House of Commons Administration Estimate Audit and Risk Assurance Committee and Members Estimate Audit Committee

Minutes of the meeting held on Thursday 6 July 2023

Members of the Committee present:

Shrinivas Honap (Chair)	Frances Done
Craig Mackinlay MP	Sir Charles Walker MP
Catherine Ward	

In attendance for items 2–12:
Sir John Benger, Clerk of the House and Accounting Officer
Emily Baldock, Director of Strategic Planning
Martina Hunter, Chief Accountant
Jane Hough, Programme Manager (Finance Improvement)
Vicky Rock, Finance Director and Managing Director, Finance, Portfolio and Performance
Malin Eliasson, Director of Financial Management and Performance
Marianne Cwynarski, Director General (Operations)
Gosia McBride, Head of the Governance Office
Dr Richard Stammers, Head of Internal Audit and Risk
Fiona Davidge, Head of Risk
Ed Potton, Committee Secretary
Katharine Williams, Secretary to the Commons Executive Board
Liz Fox, National Audit Office

In attendance for item 6:
Tim Killip, Director of Maintenance

In attendance for item 7:
Dan Cook, Interim Managing Director of the Parliamentary Digital Service
Gerardo Garzon, Head of Networking, Identity and Access

In attendance for item 8:
Alison Giles, Managing Director of Parliamentary Security Department
Mark Harbord, Director of Cyber Security

Apologies
Clive Betts MP

0. Matters to be raised before officials invited in

0.1. The Committee had a private discussion about the agenda and issues arising from the previous meeting.

1. Minutes, matters arising and interests

1.1. The minutes of the March meeting were agreed.

1.2. Shrinivas Honap noted that the People and Culture Team would be asked to bring a risk deep dive to the next meeting of the Committee.

2. NAO Update and Members Estimate Annual Report and Accounts

2.1 Liz Fox explained that the audit completion report for the Members account, covering short money, was a clean report with no changes to the risk assessment and no significant findings. Work was complete subject to low risk review items and an unqualified audit opinion would be issued. Liz thanked the finance team for their input.

2.2 The Members Estimate: Annual Report and Accounts was approved.

3. NAO Update and Administration Estimate Annual Report and Accounts

3.1 Liz Fox noted that the audit of the Administration Account had needed to deal with a number of issues and an incredible amount of work had been put in by the NAO and House Finance team. The risk assessment on the audit was unchanged and no bias identified in management control. In terms of valuations of the estate, the economic life was reasonable, impairments were reasonable, and the issue that would be raised when the audit was complete in a letter was around valuations, and ensuring experts worked together. IFRS16, a new leasing standard, was challenging as the House had some complicated leases, including two onerous leases, which had seen some large adjustments. There were some cashflow adjustments as a result of leases, £7m net cash requirement as part of a £400m budget. Liz explained that restatements related to the change in the status of the Sponsor body and function were an area of pressure but this was nearly closed. The complication was the apportionment between the two Houses. A further outstanding issue was Treasury approval around cash balances for movements as a result of the sponsor body changes.

3.2 Shrinivas Honap asked about the amount of journaling that was undertaken as this was where there was the risk of interference. Liz Fox said this was an unusual year because of the restatements needed, but there have not been concerns in previous years. There were five journals remaining to test.

3.3 Shrinivas Honap said that the Committee were asked to agree that the final completion report be sent to the Chair of the Committee and Accounting Officer. Subject to sampling finding no further errors and getting the outstanding Treasury approval, the accounts would be signed off if the Committee was content.

3.4 Craig Mackinlay noted that the property adjustments were very difficult with the new standards and the Committee should not be overly concerned. If there were onerous leases the House should not have got into this place in the past and the question was whether it could be better commercially. Vicky Rock outlined that the property related to pre-covid arrangements and there was caution around any further property arrangements; they would require a full business case with AO sign off.

3.5 Liz Fox confirmed that the audit was expected to be unqualified and unchanged since the previous year. The timetable for getting the accounts signed before the summer recess was set out. Shrinivas Honap asked for the accounts for 2023/24 to be complete by June in 2024. Liz Fox thought a tighter timetable would need improvements to the finance system. Catherine Ward encouraged the House to consider using a compressed version of some of the material in the annual report as a communication tool.

3.6 Vicky Rock highlighted the good working relationship with the NAO and the support they had provided the House. The House would aim to lay the accounts earlier next year, land and buildings were a problem but good progress had been made in these areas and real strides had been made in the transparency of the accounts.

3.7 The Administration Estimate: Annual Report and Accounts was approved by the Committee pending confirmation of audit completion as described to the Chair of the Committee and Accounting Officer.

4. Internal Audit Progress Report

4.1 Richard Stammers reported that last year's plan had been completed and a moderate opinion had been issued. The opinion was caveated and not where they wanted to be, but the House had done well to achieve this and there were green shoots, for example drivers such as the Financial Review.

4.2 The Committee noted their support for the moderate opinion.

4.3 Richard Stammers outlined progress with the audit plan. A good start had been made in the new financial year although resourcing was a significant challenge with the team carrying a vacancy, alongside a difficult recruitment market. The completed reorganisation would help in the long run but there was a delay in getting up to full strength. The audit budget was now forecasting an overspend partly due to inflation on third party specialist support.

4.4 Shrinivas Honap noted the shortfall and the possibility of deferring a report if the remainder could be funded. Vicky Rock indicated that further resource could be allocated to ensure the audit plan could be completed.

4.5 The Committee discussed the audit reports that had been issued since the last meeting. Shrinivas Honap asked that further information on workforce planning should be provided to a future meeting and asked whether the plan should include something on sustainability and ESG.

4.6 [Additional data: Restricted Access].

5. Internal Audit Charter

5.1 Richard Stammers introduced the Charter and it was approved by the Committee.

6. Limited audit - Maintenance Operations

6.1 Marianne Cwynarski said that this audit had been requested following the decision to move the team out of the former IHSE team. It was now important to build it up and ensure they had the senior support and resource to meet the requirements. Tim Killip set out how the audit findings provided a good stepping stone to take development of the team and function forward.

6.2 Frances Done asked why changes were not made previously and noted the need for assurance it was being given the management authority and oversight required. Shrinivas Honap asked for assurance that the situation was not causing any major health and safety breaches and nugatory spend in relation to R&R was not taking place. Marianne Cwynarski set out the rationale for the timing of the changes and the longer term planning now underway for maintenance as the timing for R&R becomes clearer. Tim Killip noted that the number of vacancies was falling while work was also underway to improve operational management. Business cases contained an R&R test for nugatory spend.

7. Limited audit – Key IT Controls User Access

7.1 Richard Stammers set out that key IT controls were regularly reviewed and the response to this audit was as the Committee would want, it had been accepted and actions were now being put in place. Dan Cook provided further information on how the relevant teams operated and the recruitment and retention challenges in the market.

7.2 Shrinivas Honap set out the importance of ensuring the right governance model was in place and for assurance there was a reconciliation process. He also asked whether use of external consultancy had been considered. Dan Cook confirmed external consultancy was being considered and budget would be available. Gerardo Garzon explained the process for access control and how improvements would be made.

7.3 Shrinivas Honap considered that the management response was very good, but encouraged implementation to be quicker if possible.

8. Cyber and physical security briefing

8.1 [Additional data: Restricted Access]

9. Risk management update

9.1 Fiona Davidge introduced the update from the Risk Working Group (RWG), noting the updates to the principal risk register and the two deep dives undertaken by the group on Restoration and Renewal and Finance. The Commons Executive Board (CEB) was meeting shortly to review the risk register.

9.2 Catherine Ward asked how the risk register linked to the internal audit plan. Richard Stammers explained the three-year plan was updated annually and he had to ensure there was sufficient coverage; departmental risk registers also contributed to planning. There was a further discussion with PDS around their operating model and use of the risk register.

9.3 Sir John Benger noted that the RWG was a formal sub-Board of CEB used to ensure sufficient time was available for risks to be examined; an internal audit report on risk processes praised the effectiveness of the RWG. A forthcoming CEB meeting on risk would ensure the primary risks facing the Administration were properly reflected. In discussion non-executive Members praised the senior level work on risk but asked how the bicameral elements interacted and how risk was managed across Parliament. Shrinivas Honap said a single map of all the assurance activity on one page would be helpful and he had an example he could share. Emily Baldock noted the House of Lords Administration had a well-developed risk framework but that they had different risks. There was appetite for further work to develop the management of bicameral risks, noting R&R risks would be a good example.

9.4 Emily Baldock noted that the assurance process was being revised and work was being undertaken to ensure controls and mitigations were well defined to risks, and further work was needed to ensure it was displayed in documentation. Shrinivas Honap thought further work was required to understand the escalation process to audit and wanted to understand the timetable for mitigating risks by each financial year. He also asked where cultural risk sat; it was noted the House had a cultural transformation dashboard and measures would be added to the next deep dive.

10. Risk Deep Dive Update – Finance

10.1 Vicky Rock introduced the deep dive, noting that the next Audit Committee would receive an update on implementation of the Independent Review of Financial Management. In discussion it was noted that workforce planning was one of the outcomes of the review and the meeting could look at Finance and People and Culture.

11. Report from the Committee

11.1 The Committee agreed to report to CEB and the Commission the approval of the annual report and accounts, the moderate audit opinion and support for the actions on limited audits, although there was an appetite for these to be accelerated.

12. Report from the Committee

12.1 The Committee took note of the Quarterly Report: Restoration and Renewal of the Houses of Parliament, January–March 2023.

The Committee thanked Sir John Benger for his valuable input to, and support for, the Committee.