FOR PUBLICATION

HOUSE OF LORDS

HOUSE OF LORDS AUDIT AND RISK ASSURANCE COMMITTEE

Thursday 2 February 2023, 3.00pm
(Hybrid Meeting – MS Teams and Committee Room G)

MINUTES

Present:
Mathew Duncan (Chair)
Lord Brownlow of Shurlock Row
Lord Cromwell
Lord Haskel
Caroline Gardner

Officials:
Simon Burton (Clerk of the Parliaments)
Aisha Bi (Head of Governance)
Andy Helliwell (Chief Operating Officer)
Paul Thompson (Head of Internal Audit)
Fehintola Akinlose (Director of Finance)
Jonathan Smith (Head of Finance)
Catherine Hallett (Director of Strategic Estates)
Gemma Collins (Director of Design and Planning)
Liz Fox (Engagement Director, National Audit Office)
Alysia Hill (Audit Lead, National Audit Office)
Cynthujaa Satchi (Clerk to the Committee)
Daisy Christy (Executive Officer to the Committee)

Apologies
Lord Macpherson of Earl's Court
Lord Palmer of Childs Hill

1. Declaration of interests for the meeting on 2 February 2023

1.1 There were no declarations of interest.

2. Matters arising from the meeting on 1 November 2022

2.1 The Chair noted there were minor adjustments to be made the minutes and he had approved these changes.

2.2 The Committee agreed the minutes of the previous meeting.

3. Updates from Commission meetings

3.1 The Chair updated the Committee on the two meetings held by the Commission since the previous Audit and Risk Assurance Committee meeting in November 2022. In December 2022, the Commission discussed the Medium-Term Financial Plan, External Management Review update and the governance of restricting access to

Parliament. In January 2023, they discussed the security programme including the work on Peers Entrance. Simon Burton noted that there was a paper on how officials engaged with members to be presented to the Commission.

3.2 The Chair noted that the Joint Audit Committee, held on 17th January 2023, agreed to discuss R&R at the joint meetings to ensure that there was a consistent approach between the two Houses. The Audit and Risk Assurance Committee's Terms of Reference would be revised to incorporate this agreement.

3.3 The Restoration and Renewal (R&R) Client Board meetings were held on 7th November 2022 and 19th December 2022. There would be another meeting on 6th February 2023. The Client Board was set up as part of the transfer of powers from the Sponsor Board and recent discussions focused on governance and the configuration of the Programme Board.

3.4 Lord Brownlow asked what was the different between the old R&R structure and the new structure. Simon Burton said that the separation between the Sponsor Board and Parliament has ended. The arrangements were streamlined to ensure greater engagement of parliamentary members of both Houses. The Client Board was the new high-level board combining the two Commissions and included Simon Burton and Andy Helliwell. The Programme Board sat underneath the Client Board, it included Simon Burton, John Benger (as Clerk of the House), members of both Houses and external experts. The Programme Board would supervise the work of officials. The governance structure aimed to provide evidence to members of both Houses to help make an informed decision on R&R.

3.5 The Committee noted the update.

4. Corporate Risk Register

4.1 Andy Helliwell introduced the paper and noted that the risk register was updated and cleansed to ensure that entries were relevant. The Management Board will be conducting a "blank-sheet" risk exercise at its upcoming awayday to ensure that the risks remained dynamic and strategic. Aisha Bi noted that the failure to manage financial resources was split into a risk for the House of Lords (Risk 9) and the risk for bicameral areas (Risk 10).

4.2 Caroline Gardener asked what the mitigating actions, long-term resilience and continuity planning options were if Risk 8 (failure to prevent infrastructure failure) crystallised. Andy Helliwell said that there was a programme of work to address concerns about infrastructure on a planned and unplanned basis. For example, on a planned basis, the Mechanical, Electrical, Public Health and Fabric Safety (MEPFS) Programme which was coming to the end of its second phase. There was also work for unplanned risks, such as masonry weakness or fire suppression issues that required urgent action. Both planned and unplanned issues required strong governance as stated in the Lennox/Judge Safety Review. The appointment of a Director of Parliamentary Safety would provide better governance and robust leadership for planned and day-to-day management. There was also an Incident Response

Management Plan with levels for serious or incidental issues, and strategic resilience plans if there was a complete denial of access to the estate. The recent pandemic and lessons learnt were helpful in developing better business resilience plans.

4.3 Simon Burton noted that ongoing maintenance was important in addressing Risk 8, but it should be noted that costs were increasing. Tools were in place and the House of Lords had tested temporary solutions (including remote proceedings). There were discussions on resilience, with Sarah Clarke, Lady Usher of the Black Rod, at the recent Management Board meeting. Mathew Duncan said it would be useful to have a review in-depth of business resilience with respect to Risk 8. Andy Helliwell said that the Audit and Risk Assurance Committee could invite John Owen, Director of Strategic Business Resilience, to provide an oral briefing.

4.4 Lord Cromwell asked how often the risk register was reviewed. Andy Helliwell said that the risks were reviewed very frequently by officials whose main responsibilities were to assess risks. In the last year, the Management Board discussed Risk 8 about three times and there were deep dives on each risk twice a year. Paul Thompson said there were audits planned on MEPFS closure and its transition into sub-programmes, including stonework conservation, and on the Victoria Tower project. These should provide additional assurance under Risk 8.

4.5 Simon Burton noted that for the Stakeholder Engagement risk there were no mitigations in the paper presented. However, there were actions taking place including a paper being drafted on member engagement, governance and providing a good service; Aisha Bi was appointed as Head of Governance, and she will be providing a holistic overview across the various governance activities; the House of Lords was engaging with the House of Commons to share best practice; and a new SharePoint site was being developed for members to provide transparency about governance. In addition, there was a proposal on developing a 'one-stop shop' for members to access information and support.

4.6 Lord Cromwell asked what service or information was most requested by members. Simon Burton said that there were several queries, such as navigating the legislation process or catering facilities. The 'one-stop' shop would provide members a structured, single point of contact to access support. Management was considering using the skills and knowledge of the Attendants to provide this support.

4.7 The Chair asked if the greyed-out line ("including the acquisition and fit-out of the Lords' temporary decant accommodation") would be cleared from Risk 11 (failure to ensure that Lords' interests and requirements were reflected in R&R). Andy Helliwell said that the actions were grey because any decision to use QE2 as a potential alternative location was still to be made. He hoped that this would be clearer in six months.

4.8 The Chair asked who the new risk owner of Risk 12 (failure to embed a safe working culture) would be after Carl Woodall's departure. Andy Helliwell said that he would become the new risk owner as the risk needed to be owned at Board level.

4.9 The Committee took note of the paper.

5. NAO Audit Planning Report

5.1 Liz Fox introduced the paper and noted that whilst changes to auditing standards had amended the way in which auditors assessed risks, with consideration of both impact and likelihood, there were minor changes made in the significant risks identified at a high-level in comparison to the prior year. The approach for 'management override of controls' remained similar. The 'valuation of the estate' risk was evolving and subject to judgement. For the quinquennial review, there would be more physical inspections and a relevant expert would be used for the valuation.

5.2 She noted the new risk for the transfer of the sponsorship of the R&R programme and that management had decided on merger accounting rather than absorption accounting for the transfer. The accounts would consider spend as if it had always remained in-house. The NAO technical team were assessing its validity to ensure it did not create a precedent for transfers in other areas. There were also ongoing discussions on control over the Delivery Authority (DA) as it might result in a consolidation of the DA's accounts. Fehintola Akinlose noted that Finance Departments in both Houses had agreed for merger accounting, but it would require final agreement from the NAO.

5.3 Lord Cromwell asked whether the Client Board were making the decision to accept the cost of the Delivery Authority in the forecast budget. Liz Fox said that a decision on consolidation would need to be made before it went into the Parliamentary Works Estimate. The impact of consolidation in that Estimate would be that grants previously included in the budget would be replaced by DA's results, and therefore it was not expected to have a material difference. Simon Burton said that the Client Body agreed responsibility for the overall R&R report for transparency, but it could not merge accounts because the DA remained a statutory body. Fehintola Akinlose noted that the change in Sponsor Body created this issue, but the DA would have its own published and audited accounts. Both the House of Commons and House of Lords would know how much was spent on the Client Team.

5.4 Liz Fox noted that IFRS16 was not a significant risk as its impact was not considered material. The audit approach would still provide assurance that the standard had been implemented appropriately. The NAO had set out changes to the risk of fraud and requested the Committee to make them aware if they disagreed with the assessment or know of any instances of fraud. The timetable increased the forecast non-cash fee from £86,000 to £125,000. The fee was the maximum likely amount to support the Finance team in its preparation of the supplementary estimate. It reflected the increased scope following the R&R transfer; quinquennial review; previous work, inflation and better resourcing. The interim audit timeframe was extended by an additional week, and this was agreed by Simon Burton. The next NAO update will provide the revised figures after further scoping of the R&R transfer and quinquennial review.

5.5 Caroline Gardner asked whether there was significant pressure on interim and final audit work planned and whether the NAO was suitably resourced. Liz Fox said that the work completed to date was progressing to plan but the NAO faced the same recruitment issues as other organisations. These would impact other audits but not those in the House of Lords and House of Commons.

5.6 The Committee took note of the paper.

6. Staff Support Costs (COVID-19 pandemic) - Moderate Assurance

6.1 Paul Thompson introduced the paper and noted that the audit assessed the extent to which additional staff support costs were necessarily incurred during the COVID-19 pandemic and whether these were reasonable and properly controlled. The audit took account of the extreme pressures that the Administration faced in seeking to balance the duty of care to staff while maintaining essential operations. The two key decision-makers at the time, the Accounting Officer and Director of Human Resources (HR), were no longer in post and therefore there was no access to e-mails exchanged that may have provided additional supporting evidence for financial decisions and action at the time.

6.2 He noted that the opinion was positive as the costs incurred were reasonable in the circumstances. However, more robust decision-making, including greater involvement of the Finance Director, was needed. The four recommendations were treated as lessons learnt.

6.3 The Chair asked why certain controls were still marked as red. Paul Thompson noted that at the time of the assessment they were marked red, but the level of risk exposure will drop once the recommendations have been actioned by management.

6.4 The Committee took note of the paper.

7. Corporate Credit Cards: Follow-up Report

7.1 Paul Thompson introduced the paper and noted that all the recommendations were accepted and actioned. There were two actions rejected and the rationale for the rejection was accepted by Internal Audit. Further pursuance of the rejected actions could be considered by management if they felt it was beneficial.

7.2 The Chair asked whether Internal Audit would be happy if management rejected actions arising from an audit review. Paul Thompson said that he was comfortable in these circumstances provided management made clear the underlying rationale.

7.3 The Committee took note of the paper.

8. Outstanding Audit Recommendations

8.1 Paul Thompson introduced the paper and noted that there were two outstanding audit recommendations. The members' mobile telephone action was almost cleared. The second action on Environment Performance reporting continued to be delayed.

8.2 Catherine Hallett noted that there were a set of draft environmental targets which were monitored but they remained draft as Strategic Estates were compiling all key strategies and policies under a Development Framework. The Development Framework aimed to ensure that the targets were connected otherwise they could not provide assurance that they could be delivered or provide value for money. The framework would be finalised in Summer 2023.

8.3 Gemma Collins noted that there was previously no baseline for the environmental targets. A baseline had been created for areas such as carbon and water emissions in the past ten years, but the directorate wanted to verify it would be able to achieve the targets set. For example, R&R accounted for over 60% of carbon emissions and would therefore affect the Parliamentary estates carbon emission target. Strategic Estates were considering carbon offsetting, but the outlay for achieving the targets needed to be understood. It was important that the organisation understood the costs and the benefits, and therefore Strategic Estates were basing the targets on evidence.

8.4 Lord Cromwell asked whether the carbon offsetting was for buying credit or for external activities on the estate, Gemma Collins said that it was for activities such as planting trees. The organisation needed to consider the capital cost for improving the estate, and how much investment was needed or could be offset. She noted that they looked at other parliaments and organisations to compare since not achieving the targets would be a reputational risk.

8.5 The Chair asked what the governance process was for the Development Framework. Catherine Hallett said that the Framework will be presented to the Commons Executive Board and Lords Management Board before being presented to both Houses' Commissions. She noted that the Development Framework was a live document and would be updated regularly to understand what was achievable and accounted for R&R as it developed.

8.6 The Chair asked whether there would be a separate sustainability report for R&R. Catherine Hallett said there would be a separate report, but they would be working together with the R&R team as targets could not be set for the entire estate without co-operation. Currently, both teams were working together on energy modelling and borehole studies.

8.7 Caroline Gardner asked whether a different target date should be committed to. Catherine Hallett agreed that the Development Framework and its respective environmental performance indicators would be finalised in August 2023.

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

9. Strategic Estates Update

9.1 Catherine Helliwell introduced the paper and noted that Strategic Estates have successfully closed all the actions and recommendations from a recent Internal Audit report on Project and Programme Interdependencies.

9.2 For the Construction Health and Safety report, the actions fed into a wider health and safety culture programme in Strategic Estates. The assurance review, led by the Central Safety team, focused on how safety was managed across the estate and identified several recommendations, such as a central Health and Safety Director to set the strategy and performance measures. Construction safety was on track with actions such as having an in-house construction design team. Another Internal Audit was commissioned to assess if the recommendations were embedded. Paul Thompson noted that the Internal Audit team in the House of Commons had had a resignation, and this may impact on the timeframes identified. He advised Catherine Hallett to liaise with the Head of Internal Audit in the House of Commons to ensure that audit occurred in a timely manner.

9.3 Catherine Hallett noted that for the Project and Programme Interdependencies report, there was a three-year rolling programme to deliver several changes across project delivery. It was important to understand the Interdependencies to reduce inefficiencies, duplication and clashes on site. Strategic Estates were working with the R&R team to plan for the summer recess. There was a process to monitor interdependencies and track dependencies on an interdependencies log. This consistent approach was to enable high-level tracking and support planning.

9.4 The Chair asked whether individuals monitoring the interdependencies would report to Construction Design and Management (CDM). Catherine Hallett said that individuals, otherwise known as the Integrated Project Team, and Health and Safety teams will report into CDM.

9.5 The Chair asked whether Internal Audit were satisfied with the closure of the recommendations. Paul Thomson said that he was satisfied with the closure of the interdependencies actions. There is a robust tracking process in place and evidence supporting closure was challenged sufficiently.

9.6 The Chair asked what the escalation process was if it was difficult to progress a project with interdependencies. Catherine Hallett said that the escalation process was Andy Helliwell for the House of Lords and Marianne Cywnarksi, Director General, for the House of Commons. Planning was crucial for ensuring projects progressed.

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

10. Audit Committee Self-Assessment

10.1 The Chair introduced the paper and noted that the scores were consistent with previous years. There continued to be a challenge with the level of engagement from the House of Commons. The demand and pace of R&R would require consistent engagement from both Committees to allow them to respond. The Committee noted that Commons' attendance was a problem, and the joint meeting was the forum for their involvement. The Chair said he would be willing to discuss the issues with the Chair of the Commons Estimate Audit and Risk Assurance Committee.

10.2 The Chair noted that whistleblowing was an area that should be presented to the Committee. Lord Cromwell asked how many whistleblowing cases there were and what were the systems in place for picking up issues not related to fraud, such as line management issues. Paul Thompson said that were no whistleblowing cases in the last year but there may be more work needed to raise awareness. The Whistleblowing Policy is a scheme for reporting malpractice which goes wider that fraud. Fehintola Akinlose said that she and Paul Thompson were gathering material for an awareness campaign. Simon Burton said that there were effective line management structures in places and the Independent Complaints and Grievance Scheme (ICGS) for bullying, harassment and/or sexual misconduct. The Administration was launching a staff suggestion scheme. However, he noted that staff needed to have faith in the policy. The Chair said it would be useful to understand the broader risks such as Health & Safety and harassment. Whistleblowing should be considered in detail when the Annual Audit Programme for 23/24 was discussed at the Committee meeting in April. Paul Thompson said he would discuss requirements with the Chair.

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

11. Any Other Business

11.1 The Chair thanked Caroline Gardner for her contribution to the Audit and Risk Assurance Committee and supporting the organisation in managing its risk and corporate governance.

11.2 Simon Burton noted that the recruitment for Caroline Gardner's replacement was underway and was linked to the recruitment of other external members of Boards.

11.3 Cynthujaa Satchi noted that the Terms of Reference (ToR) for the Audit and Risk Assurance Committee would be updated to reflect the decision for all R&R-related discussions to occur at the Joint Audit and Risk Assurance Committee meetings. Only the individual ToRs of both committees would be updated as the Joint Committee did not have any formal ToR. Both ToRs would have the same update and it would be presented to the Committee in April 2023 as part of their annual review.

11.4 No other business.

12. Private Meeting with the Head of Internal Audit.

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

13. Action Log

Item	Action
Corporate Risk Register	Chief Operating Officer to provide a review in-depth of Risk 8
Corporate Risk Register	Invite John Owen to provide an oral briefing on Business Resilience

Audit Committee Self-Assessment	Chair to discuss with Chair of House of Commons' Estimate Audit and Risk Assurance Committee on engagement of member at the Joint Audit Committee meetings
Audit Committee Self-Assessment	Head of Internal Audit to discuss additional requirements of Whistleblowing Policy data