan Smith noted the additional information concerning office-holders' salaries had been added to the report. The Chair noted that the Commission was aware of concerns about the current allowance system and had met recently to consider this subject.

11.3 John Beckerleg asked about the trading activities in the accounts and whether further detail could be shared. The Head of Finance said he would provide more information to him.

11.4 The Committee **took note** of the Annual Report and Resource Accounts.

12. Annual Assurance for 2019-20 Financial Year

12.1 Paul Thompson introduced his report. He said that the audit plan had been delivered and the results from the follow-up work continued to be encouraging. The internal team had remained stable throughout the year and the external support contract was now fully established. He noted the external review carried out during the year which concluded that the Internal Audit function "fully conforms with Public Sector Internal Audit Standards". His overall audit opinion was "moderate".

12.2 He said there remained some concerns surrounding assurance in Strategic Estates although he said there were some ground for cautious optimism about progress in that area. He also referenced the Covid situation, the Restoration and Renewal Programme and management of the cyber risk across Parliament. The Chair asked him to provide further details on cyber assurance and he agreed to do this via the clerk.

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

13. Fraud: Annual Update 2020

13.1 Paul Thompson introduced his report. The overall assessment of the risk of exposure to fraud was moderate. Whilst the risks of fraud exist, management were taking reasonable steps to mitigate them. He noted there was evidence of effective internal control and governance, a strong counter fraud culture, and good levels of staff awareness. He noted the heightened risk of fraud during the pandemic.

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

14. Audit Completion Report

14.1 Damian Brewitt introduced the paper. He thanked Jonathan Smith and Fehintola Akinlose, together with the rest of the Finance Department, for their work during the audit. He said the NAO would be certifying the accounts with an unqualified opinion. He said this would include an emphasis of matter regarding the valuation of parliamentary estate. He said there also remained concern about high level monitoring and the reliability of controls in Strategic Estates. He said there were still some minor outstanding items to finalise although these would have no impact on issuing an unqualified opinion. He confirmed the final version of the Audit Completion Report would be shared with the Committee.

14.2 In summing up, and giving advice to Clerk of the Parliaments, the Chair reminded the Committee that the combined annual report and resource accounts had been reviewed on a page by page basis on 22 June, and considered again at this meeting; it had reviewed the annual assurance statement and the annual fraud update from the Head of Internal Audit; as well as the audit completion report from the NAO. The Committee was content with its review of the annual financial statements and accounts, and recommended to the Clerk of the Parliaments that he should sign them.

INTERNAL AUDIT REPORTS: FOR INFORMATION

15. Review of the Management of Debtors [Moderate Assurance]

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

16. Use of Consultants [Moderate Assurance]

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

17. Staff Induction Processes [Moderate Assurance]

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

18. Implementation of the Annual Pay Award [Substantial Assurance]

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