



HOUSE OF LORDS AUDIT COMMITTEE

Tuesday 18 May 2021, 4.00pm (Virtual Meeting)

MINUTES

Present: Mathew Duncan (Chair).
Caroline Gardner
Lord Brownlow of Shurlock Row
Baroness Fritchie
Lord Haskel
Lord MacPherson of Earl's Court
Lord Palmer of Childs Hill

Officials: Fehintola Akinlose (Finance Director)
Simon Burton (Clerk of the Parliaments)
Isabel Coman (Managing Director, In House Services and Strategic Estates)
Catharine Hallett (IHSE Portfolio Management Office)
Saeka Parkar (Head of Financial Reporting)
Jonathan Smith (Head of Finance)
Paul Thompson (Head of Internal Audit)
Carl Woodall (Director of Facilities)
Bill Mitchell (BDO)
Liz Fox (National Audit Office)
Ioana Stefu (National Audit Office)

The Chair welcomed Simon Burton to his first meeting since he succeeded Ed Ollard as Clerk of the Parliaments.

1. Declaration of interests for the meeting on 18 May

The Chair invited members to declare any interests relevant to the matters under discussion.

2. Matters arising from the meeting on 02 March

The Committee agreed the minutes of the previous meeting. The Chair said that he had spoken to Jake Vaughan (Reading Clerk and Director of Corporate Services) about providing an example of a risk deep dive considered by the Board. It was expected that the Committee would receive this as part of their next risk update at the meeting in July.

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 March. The new Chair of the Commission was Lord McFall of Alcluith (the recently elected Lord Speaker) and Lord Gardiner of

Kimble was the new Senior Deputy Speaker and Deputy Chair of the Commission. The Commission had considered the current Covid-19 measures on the Estate at their most recent meeting.

3.2 The Commission's next meeting is on Tuesday 25 May.

4. National Audit Office – Interim Audit Update Report

4.1 Liz Fox introduced the paper.

4.2 In discussion, members of the Committee discussed the concerns raised by the NAO about the valuation of the Parliamentary Estate. Lord Palmer of Childs Hill raised the cost to public funds of valuing the Parliamentary Estate each year, including the cost of the use of external professional advice in this process, and whether this was a sensible use of public funds. Liz Fox confirmed this was something that was required under HMT Financial Reporting Manual – Accounting Standards but acknowledged there were challenges to assigning a meaningful value to the Palace of Westminster. It was recognised that the Parliamentary Estate encompassed other buildings than the Palace for which valuations were more straightforward and useful to carry out. A paper would be brought to the next Joint Audit Committee in June with further information surrounding the valuation of the Estate. Caroline Gardiner asked about the transfer of costs associated with the Restoration and Renewal programme. Liz Fox said that activities on R&R are treated as resource spending and that the Finance Directors of both Houses will be bringing a paper to the Joint Audit Committee meeting in June with further information.

4.3 The Committee took note of the paper.

5. Outstanding audit recommendations

5.1 Paul Thompson introduced the paper. He noted that there were new outstanding actions which had been added to the list since the last meeting but recognised that there were mitigating circumstances due to the challenging situation of the pandemic. He said the list of outstanding actions included an action for which no update had been received and was therefore recorded as outstanding.

5.2 In discussion, members of the Committee asked whether Board members responsible for outstanding audit recommendations should be invited to attend Audit Committee meetings to explain outstanding recommendations. Simon Burton said he would remind Board colleagues the importance of clearing outstanding audit actions, and if they were not cleared they may be invited to future Committee meetings to explain the delay. He said that the Board receive an update before each Audit Committee meeting of outstanding audit recommendations, and Board members were reminded of the importance of clearing actions.

5.3 The Committee took note of the paper.

6. Progress against the Internal Audit plan for 2020/21 and proposed plan for 2021/22

- 6.1 Paul Thompson introduced the paper. His assessment of the 2020-21 plan was that the team has performed well and the plan had been delivered. He had a sufficient volume of assurance to inform his annual opinion to the Accounting Officer. On the plan for 2021-22, he said that it had been developed following a full process of consultation, including co-operation with House of Commons Internal Audit in shared service areas. The plan was designed to provide assurance to the Accounting Officer. The plan had been discussed and agreed by the Management Board at their previous meeting.
- 6.2 In discussion, the Chair congratulated Paul Thompson and the Internal Audit team for delivering the 2020-21 plan. The Chair asked whether the 2021-22 plan assumed the same amount of resource for carrying out the audits. Paul Thompson said the resource was broadly the same as in the previous reporting year.
- 6.3 The Committee took note of progress during 2020-21, and agreed the audit plan for 2021-22.

7. Draft Audit Committee Annual Report

- 7.1 The Chair introduced the paper. He said the Audit Committee Annual Report would form part of the House of Lords Annual Report and Accounts which would be considered at the read-through by the Committee in June.
- 7.2 The Committee took note of the paper.

INTERNAL AUDIT REPORTS

8. Engagement with In-House Services and Estates – Limited Assurance

- 8.1 Paul Thompson introduced the paper. He said this the conclusion of the report was unusual in that it had a limited assurance but made no recommendations. The main issue – the lack of a service level agreement between In House Services and Estates and the Department for Facilities - had been raised previously and he was aware that this work was already underway. Isabel Coman said that the SLA had been drafted and agreed in principle and was close to being finalised.
- 8.2 In discussion, the Chair asked whether the SLA would provide the same level of expectation for services in the House of Commons as the House of Lords. Isabel Coman said that it would be the same service level for both Houses going forward. Carl Woodall said that the SLA would be formally agreed between the Director of Facilities for the House of Lords and the Managing Director of IHSE.
- 8.3 The Committee took note of the paper.

9. In House Services and Estates Capital Portfolio: Specification of User Requirements- Moderate Assurance

- 9.1 Paul Thompson introduced Bill Mitchell to summarise the report which had been carried out under contract by BDO. He said the report had looked at a number of projects and had identified the challenges of recognising the full range interested stakeholders, and there had been instances of projects where all those affected had not been included during consultation. He noted that requirements varied from essentials to desirables, and that acceptance and buy-in from the whole user community was important for all projects.
- 9.2 In discussion, Caroline Gardiner welcomed the report and asked whether the recommendations were realistic for IHSE to deliver. Isabel Coman said that many of these were in train and she was confident they would be delivered. Paul Thompson added that his team had a close relationship with IHSE and there was a process for monitoring progress which continued to work well.
- 9.3 The Chair asked about the complicated ownership structure of some projects and whether this was an issue. Bill Mitchell said there were examples of complicated ownership of some projects where the user community can be very broad. Isabel Coman said there was a new structure for senior responsible owners who delivered big projects so that IHSE did not overcommit as an organisation.
- 9.4 Baroness Fritchie welcomed the report and that it was a good example of audit and management working together to improve outcomes. Paul Thompson welcomed the feedback and agreed it had been a constructive report. He noted there was an upcoming audit of project/programme interdependencies which would further explore some of the issues raised in the report.
- 9.5 The Chair asked whether there would be a follow-up report to track progress made against the recommendations. Paul Thompson said the recommendations had been added to IHSE action tracker and if they were not completed this would be brought to the attention of the committee.
- 9.6 The Committee took note of the paper.

10. In House Services and Estates Action Plan

- 10.1 Isabel Coman introduced the paper. She said the paper showed that IHSE was not just concerned with addressing findings from individual audits but also considering systemic issues as well. The Chair welcomed the paper and requested an update in six months to review progress.
- 10.2 The Committee took note of the paper.

INTERNAL AUDIT REPORTS: FOR INFORMATION

11. Offsite Screening and Consolidation Centre – Substantial Assurance

11.1 The Committee took note of the paper.

12. Managing Safety in Parliament – Moderate Assurance

12.1 Lord MacPherson of Earl's Court asked whether this report was close to being rated as substantial assurance. Paul Thompson recognised that this was a close judgment in this instance but on issues concerning safety assurance he thought it was correct to exercise caution in the level of assurance provided.

12.2 The Committee took note of the paper.

13. Pensions Administration – Moderate Assurance

13.1 The Committee took note of the paper.

14. Equality Act 2010 – Follow-up report

14.1 The Committee took note of the paper.

15. Use of consultants – Follow-up report

15.1 The Committee took note of the paper.

16. Shared Services cost sharing – Follow-up report

16.1 The Committee took note of the paper.

17. Private meeting with the Finance Director

17.1 The Committee met in private with the Finance Director