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

Minutes of the meeting held on Thursday 9 November 2023

Members of the Committee present:

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

In attendance for items 2–12:
Tom Goldsmith, Clerk of the House and Accounting Officer
Emily Baldock, Director of Strategic Planning
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)
Dr Richard Stammers, Head of Internal Audit and Risk
Rahul Mulherkar, Internal Auditor
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 4:
Sarah Hartwell-Naguib, Deputy Managing Director of PDS
Tim Youngs, Director of Resources, PDS

In attendance for item 5:
Jimi Ogunfuwa, Works Commercial Director

In attendance for item 6:
Alan Stewart, Director of Finance Improvement

In attendance for item 8:
Caroline Young, Head of Workforce Planning

Apologies
Clive Betts MP
Craig Mackinlay 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. Shrinivas Honap declared that he had been appointed as a non-executive Director of the One Touch Switching Company.

1.2. The minutes of the July meeting were agreed.

1.3. Shrinivas Honap suggested that the next Committee agenda concentrate on the top four risks with minimal papers. Liz Fox noted that an audit plan paper would likely need to considered, and Richard Stammers noted that there were likely to be limited audits to be considered. The Committee agreed that the next meeting would be a deep dive into up to four key risks, with only essential other items on the agenda.

2. NAO Update

2.1 Liz Fox noted that the NAO had started planning for the next audit, including consideration of lessons learned. A report would be brought to the Committee in January 2024. The House and NAO had worked well together in 2023 and it was important to retain that and the aim was for the audit for all three accounts be completed in early July.

2.2 Shrinivas Honap welcomed the update and was happy for the NAO and Managing Director of Finance, Portfolio and Planning to agree the timetable for 2024.

3. Internal Audit Progress Report, including external review of audit function

3.1 Richard Stammers took the papers as read. He was very pleased with the External Quality Assessment report, which had been completed by Audit Scotland.

3.2 The key message was that internal audit reports so far this reporting year showed the Administration was heading for a limited overall opinion. The team were further ahead on their audit plan than expected and they had a model where they could now predict key issues. Audits were tending to find that management needed to put the resources in place to manage controls. Good work had been done on capturing key controls by Governance Office teams and it was now an education piece around how to use those effectively.

3.3 Catherine Ward asked if controls were available what was stopping them being used. Richard Stammers clarified that the Administration was very good at policies and programmes, and identifying controls to be in place, but continuous monitoring was the problem.

3.4 Frances Done noted that controls had been an ongoing theme so the findings were disappointing. It was management's responsibility that first and second lines of defence were implemented. This would only improve with clear accountability for managers, while noting the continuous pressure to do other things. Frances asked how CEB was tackling the issue.

3.5 Shrinivas Honap suggested measures around risk culture should be considered. Other organisations treated responding to limited audits as they did hitting benchmarks for forecasting accuracy as a way to ensure implementation. Shrinivas suggested the March 2024 meeting focus on implementation of limited audits, noting the importance of making substantial progress against limited audits by then.

3.6 Tom Goldsmith noted the mixed message on controls. In some areas there are not enough controls but other findings suggested there are too many controls so people ignored them. Tom would like to identify where approaches could be slim lined, given the tendency to overburden and then not be compliant. Richard Stammers supported Tom's comments, and it was important to focus on the right resources; findings showed some areas were overly complex, but other areas had been under designed.

3.7 Marianne Cwynarski noted the ongoing actions following the financial review, particularly around performance management. Frances Done noted the risks of non-compliance rose as managers had to deal with new projects, and the forthcoming general election work was a good example of a potential risk.

4. Limited Audit - PDS Key IT Controls - Business Continuity Planning

4.1 Richard Stammers introduced the report, noting that it was an important control area and the outcome had been limited.

4.2 [Additional data: Restricted Access]

5. Limited Audit - Contract Lifecycle Management

5.1 Richard Stammers introduced the audit on contract lifecycle management which had a limited outcome. This was a challenging area over time for the House and the issues had come up before, but it was also an area of action as a result of the Independent Review of Financial Management (IRFM). There were now plans in place to rectify the issues. Vicky Rock noted that the Commercial Directors sat in the House of Lords but as a bicameral function, but it had a dotted line to her.

5.2 Jimi Ogunfuwa said the Commercial Directors acknowledged the contents and had met with the Audit team. Of the 22 recommendations in the IRFM, 14 had been completed and progress was being made with the remainder under a 'fast forward' plan. This was year one of a three year programme and going forward there should be a noticeable difference. A deputy director for contract management had also been appointed to help in this area, the two Directors themselves had been there one year. Catherine Ward asked what was meant by a fast track programme. Vicky Rock said this was moving from a procurement team to a proper commercial team, which now needed to develop levers out into the organisation. Jimi Ogunfuwa added that he hoped for a steering group to support them.

5.3 The Committee queried the timing of some actions, for example completion in March 2025 and asked whether progress should be faster. Jimi Ogunfuwa confirmed that progress would be made ahead of these dates, for example, a new procurement portal would be in place by the end of the calendar year.

5.4 Shrinivas Honap asked how value was demonstrated in each contract, and for supply and contract management, did both Houses and other organisations such as IPSA work together, noting this was not a responsibility of the Audit Committee. Vicky Rock noted that the IRFM had referred to joint services as an opportunity but there was work to do for senior managers to align the businesses, while there had been discussions with others outside the two Houses.

5.5 The Committee welcomed the progress being made in this area.

6. Independent Review of Financial Management Update

6.1 Jane Hough introduced the item and the slides set out progress, including details of the internal audit review. A risk workshop had been held and the team was trying to ensure this was an ongoing process.

6.2 Shrinivas Honap welcomed the update noting the IRFM was one of the best reviews he had seen across the government sector. He asked about delays around MyCSP testing, when a skills database would be in place and changes to the business case process. Vicky Rock noted the issue around MyCSP was around testing on new systems and was under control, while skills would be covered in a following agenda item. The business case threshold was currently £5 million for approval by the Clerk; Vicky wanted to make sure approval was in the right place and shortform business cases, or combined OBC/FBCs, were an option. Shrinivas Honap welcomed the business case approach, noting speed was welcomed, as were approaches for ending approaches quickly that weren't working.

6.3 Shrinivas Honap asked about organisational capacity. Jane Hough reported that there was a small project team in the centre, while vacancies in some delivery teams were a concern. In discussion it was noted there was financial capacity to bring additional staff in but the project was aiming to ensure changes were embedded by the people doing the work in the long run. Tom Goldsmith added that additional help was being resourced for zero based reviews. Frances Done noted that zero based reviews could make a big difference to the organisation, but the challenge was to keep them up. The complications in merging more services bicamerally was noted, but CEB should still keep oversight of this and question it regularly.

6.4 Catherine Ward noted that the delays to the HR system would impact finance milestones. Alan Stewart said the interplay between HR and Finance systems meant there were finite resources and there was a need to deconflict the two systems. There would be an impact on the management information available, but they were looking at what could be unlocked from the old system.

6.5 Jane Hough reported that cultural change and risk had not been forgotten. The new Executive Sponsor was keen to develop this area.

7. Changes to capitalisation methods and assumptions proposal

7.1 Vicky Rock outlined the proposals to update the capitalisation methods, assumptions and calculations applied to the non-current assets held by the House of Commons Administration. The capitalisation thresholds for non-land and building assets would be increased to £5,000.

7.2 Shrinivas Honap asked whether a higher threshold was possible. Vicky Rock confirmed a higher threshold would not raise any materiality concerns, but there was a benefit from being consistent across both Houses.

7.3 Shrinivas Honap asked how digital assets would be apportioned over time, as they needed to be less than other assets. Vicky Rock was happy with a three year period for digital assets.

7.4 The Committee endorsed the changes to capitalisation methods and assumptions.

8. Update on Workforce Planning

8.1 Caroline Young set out that the data represented the first phase of workforce planning. Data from every team was included and challenge meetings would include discussion of the data, with a report back to CEB in December. The aim was that it was a continuous process. Skills assessment was a team based activity, they were looking to learn from PDS and then roll out to job families and other areas.

8.2 Catherine Ward felt this could unlock issues and answer questions about resourcing needs. She asked when actual and required levels of capability and need could be assessed and whether it could help around use of interims. Caroline Young felt they had collected useful data such as HR qualifications, and where interims were used, but there was still work needed to deliver a full understanding of need. Vicky Rock noted the data had helped raise and discuss interim use with teams.

8.3 The Committee discussed where the data was sourced, the cleansing needed, how it would be maintained and the different ways it could be cut.

8.4 Shrinivas Honap asked if job families were appropriate for all skills and how new skills, such as AI, would be captured, and how graduate, IT and Finance recruitment was included. Vicky Rock confirmed job families was only one of the various approaches being used. In terms of recruitment, teams used different approaches, but apprenticeships were in place for Finance and IT. It was confirmed that the total FTE would grow over the coming years due to increases in the security team, but other teams would reduce.

8.5 The Committee welcomed the work, noting the need to understand and factor in future skill needs.

9. Risk management update

9.1 Fiona Davidge introduced the paper, which included ongoing work to develop risk management good practice, noting awareness over the current differences between risk frameworks in the Commons and Lords, and assured the Committee that both Houses aligned with the orange book and aimed to align on shared risks.

9.2 Shrinivas Honap asked for evidence of risk being embedded in the organisation and how that worked. He wanted to understand how the Risk Working Group operated and then how it escalated to ARAC when needed. In discussion it was noted that the CEB managed risk and ARAC provided assurance, but ARAC needed to be aware where risks were not being managed.

9.3 The Committee discussed the management of reputational risk. It asked why it had been taken off the register. Officials noted that reputation was the impact of other things happening and that the Administration had limited control in this area so it was important to focus on areas where it could take action.

9.4 The Committee noted an audit of the risk function was planned and asked for this to be reported to the Committee.

9.5 Tom Goldsmith noted he was asking for CEB to be better sighted on risk and change the way they reviewed key performance information and risks. This was welcomed by the Committee.

10. Report from the Committee

10.1 The Committee agreed there were no issues to escalate to the Commission.

11. Any other business

11.1 There was no other business.