HOUSE OF LORDS

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HOUSE OF LORDS AUDIT COMMITTEE

Tuesday 8 February 2022, 3.30pm
(Hybrid Meeting – MS Teams and in Room 1.15 Millbank House)

MINUTES

Present:

Mathew Duncan (Chair)
Caroline Gardner
Lord Brownlow of Shurlock Row
Lord Cromwell
Lord Haskel
Lord MacPherson of Earl's Court
Lord Palmer of Childs Hill

Officials:

Fehintola Akinlose (Finance Director)
Aisha Bi (Risk and Performance Manager)
Simon Burton (Clerk of the Parliaments)
Dan Cook (Transforming Digital Programme Director)
Marianna Cwynarski (Director General of Operations, House of Commons)
Andy Helliwell (Chief Operating Officer)
Jonathan Smith (Head of Finance)
Paul Thompson (Head of Internal Audit)
Adam Crossley (NAO)
Liz Fox (NAO)
Emma Wilson (NAO)
Joey Topping (Clerk to the Committee)

The Chair welcomed attendees to the first hybrid meeting of the Committee.

The Chair welcomed Andy Helliwell to his first Audit Committee meeting after starting his role as Chief Operating Officer in the House of Lords in January 2022.

1. Declaration of interests for the meeting on 8 February 2022

1.1 Lord Palmer of Childs Hill declared his interest as a trustee to the History of Parliament Trust.

2. Matters arising from the meeting on 17 November

2.1 The Committee agreed the minutes of the previous meeting.

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 November 2021. He said that the Commission had taken decisions with regard to ongoing measures concerning the Covid-19 pandemic, and these had been communicated to Members and staff. The Commission had also considered recent developments on the Restoration and Renewal programme, and the Chair noted the NAO report on R&R later on the agenda where the Committee could discuss progress on the programme.

3.2 Lord Haskel asked about the levels of Covid cases on the Parliamentary Estate. Andy Helliwell said that cases were being monitored on the Estate and they were in line with national trends. He said that positive cases on the Estate were expected to fall as a result of the forthcoming recess.

4. Corporate Risk Update

4.1 Andy Helliwell introduced the paper. He said that he was impressed with existing risk management processes in place following his arrival as Chief Operating Officer in the House of Lords in January. He said that there was an appropriate level of detail contained in the register. He noted the role of the Audit Committee in providing assurance surrounding the risk management process.

4.2 Lord Cromwell asked whether the number of corporate risks could be reduced. Andy Helliwell said he thought there may be a case for reviewing the overall number of risks, and also noted the potential for overlap between the corporate risks.

4.3 Several members asked about the ongoing management of the cyber risk. *[Restricted Access: Additional Information].*

4.4 Several members asked about the longstanding red risks on the register. Andy Helliwell recognised this was an issue and agreed that further uncertainty concerning the Restoration and Renewal programme would have an impact on managing the corporate risks.

4.5 The Committee <u>took note</u> of the paper.

5. NAO Audit Plan

5.1 Liz Fox introduced the paper. She summarised the NAO's audit planning report and noted principal risks set out in the paper concerning the audit, including uncertainty concerning the valuation of the Parliamentary Estate and the presumed risk of management override of controls. She also noted the commentary in the report on the risk assessment towards fraud and invited the Committee to endorse the proposed approach from the NAO. She also said that the audit would include focus on assurances over Members' allowances and the Metropolitan Police. She said that that there was not forecast to be any material impact arising from IFRS16 standards.

5.2 Lord Cromwell asked whether consideration of value for money would also be included as part of the audit. Liz Fox said that the focus of the audit was on determining whether financial statements were true and fair and that levels of spending were accurate, and not specifically on value for money. Paul Thompson added that VFM was included as a specific scope area in internal audit reviews whenever possible.

5.3 Several members asked about the risk of fraud. Paul Thompson said that it was likely that the Internal Audit Plan for 2022-23 would include an assessment of how the House of Lords manages its exposure to the risk of fraud. Jonathan Smith confirmed that the Finance Department had returned to the requirement for Members providing physical receipts for the processing of expenses claims.

5.4 The Committee supported the approach to fraud risk set out in the Audit Plan and took note of the paper.

6. Restoration and Renewal of the Palace of Westminster: Progress update

6.1 Liz Fox and Emma Wilson introduced the paper. Emma Wilson said the report was an update on progress made since the previous report from the NAO in 2020. She noted there were areas where progress had not been made as far as what had been intended at this stage of the programme. The Delivery Authority and Sponsor Body had increased in size with the appointment of more staff, but the lack of clarity around the future requirements and specifications of a restored Palace meant there had been limited progress on an OBC.

6.2 The Chair noted that recent meetings of the Commissions of both Houses had led to further uncertainty surrounding the future of the programme. *[Restricted Access: Additional Information].*

6.3 Simon Burton said that he and John Benger as the Clerks of both Houses, together with the Chief Executives of the Sponsor Body and Delivery Authority were due to give evidence to the Public Accounts Committee on 14 March. Lord Cromwell noted the challenge of obtaining accurate figures on the cost of the programme to date. *[Restricted Access: Additional Information].*

6.4 The Chair said it was a possibility that the House of Commons may propose a way forward which included some continued presence for the Commons. Simon Burton said the decisions that both Houses had taken in 2018 supporting full decant remained in place, and any change to this would require resolutions in both Houses. *[Restricted Access: Additional Information].*

6.5 Lord Cromwell asked whether the NAO had given any assessment of the likely length of the project. Emma Wilson said the report was concerned with the short-term assessment of the programme and did not predict an end date.

6.6 Several members raised concerns about the limited progress made on the programme and the uncertainty about the future governance of the programme. The Chair reminded the Committee he had written to the Commission following the Audit Committee meeting in July 2021 expressing the Committee's concern about the progress made on the programme. In providing advice to the Clerk of the Parliaments he summarised the Committee's continued concerns including:

1) Uncertainty surrounding the future of the Sponsor Body and the future governance of the programme;
2) The lack of clarity and consensus between the two Houses on an agreed approach and way forward for the programme;
3) The likely impact of further delays to the timetable for the programme and in particular the development of the OBC;
4) The expenditure of the programme to date, the limited progress thus far with intrusive surveys of the Palace and the risk of limited oversight of Delivery Authority expenditure during this period of heightened uncertainty;
5) The consequences for managing ongoing risks including around fire safety, significant incidents on the Estate and the ongoing works for the maintenance of the Palace.

6.7 The Committee agreed:

- The Chair should write a further letter to the Lord Speaker and House of Lords Commission setting out their concerns about the programme.
- The Chair should draw the concerns set out in the letter to the attention of the Chair of the House of Commons Administration Estimate Audit and Risk Assurance Committee.

6.8 *[Restricted Access: Additional Information].* Simon Burton noted that the Committee had made clear their position in the minutes of this meeting and could further comment on the programme in their Annual Report.

6.9 The Committee took note of the paper.

7. Audit Committee Self Effectiveness Review

7.1 The Chair introduced the paper. Joey Topping set out the methodology adopted for collating responses from Members and officials. He noted that most of the responses were broadly positive about the work of the Committee.

7.2 The Committee discussed some of the findings of the self-effectiveness review:

Risk and Value for Money

7.3 Members of the Committee noted that earlier agenda discussion on risk addressed some of the comments contained in the questionnaire concerning the role of the Committee. The Chair thought there was a case for the Committee reviewing the terms of reference of the Committee, potentially including changing the name of committee to include reference to its role surrounding risk assurance. Andy Helliwell noted the role of the Committee in providing assurance around risk governance rather than the management of the risks themselves. Fehintola Akinlose added that the Audit Committee should provide challenge to support the Board in the management of risks and it was not for the Committee to manage risks on behalf of the Board. She added that the potential name change may make the Committee role in risk assurance more explicit. The Chair said the Committee will consider a paper at their next meeting with a review of their terms of reference. He noted the importance of avoiding overlap with the role of the Finance Committee.

Joint Audit Committee meetings

7.4 The Chair said he would discuss the feedback from the review with the Chair of the House of Commons Committee.

7.5 The Committee took note of the paper.

8. Update on the Internal Audit Plan

8.1 Paul Thompson provided an oral update on progress with the Internal Audit Plan for 2021-22. He said there had been a request to defer the planned audit concerning Security Governance. This would now be included in the plan for 2022-23.

9. Outstanding Audit Recommendations

9.1 Paul Thompson introduced the paper. He welcomed the engagement from management but noted that there had been no progress in clearing actions since the previous meeting. Nevertheless, the number of outstanding actions remained manageable. The Chair noted the presence of some longstanding outstanding recommendations and reminded officials that the Committee may invite owners of longstanding outstanding recommendations to attend Committee meetings to explain the reasons for delays.

9.2 The Committee took note of the paper.

10. Corporate Governance –Moderate Assurance

10.1 Paul Thompson introduced the paper. He summarised the recommendations in the report and welcomed the constructive response from management. Simon Burton noted that the External Management Review had also made recommendations in similar areas, including clarifying the relationship between the Commission and the Management Board.

10.2 Lord Cromwell asked about the recommendation concerning the assessment of performance objectives for Clerk of the Parliaments, and who would set those objectives. Simon Burton acknowledged that the setting and assessment of performance objectives for the Clerk of the Parliaments had also been identified in the External Management Review as a recommended area to clarify.

10.3 Caroline Gardiner said that the report was a welcome audit following the governance matters raised during the recent Moses Room debate on the governance of the House of Lords. She also noted that there was no process in place equivalent to a Ministerial Direction for registering disagreement between the Commission and the Administration. The proposal to consider such a mechanism was welcomed.

10.4 The Committee took note of the paper.

11. Transforming Digital: Integrated Assurance and Approvals -Moderate Assurance

11.1 Marianne Cwynarski introduced the paper. Dan Cook (Programme Director for Transforming Digital) was also in attendance. They said that the audit report provided assurance that the strategy for establishing an assurance framework was fit for purpose. Whilst the scope of the audit was quite limited, the report did provide assurance concerning the direction of that element of the programme.

11.2 Paul Thompson confirmed that bicameral audit reports were provided to the Audit Committees of both Houses. The Chair noted that this was an unusual time in the lifetime of the programme to carry out this audit. Dan Cook and Marianne Cwynarski agreed to provide a fuller briefing to the Committee on the programme at a future meeting.

11.3 The Committee <u>took note</u> of the paper.

12. Stock Control and Asset Storage (Contemporary Items and Heritage Collections) – Limited Assurance

12.1 Isabel Coman introduced the paper. She welcomed the conclusions of the report and said they provided her team useful guidance for addressing processes around recording assets in storage. James Turner said location control of heritage assets management was challenging for Parliament. He recognised the importance of considering full lifecycle cost rather than one-off costs for the storage of assets. He noted that objectives addressing recommendations around recording damages and loss to heritage assets formed part of the business plan for the Director of Heritage Collections and Chief Curator.

12.2 Lord Cromwell asked whether management could assure the Committee that full records exist detailing all assets stored in Parliament. James Turner said IHSE had accurate records for items sorted off-site but that further work was required for on-site items given the challenge of the number of rooms across the Estate. Lord Macpherson noted that given the size of this project priority should be given to the most valuable assets. James Turner said that the heritage collections were the priority as they were the most valuable items. L Brownlow asked whether there was any collaborative work underway with the Parliamentary Archives concerning the storage of heritage items. James Turner said he would look into whether this was taking place.

12.3 Caroline Gardiner asked whether there were any implications for the financial statements arising from the findings of the report. The Chair noted that whilst the report mentioned the scales of number of assets it did not necessarily include the quantum of these figures. Jonathan Smith said that the finance departments of both Houses had regular meetings with the Heritage team and a programme of doing condition surveys and valuations of the categories held in the collections was underway. It was not expected to have a material impact on the accounts.

12.4 Lord Brownlow asked what records were in place concerning current assets in Parliament in the event of a fire on the Estate. Isabel Coman said there was more work to carry out in this area but that a fire salvage strategy in place which prioritised certain items with specific rescue plans. She said there was a structured approach to recording types of heritage assets, with works of art being the most well documented in addition to the furniture and other heritage assets.

12.5 The Chair asked about any planned follow-up to the report given that it provided limited assurance. Paul Thompson said he would consult with his counterpart in the House of Commons with regarding the follow-up arrangements for the report.

12.6 The Committee took note of the paper.

13. Financial Delegations -Moderate Assurance

13.1 The Committee took note of the paper.

14. Employee Assistance Programme (Follow-up report)

14.1 The Committee took note of the paper.

15. Pensions Admin (Follow-up report)

15.1 The Committee took note of the paper.

16. Financial Viability of Suppliers (Follow-up report)

16.1 The Committee took note of the paper.

17. History of Parliament Trust (Follow-up report)

17.1 The Committee took note of the paper.

18. Meeting in private with the Head of Internal Audit

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

Item	Action
Risk update	Next risk update to include update on cyber risk
R&R (NAO report)	Chair to write to Lord Speaker and Commission
R&R (NAO report)	Chair to discuss concerns with Chair of House of Commons Audit Committee

Self-effectiveness review	Review TOR of Committee at next meeting
Self-effectiveness review	Chair to discuss feedback from questionnaire with HoC Chair about Joint Audit Committee meetings
Transforming Digital	Briefing for the Committee on the Transforming Digital programme to follow
Stock Control and Asset Storage	Head of Internal Audit to consult with HoC regarding follow-up arrangements