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HOUSE OF LORDS

HOUSE OF LORDS AUDIT COMMITTEE

Tuesday 1 November 2022, 3.00pm
(Hybrid Meeting – MS Teams and Committee Room G)

MINUTES

Present:	Mathew Duncan (Chair) Lord Brownlow of Shurlock Row Lord Cromwell Lord Palmer of Childs Hill Lord Haskel Caroline Gardner
Officials:	Simon Burton (Clerk of the Parliaments) Aisha Bi (Risk and Governance Manager) Andy Helliwell (Chief Operating Officer) Paul Thompson (Head of Internal Audit) Fehintola Akinlose (Director of Finance) Jonathan Smith (Head of Finance) Carl Woodall (Director of Facilities) Dan Cook (Interim Director of Parliamentary Digital Services) Tim Russell (Head of Cyber Security) Liz Fox (Engagement Director, National Audit Office) James Whittle (Chief of Staff) Cynthujaa Satchi (Clerk to the Committee) Daisy Christy (Executive Officer to the Committee)
Apologies	Lord Macpherson of Earl's Court

1. Declaration of interests for the meeting on 1 November 2022

1.1 There were no declarations of interest.

2. Matters arising from the meeting on 7 July 2022

2.1 The Committee agreed the minutes of the previous meeting.

3. Updates from Commission meetings

3.1 The Chair updated the Committee on the meetings held by the Commission since the previous Audit Committee meeting in July 2022. He noted that there were two meetings held by the Commission on 11th July and 26th October, as well as a Restoration and Renewal (R&R) Client Board in mid-October. In July, the Commission approved the Audit Committee's revised Terms of Reference (ToR) and name change to align with best practice. In addition, there was an update from the Steering Group for Change (set-up following the Ellenbogen Report), in which the Commission agreed to extension of the steering group. In October, the Commission discussed visitation and tours for the Elizabeth Tower, and a 6-month extension of the Financial Assistance Schemes (e.g. disability allowance) for members.

3.2 He noted that the Client Board meeting was the first its kind and commenced the new R&R process. Several items were deferred to the next meeting due to lower participation from the House of Commons.

4. Cyber Security Risk Review in-depth

4.1 Dan Cook introduced the paper and noted that he was acting Director of Parliamentary Digital Services (PDS) whilst David Smith was on long-term sick leave. The Cyber Security paper initially provided an overview of the current risk position and its evolution, with specific recommendations for how the ongoing cyber risk was perceived. The report then provided a more detailed update on specific controls and mitigations which were being delivered through several projects and programmes.

4.2 He noted that the most important message to bring to the Audit Committee's attention was that the threat to Parliament was constant, unremitting and increasing. Due to the constant evolution and changes in terms of threats faced, such as the War in Ukraine and direct threats to Parliament, the target remained moving and without an end date. In discussion with the National Cyber Security Centre (NCSC), they were advised that due to these threats, the target risk was unlikely to be lower than an amber at any given point in the foreseeable future.

4.3 *[Restricted Access: Additional Information].*

4.4 *[Restricted Access: Additional Information].*

4.5 *[Restricted Access: Additional Information].*

4.6 The Chair enquired whether the implementation of the new TOM was still on track for March 2023. Dan Cook responded that the processes, model and governance structure would be implemented by this date, however it was unlikely the recruitment aspect would be completed.

4.7 *[Restricted Access: Additional Information].*

4.8 *[Restricted Access: Additional Information].*

4.9 The Chair noted the detail within the paper and insight PDS had provided in understanding Cyber Security. He queried whether there was resistance from individuals in complying with security measures. Tim Russell responded that there were measures that appeared difficult to individuals, but PDS was interested in feedback to help improve processes. *[Restricted Access: Additional Information].*

4.10 The Committee took note of the paper.

5. Effectiveness of the Parliamentary Safety Assurance Board: Limited Assurance

5.1 Paul Thompson introduced the paper and noted that the Parliamentary Safety Assurance Board (PSAB) was the principal governance forum for strategic management of the safety risk on behalf of the board and Corporate Officers with whom ultimate responsibility resides under relevant legislation. PSAB was a bicameral body co-chaired by the Lords' Director of Facilities, Carl Woodall, and the Head of the Governance Office in the House of Commons.

5.2 He noted that PSAB received a limited assurance opinion, which was surprising given the effort invested by both co-chairs into meeting their responsibilities in this area. This was acknowledged in the strengths section in the full version of the report, which was available on request. After further discussion with the auditor and consideration of the findings in the report, Paul Thompson was satisfied that the limited assurance opinion is appropriate, given the myriad of different risks and the potential consequences of those risks crystallising. Within the recommendations, the most significant were 4-9 and 13-16, but he was happy to note the positive management responses to the internal audit report.

5.3 Carl Woodall noted that he was grateful for the report and the work conducted by Paul Thompson and Chris Purdy, the auditor. The audit was requested by PSAB and supported by the Clerk of the Parliaments. The co-chairs have accepted all the recommendations, with PSAB approving the management response and the timescales. He welcomed the following advice:

- Clarity of advice in the report to the effect that PSAB should be asking risk owners to ensure that the assurance provided should always include a commentary which demonstrates how the operation of the new controls impacts the risk;
- Providing more frequent, incisive, risk-based reports to the Clerk of the Parliaments; and
- More succinct quarterly reports to Management Board and Commons Executive Board, as they were currently too detailed to highlight areas of focus.

5.4 Caroline Gardner noted the scores and control weaknesses where the board's activities were informed by a coherent and accurate assessment of the most significant risks. She queried the reasons for this finding and what part it played in improvements. Carl Woodall responded that one of the largest risk owners is Strategic Estates, which until recently did not have a risk register. The Deputy Head of the Parliamentary Safety Team had been working with them on risk impact and risk scoring, which had now appeared in the PSAB risk map. In addition, Strategic Estates now have a risk manager resulting in better risk presentations at PSAB. PSAB were currently exploring a centralised risk register for both Houses to review in which principal risk owners were now obliged to provide their risks.

5.5 Simon Burton noted that he was grateful for Carl Woodall and his team for prompting this internal audit. This thorough and in-depth review had prompted a wake-up call for all parties, where previously the House of Lords had limited levers in some areas to rectify issues by itself. He also noted that close attention would be paid to the recommendations to ensure that they were delivered.

5.6 The Committee took note of the paper.

6. Data Architecture and Data Quality Framework (HoC IA report – Limited Assurance)

6.1 Dan Cook introduced the paper and noted that six recommendations, agreed within the audit response, have been completed since the last meeting with the Audit Committee. A number remained in progress or with deadlines not yet achieved with minor slippage of timeframes. Some actions were on hold until David Smith's return as they require his input. This included the appointment of the Data Director role, which was an important role in ensuring a holistic approach for data maturity. David would hopefully return in December or early January. The actions recently completed include:

- The review of modelling tools was completed in December
- Created the Architecture Guild as set out
- Reviewed the function of the Data Quality Forum with an updated ToR.
- Updated the PDS's operational Risk Register
- Changed the define, measure, analyse, improve, control (DMAIC) process framework via the Architecture Guild

6.2 The Committee noted David Smith's absence and sent their best wishes. Several members enquired about the impact of his absence on PDS and if additional resources were needed. Dan Cook responded there had been intermittent access to David Smith and the service had received excellent support from the House of Commons, the House of Lords and the senior administrations in areas where additional support was needed in this interim period. Day-to-day delivery remained steady, but the impact was mainly on areas where the service had hoped to make significant progress. A new Deputy Managing Director had started to further support PDS in its delivery.

6.3 The Chair queried if the Data Architecture Framework posed a problem in preventing cyber security attacks. Dan Cook responded that Data Architecture was not as pressing or operationally urgent or as high risk as cyber. However, if the right data standards, governance, controls, processes were not in place, it would limit organisational effectiveness as it was not possible to provide the right information in the right way. This would result in the organisation not trusting its own data and was therefore a limiting factor in organisational performance and maturity.

6.4 The Chair noted that his understanding of Data Architecture related to data storage, retention of records and accessibility. Dan Cook responded that these elements were encompassed under Data Architecture as part of Records Management. The remaining aspect was how to ensure quality & consistency of data provision, processes and governance for effective decision-making. Andy Helliwell noted the risks of effectiveness and efficiency for data, digital and technology systems and for the business. The risks were not legal, non-compliance or threat vulnerability.

6.5 Lord Cromwell queried the exact definition of Data Architecture. Dan Cook responded that it was the digital data and technology architecture which helped understand what systems were, where they were, how they interacted and how data moved between them. It was a process which included governance (such as approvals, data specification of systems, prioritisation of datasets) to ensure good quality data that can be trusted and was a single source of truth.

6.6 Lord Palmer noted the statute of limitations and retention of records were limited by legal requirements. Andy Helliwell responded that if any data was of lasting value, then it should be archived. Six years was the recognised maximum time for maintaining several different types of records.

6.7 The Chair noted that not understanding how data was structured in the organisation may lead to duplication and inefficiencies. Dan Cook acknowledged that having a centralised view of design and decisions helped to understand which information was interrelated and crucial. The Information Authority and Digital Strategy Board helped provide oversight in this regard.

6.8 The Chair queried the deadline for completion for the remaining actions. Dan Cook responded that there were several deadlines, but the majority would be completed by March 2023 with a few completed by December 2022. However, some actions would continue into the 2023/24 financial year, such as recruitment, due the length of time taken to recruit suitable candidates in the current market.

6.9 The Committee took note of the paper.

7. Outstanding Audit Recommendations

7.1 Paul Thompson introduced the paper and noted that two outstanding audit recommendations were cleared with two actions remaining. One of the cleared audit recommendations was the cost-sharing ratio, with a well-written paper that would help future proof arrangements. For the remaining two actions, it was likely that these would be cleared by December 2022. For audit actions relating to the Capital Works portfolio, these would be reported on an exception basis, as agreed at the previous Audit Committee meeting in July. Actions in this area were being actively monitored and were under control.

7.2 He also noted that although having zero outstanding audit actions would be good news, but there still needed to be a rigorous follow-up process and Internal Audit would continue to assess every action objectively against the original management response and any risks identified.

7.3 The Chair noted the Environmental Performance reporting was due by November 2022. Paul Thompson responded that the action was on track though there was an element beyond the House of Lords' control as it dealt within the House of Commons. If it was not delivered, then the action would return to the Audit Committee.

7.4 The Chair noted that for the other remaining action on Members' Telephony, he met with Patrick Vollmer, the Senior Responsible Owner, and it was on track. There was an asset register and a revision of the rules for devices. The revised paper was currently following the approval process through official channels before its approval by the Services Committee. Paul Thompson noted that the action would be cleared once it passed the official channels.

7.5 The Committee took note of the paper.

8. Progress against the Audit Plan

8.1 Paul Thompson introduced the paper and noted that progress to date had been good with the carry forward work from 2021/22 cleared. There were a sufficient number of audit days remaining at the point of last calculation and all audits should be complete or substantially complete by year end. He anticipated all would be fully completed by the time the Annual Assurance opinion needs to be provided to Simon Burton as Clerk of the Parliaments.

8.2 He also noted that there were some changes to the plan; with two deferral requests, both due to legitimate reasons. The two requests were bicameral related have been approved by the two Clerks, Simon Burton and John Benger. These were originally planned to be replaced with two reserve audits. However, following a request for a reduction in hours for one audit post, approved by Paul Thompson and Simon Burton, only one reserve audit would be moved into the current year plan.

8.3 Lord Brownlow enquired about the broadcasting issue as mentioned in the Audit Plan. Paul Thompson responded that the rationale for the audit was to assess the services being provided under the new contract early in its contract period. There was a problem with retendering of the contract with legal challenge to the process by another bidder. Fehintola Akinlose noted that the current incumbent was extended, and contract would be retendered with a stricter process to ensure it was watertight.

8.4 Lord Palmer noted the reduction in the number of internal audits and wondered if the external auditors were happy with the approach. Liz Fox responded that the main issue was to ensure that that the annual assurance opinion can be expressed and as Paul Thompson had confirmed he was able to do, then the approach was sufficient.

8.5 The Chair enquired if Internal Audit have refused any requests to change an audit date. Paul Thompson responded that audits were changed based on merit not solely on the request. There were instances in the past where requests for change have been refused and the audit had continued according to the original plan. Simon Burton noted that there was a culture amongst senior management where audits were welcomed to help improve processes and procedures, such as the recent PSAB internal audit which was specifically requested by the co-chairs.

8.6 The Committee took note of the paper.

9. Business Planning Processes: Additional Follow-up Report

9.1 The Committee took note of the paper.

10. HRO Data: Follow-up Report

10.1 The Committee took note of the paper.

11. NAO Financial Reporting Update

11.1 Liz Fox noted that the National Audit Office (NAO) had started planning for 2022/23 financial statements and an audit planning report would return to the next Audit Committee meeting. There were two issues that would impact the statements:

- If the statutory instrument was transferred from the client function of the R&R programme before 31st March, this would likely result in a machinery of government change and would impact the financial statements for the House of Lords.
- There were fundamental changes to the auditing standards this year, which would change audit methodologies and how significant risks were defined and identified. The NAO did not expect any significant risks that were previously reported to drop the valuation of the estate and the quinquennial review would continue. There would be greater focus on systems, processes and controls, which will mean external audit was more aligned and complementary to the internal audit program.

11.2 Caroline Gardner noted that ISA315 had a big impact in all organisations and sectors. She wondered if the NAO had sufficient resources and time to sign-off the substantial number of audits. Liz Fox responded that across the NAO, ISA315 was a big challenge, and they were experiencing the same resourcing pressures and recruitment issues across the public sector. The size of the planning team had been expanded for prioritisation of audits and the NAO had additional money from Parliament for one-off costs and therefore the audit fee should not be impacted unless there were additional risks or works.

11.3 The Committee took note of the paper.

12. Audit Committee Self-Assessment

12.1 The Chair introduced the paper and noted that the annual self-assessment for the Audit Committee to review the effectiveness of the Committee. The deadline for completion was December 2022 and both Members and Officials were requested to complete the questionnaire. An online version was available and will be sent via email.

12.2 The Committee took note of the paper.

13. Audit Committee Added Value Discussion Paper

13.1 The Chair introduced the paper and noted that this was to prompt a discussion on what other areas that the Audit Committee could provide support and advice, outside of the standard papers provided to the Committee. The paper included the HM Treasury's Audit Committee handbook, which aligned well to the current work and standards of the Audit Committee, and the corporate initiatives that the Management Board focus on to deliver. He noted that there were five aspects he considered where the Audit Committee could add value:

- Corporate initiatives – ensuring timely and effective communication and reviewing if this was managed appropriately
- External Management Review
- Business Resilience, such as Cyber Security or Climate Change
- Whistleblowing
- Health and Safety

13.2 Lord Brownlow noted that there was overlap on communication with the Commission and the Management Board due to the Chair, Simon Burton and other members on the Committee involved in other areas of the business, therefore there was oversight in some form.

13.3 Lord Palmer queried if the actions, such as communication, were for the Audit Committee or the organisation, as the organisation needs to manage these itself. The Chair responded that if something was deemed as a significant risk then it should be raised at Audit Committee and should be raised promptly if recognised as an issue before it becomes a significant risk. For example, whistleblowing traditionally was reviewed by an Audit Committees even though it was not a financial item. Paul Thompson noted that there was an upcoming internal audit on management of the fraud risk which would encompass whistleblowing and malpractice.

13.4 Caroline Gardner noted that it was useful to have a list of papers to see where value could be added, and the suggestions raised by the Chair were all issues that should be on the radar and should be picked up either through the Risk Register or the Audit Plan. There could be consideration for some relatively high level, but regular reported, issues such as whistleblowing, health and safety, potentially EMR. A regular paper on compliance issues, such as Health and Safety, would be useful to potentially pick up future risks that may not come otherwise come through the reporting process.

13.5 Lord Cromwell noted that the Audit Committee should not be involved in individual cases of whistleblowing but should be satisfied that the process was working effectively, and the policy was suitable. The Chair noted that a brief report with instances and categories to provide an understanding that they were covered and being dealt with. Paul Thompson responded that there were not many instances of whistleblowing cases, but the process would be reviewed in the internal audit and instances were covered in the Annual Fraud report.

13.6 Simon Burton noted that the Corporate Risk Register, which will return to the Committee in February, covered some of the aspects discussed and may be the best place for the Audit Committee to push on issues and identify anything missing.

13.7 The Committee took note of the paper.

14. Any Other Business

14.1 No other business.

15. Private Meeting with the Clerk of the Parliaments.

15.1 The Committee met in private with the Clerk of the Parliaments.

16. Action Log

Item	Action
Audit Committee Self-Assessment	Audit Committee members to complete self-assessment survey
Audit Committee Added Value Discussion Paper	Members to consider other aspects in which the Audit Committee could add value