



HOUSE OF LORDS AUDIT COMMITTEE

Thursday 6 February 2020

MINUTES

Present: Liz Hewitt (Chair)
John Beckerleg
Baroness Fritchie
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)
Carl Woodall (Director of Facilities)
Marcus Tunaley (Divisional Director, R&R Programme)
Steven Mark (Director of Cyber Security Programme)
Mark Harbord (newly appointed Director of Cyber Security)
Damian Brewitt (National Audit Office)
Ioana Stefu (National Audit Office)

Apologies: Lord Fink
Lord Haskel

1. Declaration of interests for the meeting on 6 February

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 28 October

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:

- Committee to consider paper on responses to questionnaire at next meeting
- Next IAG Assurance report to be considered at next Audit Committee meeting
- Planning underway for the transfer of audit responsibilities for the R&R Programme
- Follow-up report on Mandatory Training will be considered at April meeting with figures of staff who have completed mandatory training.

2.1 The Chair summarised the discussion at the Joint Audit Committee meeting earlier in the day. She said the Committee had provided the following advice to the Clerk of the Parliaments:

- that the risk matrix for the R&R programme should as far as possible be matched against Parliament's risk matrix;
- that he should take legal advice regarding the novation of contracts from the two Houses to the R&R programme; and
- that he should take legal advice regarding the terms of the licence to occupy the Palace during the programme.

3. Updates from the Commission meetings in January

The Chair updated the Committee on the meeting of the Commission on 22 January. She confirmed the Commission had reappointed the Audit Committee during that meeting.

4. Update from meeting with Director General of the House of Commons concerning the merger of Strategic Estates and In-House Services

- 4.1 The Chair informed the Committee that follow-up answers from Ian Ailles to the questions that had been sent to him had not yet arrived. She said that it was hoped these would arrive in time for the next meeting of the Commission on 12 February.

5. Committee self-assessment

- 5.1 The Committee discussed the results of the Committee's self-assessment questionnaire.
- 5.2 On the issue of the NAO's engagement with the Committee, the Chair welcomed the papers from the NAO for this meeting.
- 5.3 The Committee discussed how regularly they consider the risk register. John Beckerleg and Baroness Fritchie both said they did not support changing the current arrangement where the Committee consider this at every other meeting.¹
- 5.4 Lord Shutt said an area of concern was attendance of members at Committee meetings. Baroness Fritchie said it would be helpful to raise what membership of the Committee entailed when parties and groups proposed members to the Committee. The Chair noted the forthcoming rotation of members off the Committee this year.
- 5.5 The Committee took note of the paper.

6. IAG Quarterly Report

- 6.1 Carl Woodall introduced the paper. Marcus Tunaley was also in attendance.
- 6.2 Mr Woodall summarised the quarterly update and noted that the overall rating had moved from red/amber to amber. Improvements since the last update included improved sighting on the Northern Estates Programme, useful monthly meetings with NEP management and the "path to green" in the report.

¹ After the meeting the Chair decided to reinstate the review of risk at every meeting.

- 6.3 John Becklerleg asked about the path to green for the programme. Mr Woodall and Mr Tunaley said that some parts of the programme may have a rating of green if NEP were disaggregated from the programme. Ed Ollard reminded the committee the overall rating in the report was still amber and Paul Thompson added there was more progress to be made before an overall green rating could be provided.
- 6.4 The Chair asked about the forthcoming readiness review ahead of the transition of the R&R Programme to substantive state. Carl Woodall replied that the review would have four purposes. It would:
- cover the sponsor and delivery organisations and how they work together;
 - look at R&R and NEP as a whole;
 - consider Parliament's preparedness to handover the programme;
 - examine the future interface with the programme.
- 6.5 Ed Ollard confirmed the readiness report would be shared with the Committee.
- 6.6 John Beckerleg asked how many business cases would ultimately be submitted and when. Ed Ollard said this would be a decision for the Sponsor Body once it was substantive and was part of its statutory responsibility. There were likely to be several of these for different elements of the programme but an outline umbrella business case was expected to be presented to Parliament for approval in 2022.
- 6.7 The Committee took note of the paper.

7. R&R Quarterly Update

- 7.1 The Committee discussed the paper.
- 7.2 Baroness Fritchie welcomed the evidence in the paper of controls in place on the programme. The Chair agreed this was positive evidence contained in the report.
- 7.3 The Committee took note of the paper.

EXTERNAL AUDIT: FOR DISCUSSION

8. NAO Management letter

- 8.1 Damien Brewitt introduced this item.
- 8.2 He noted a challenge referenced in the audit completion report relating to the valuation of the Parliamentary Estate. He recognised the difficulties of revaluing the Palace and noted that the contract on valuation was understood to be under review. The Chair said it would be useful to know when that contract expired. Ed Ollard clarified that the issue was the mechanism for valuing the building rather than the valuation itself.

8.3 The Committee took note of the paper.

INTERNAL AUDIT: FOR DISCUSSION

9. External Review of Internal Audit

9.1 Ed Ollard introduced the item. He said that the external review of internal audit had been conducted by the Head of Risk & Assurance at Ordnance Survey and the Head of Internal Audit at the Scottish Parliament. He congratulated the House of Lords Internal Audit team on the findings of the review.

9.2 The Chair agreed that the findings were very positive and congratulated the Head of Internal Audit. Paul Thompson thanked the committee for their comments and acknowledged the work of the whole internal audit team.

9.3 Baroness Fritchie said the findings of the review demonstrated the strength of the relationships the internal audit team had established in the Administration. Ed Ollard added that the positioning of the internal audit team as an internal consultancy had worked well.

9.4 The Committee took note of the report.

10. Update on the Internal Audit Plan

10.1 Paul Thompson introduced this item.

10.2 He summarised the changes to the Internal Audit plan set out in the paper which had resulted from the deferral of an audit in Catering and Retail Services. He said that an audit that had been in reserve concerning allergens should wait until changes to relevant regulations were completed in 2020.

10.3 The Committee endorsed the paper and the changes to the internal audit plan.

11. Cyber Security Strategic Planning [Moderate Assurance]

11.1 The Head of Internal Audit (Paul Thompson) introduced this item.

11.2 Steven Mark summarised the audit and introduced Mark Harbord as the newly appointed Director of Cyber Security. He said that this audit was largely conducted through interviews conducted following the conclusion of the recent three-year cyber security programme.

11.3 Lord MacPherson asked what links they had with other comparable organisations to share practices. *[Additional data – restricted access]*

11.4 *[Additional data – restricted access]*

11.5 *[Additional data – restricted access]*

11.6 The Committee took note of the report.

12. Outstanding Audit Recommendations

12.1 Paul Thompson introduced this item.

12.2 John Beckerleg welcomed that the outstanding recommendations regarding safeguarding had been cleared.

12.3 The Committee took note of the paper.

PAPERS FOR INFORMATION

13. Archive Storage Arrangements – Follow Up

13.1 The Committee took note of the report.

14. Office Level Contract Management – Follow Up

14.1 The Committee took note of the report.

15. CRS Gratuities and Christmas Funds – Follow Up

15.1 The Committee took note of the report.

16. Devolved Budget Holding – Follow Up

16.1 The Committee took note of the report.

17. Staff Security Clearance – Follow Up

17.1 The Committee took note of the report.

18. EU Liaison (NPRP) Post – Follow Up

18.1 The Committee took note of the report.

19. External Mail Screening – Follow Up

19.1 The Committee took note of the report.

20. NAO Quarterly Update

20.1 The Committee took note of the report.

ANY OTHER BUSINESS

21. The Committee met in private with the Head of Internal Audit.

21.1 *[Additional data – restricted access]*

21.2 The Committee agreed to seek to meet the House of Lords members of the Shadow Sponsor Body.

The next meeting of the Committee will be held on 30 April 2020.

Actions

Item	Action
Matters arising from previous meeting	Follow-up report on Mandatory Training will be considered at April meeting with figures of staff who have completed mandatory training
Committee self-assessment	Provide information to peers before they join the committee about what the work of the committee entails.
IAG Quarterly Report	R&R Readiness Review to be shared with the Committee
Cyber Security Strategic Planning	Update on recommendation concerning key controls to be provided to the Committee.
Discussion with Head of Internal Audit	Arrange meeting with Lords members of Shadow Sponsor Body.