



HOUSE OF LORDS

HOUSE OF LORDS AUDIT AND RISK ASSURANCE COMMITTEE

Tuesday 30 January 2024, 3.00pm
(Hybrid Meeting – MS Teams and Committee Room 2A)

MINUTES

- Present:** Mathew Duncan (Chair)
Charlotte Moar (Chair)
Lord Brownlow of Shurlock Row
Lord Cromwell
Lord Haskel
Lord Macpherson of Earl's Court
Viscount Thurso
- Officials:** Simon Burton (Clerk of the Parliaments)
Andy Helliwell (Chief Operating Officer)
Paul Thompson (Head of Internal Audit)
Fehintola Akinlose (Director of Finance)
Jonathan Smith (Head of Finance)
Liz Fox (Engagement Director, National Audit Office)
Greg Walsh (Audit Lead, National Audit Office)
Alix Langley (Interim HR Director)
Alison Giles (Director of Security)
Jimi Ogunfuwa (Commercial Director)
Tom Hyner (Commercial Director)
Emma Gerrard (Senior Contracts Manager)
Sarah Hartwell- Naguib (Deputy Managing Director Chamber and Participation Team)
Mathew Chandler (Director of Facilities)
Katherine Pickard (Director of Parliamentary Safety)
John Bradbury (Head of Fire Safety)
Dan Elliott (Delivery Manager – Performance)
Cynthujaa Satchi (Clerk to the Committee)

I. Declaration of interests for the meeting on 30 January 2023

- I.1 Lord Brownlow of Shurlock Row noted that Parliamentary Digital Services (PDS) promoted the use of 'Trustd' as an app, which belonged to a company owned by him. The application was pitched to the National Cyber Security Centre and accepted as a secure platform. He had discussed the matter with the Lord Speaker, and they had agreed that Lord Brownlow would not be accepting any payment from the House of Lords.

1.2 There were no other declarations of interest.

2. Matters arising from the meeting on 26 October 2023

2.1 Paul Thompson noted that the figures provided within the Strategic Estates Resourcing Model internal audit were inaccurate. The information was taken from the previous resourcing document when Strategic Estates was part of the In-House Services and Strategic Estates directorate. The actual figure for Strategic Estates was 317, and it did not impact the findings of the report.

2.2 The Committee agreed the minutes of the previous meeting.

3. Updates from Commission meetings

3.1 The Chair provided an update on the Commission meeting held in December 2023. The Commission agreed the West Entrance proposal and Social Media Guidance. The Commission recommended the Medium-Term Financial Plan. The Commission would be meeting on 31 January 2024 to discuss Restoration and Renewal (R&R).

3.2 Simon Burton noted that the Commission Group discussed the Corporate Strategy, and that it would be presented to the Commission at an upcoming meeting for endorsement. The new Corporate Strategy would include an explanation on how the administration supports the House of Lords.

3.3 Lord Brownlow asked whether it would be useful to be provided with the minutes from the Commission meeting to help inform discussions to support the Chair. Simon Burton said that the decisions from the Commission were available on ParliNET after each meeting, but minutes would only be provided after the Commission agreed them. Lord Cromwell asked whether the minutes were provided in the Royal Gallery. Simon Burton said he was unsure but would find out where the decisions were made available.

3.4 The Chair noted that the joint meeting of the Audit and Risk Assurance Committees was currently being scheduled, although the date had not been confirmed. Bicameral areas of importance, such as the Fire Safety internal audit, should be discussed promptly by the Committee even it was not possible to arrange a joint meeting. These items should be discussed as soon as possible to determine progress and effectively support the Accounting Officer.

3.5 The Committee noted the update.

4. Corporate Risk Register

4.1 Andy Helliwell introduced the paper and noted that the Corporate Risk Register had been amended since it was last presented to the Committee in July 2023. The amendments were made to avoid the risk register remaining static or covering only issues. The Information Management risk had been removed from the Corporate Risk Register and transferred to the Information and Digital Board (IDB) risk register. The

IDB was sub-board of the Lords Management Board. The intention was to discuss bicameral risks in a joint meeting with the Lords Management Board and the Commons Executive Board.

- 4.2 Viscount Thurso asked how dynamic the risks were on the report and how it fed into management actions. He noted that there were several red risks that had the same inherent and residual score, which indicated that the organisation was failing to manage those risk even after mitigating actions. Andy Helliwell said that the security and cybersecurity risks would always be high probability and high impact due to daily attacks and the severity of the impact if it occurred. However, there were other risks that have remained red for several years which affected their credibility on the risk register when the risk had not materialised. Viscount Thurso said that risks could be amber on the risk register, which allowed the risk to be escalated and signal to the Management Board that there was an issue.
- 4.3 Viscount Thurso asked whether there was a provision for proximity risks in the risk register, which were risks that had a high impact, but the likelihood was lower. Andy Helliwell said that the risk register focused on outcomes rather than causes for risk, such as denial of access to the Chamber during COVID-19, but he was keen to do more work in this area.
- 4.4 Charlotte Moar noted that given the high number of red risks after mitigations, the Management Board should review the risk register and determine how to address this, including by looking at its risk appetite, current mitigating actions and timings, and the scope to transfer or terminate some risks. The risks that will be retained should be ones where the Board could not tolerate the assessed level of residual risk, and where the Board itself required oversight of the testing and systems in place to reduce the risk to target level.
- 4.5 The Chair noted that there should be a reassessment of risks and the Management Board should determine if those risks remained red after mitigation. Simon Burton said there would be additional resources in the Corporate Governance team to lead on risk management and the risk framework. Andy Helliwell said that what is considered red may need to be reviewed. For some risks, the rating may be moved from red to amber, but they were unlikely to go to green. The list of mitigations sometimes described the 'to-do list' for senior risk owners rather than the specific activities that affect the risk score.
- 4.6 Lord Cromwell asked whether there were any risks the Committee should be worried about and discussed. Simon Burton said that infrastructure, cyber security and physical security were the main concerns, but there were several actions taking place to mitigate them.
- 4.7 The Committee requested that an update be provided to the next Committee meeting on the actions and their status to support their Committee's annual assurance to the Corporate Officer. Andy Helliwell agreed to lead on this.
- 4.8 The Committee noted the update.

INTERNAL AUDIT REPORTS: FOR DISCUSSION

5. Outstanding Management Actions

- 5.1 Paul Thompson noted that the report was expanded to include all audit-related management actions that were overdue. The timelines were agreed by the Accounting Officer and the Management Board. There were zero recommendations or management actions that were overdue. The Committee commended the position.
- 5.2 Charlotte Moar asked whether the internal audit plan was on track and what the overall opinion would be for 2023/24. Paul Thompson said that the overall opinion was not known but it was heading towards limited assurance. The assurance level in House of Lords-only internal audits was predominately moderate or substantial. There were several limited assurance audits within bicameral areas, for which both the Clerk of the Parliaments and the Clerk of the House had responsibility. The current audit plan was on track to be completed and he had received an outline schedule from BDO. Several of the remaining audits in Quarter 4 related to major projects and programmes, and the outcome of these audits would be a strong determinant on the overall opinion. Planning for 2024/25 had commenced with Heads of Offices contacted to provide their assurance requirements. An outline plan would then be provided to the Management Board and House of Commons. An initial outline plan would be provided to the Clerk of the Parliaments in March. This would also be made available to the Chair.
- 5.3 The Committee took note of the paper.

6. Special Police Services Agreement: Limited Assurance

- 6.1 Alison Giles and Emma Gerrard joined the meeting. Paul Thompson noted that Parliament paid for service provided by the Metropolitan Police, and it was recharged on a full cost recovery model. 90% of costs related to pay and overtime but the remaining 10% was harder to validate. Parliamentary Security Department (PSD) and Finance put in considerable effort to understand costs but there was a lack of transparency from the Metropolitan Police.
- 6.2 Alison Giles noted that the audit was welcomed as it provided transparency of costs and would support contract renegotiations. From the 14 recommendations, five had been completed, four would be completed by the end of the financial year and five would have to await renegotiation of the contract. The currently enforced schedule of the special services agreement lacked the detail required to enable PSD to effectively manage the contract. Charges and overtime were transparent on the contract, but overheads remained opaque though any additional overheads were challenged. The Metropolitan Police provided services as an additional income and therefore did not have their financial accounting processes aligned to support costings. There was a lack of capacity in managing the process. All stakeholders involved should be conscious that both Parliament and the Metropolitan Police were funded through the public purse, and therefore the overall aim was to seek value for money and effective security services.

- 6.3 Lord Crowell asked whether the £4m spend in overheads could be reduced. Emma Gerrard said that it was a point for negotiation as overheads were charged on a per capita basis as long as the Metropolitan Police was fully resourced. However, the Metropolitan Police was not fully resourced and therefore the overhead calculation should be based on actual provision of staff.
- 6.4 Lord Cromwell asked whether focusing on cost may cause the Metropolitan Police to charge more. Emma Gerrard said that it was possible that the Police could charge more, however the focus was on getting clarity and understanding the figures. Parliament was dependent on the Policy providing the information to inform the costing model.
- 6.5 Chris Wood said that given the negotiation position, it would be useful to decide what PSD expected from the contract rather than have terms imposed. Alison Giles said that she was in discussion with Parliamentary Commercial Directorate (PCD), Internal Audit and Finance to determine what would be possible to get and what was needed.
- 6.6 The Chair noted that the KPIs used in the new contract should make sure that it does not encourage protective behaviours.
- 6.7 The Committee took note of the paper.

7. Fire Safety: Limited Assurance

- 7.1 John Bradbury, Katherine Pickard and Mathew Chandler joined the meeting. John Bradbury noted that the audit was conducted in May 2023 with the findings only published now. This had allowed the service area to make progress on several actions. Fire safety assessments had been legally compliant at the time of the audit, but the assessments did not meet the requirement set by Parliament. There was a disconnect between contractors working safely and the actions identified by the fire assessment. There was now a Construction Safety Group to discuss matters of importance. Katherine Pickard noted that the Fire Safety Committee had pushed to make sure issues were discussed at meeting and that they had adequate oversight to be able to evidence actions were on track. There were still areas that required work, but this would feed in the wider transformation and safety programme.
- 7.2 Charlotte Moar asked whether Parliamentary Safety was confident that the agreed actions would be taken and whether the right arrangements were in place for oversight. Katherine Pickard said that the Parliamentary Safety Assurance Board and the Fire Safety Committee were keen on making sure actions were reviewed and co-ordinated. The remit was to review governance and assurance structures for health and safety, including fire safety and management information. John Bradbury said that there were two levels of assurance (life safety and property protection). The third line of assurance was the Crown Premises Inspectorate. The issues had been flagged to internal audit team but there was a wider issue on maintenance not just on fire safety. The issues were on construction safety, which related to property protection, rather than life safety.

- 7.3 The Chair asked how familiar staff and officers were with fire drills and fire safety. Simon Burton said that there was annual training for House of Lords' staff and members, but there was a lower completion rate for members. There had been a fire drill in the House of Lords, and the Services Committee had requested a joint fire drill with the House of Commons but the offer was not taken. Mathew Chandler said that 20-30% of members had completed their fire safety training and he would be happy to ask the Services Committee to encourage members to complete the training. A fire drill had been held but the organisation should test it when capacity was a realistic number to adequately test the process. The Audit and Risk Assurance Committee recommended that another fire drill should be taken at an appropriate time and agreed that the Accounting Officer should represent this recommendation at the next Services Committee.
- 7.4 Lord Brownlow asked what the overall cost was for fire safety. John Bradbury said staffing costs were roughly £1m per year however he would have to provide the overall costs at a later date.
- 7.5 Charlotte Moar noted that the majority of actions were due to be completed by the end of March and asked for a follow up on these at the next meeting, given the risks around this issue and the limited assurance provided. Paul Thompson said that the follow-up was not within his control as it was a House of Commons' audit, but he would discuss with his counterpart. If it was not possible for internal audit to follow up by then, management can provide an update on the actions at the April meeting.
- 7.6 The Committee took note of the paper.

8. Contract Life Cycle Management: Limited Assurance

- 8.1 Paul Thompson introduced the paper and noted that the internal audit predominately focused on the House of Commons. However, as contract management affected both Houses and the service is led by the House of Lords, the report was provided to the Committee.
- 8.2 Jimi Ogunfuwa noted that PCD fully recognised the limited assurance and had taken steps to address performance. A new contract management team had been recruited and are conducting a full data cleanse of contract management information. There were still initiatives to further develop contract management in Parliament. PCD would be launching a contract management website with tools and techniques, and they were building a contract management community. A contract management system would be going live on during 2024 and it would act as a repository for all our Contracts.
- 8.3 Fehintola Akinlose noted that the business was responding well to the initiatives, but contract management is not the responsibility of PCD but business areas which requires a cultural change. PCD provides contract management support i.e., tools, training on best practice, etc. PCD would be targeting managers responsible for high

profile and complex contracts. The transformation programme was expected to be completed by 2025 and Internal Audit would be invited to check progress.

- 8.4 Lord Brownlow asked which contracts were considered high profile. Fehintola Akinlose gave examples such as the maintenance contracts and Microsoft Office contracts. The procurement framework for Microsoft meant it was harder to negotiate directly with the supplier.
- 8.5 Chris Wood asked how contract risks were managed and whether they fed into the risk register. Fehintola Akinlose said that most contract risks were within bicameral areas, which had most of the most complex contracts. Lords budget holders had regular meetings with their Commons counterparts and the information flowed into the risk register. Andy Helliwell said that there was a separate risk register for contract management, however the maintenance contract was the only one with a direct risk to a board level risk (Risk 7) as the others were indirect risks. Previously contract management did not feed through the risk registers into the Corporate Risk Register, but now there was a clear link.
- 8.6 Lord Macpherson asked whether there was a full meeting of minds when Internal Audit provided its recommendations to management. Jimi Ogunfuwa said that PCD worked closely with Internal Audit and welcomed the report as the limited assurance made it easier to accelerate the transformation programme.
- 8.7 The Committee took note of the paper.

9. PDS Key IT Controls – Business Continuity Planning (HoC Report): Limited Assurance

- 9.1 Sarah Hartwell-Naguib and Daniel Elliott jointed the meeting. Sarah Hartwell-Naguib introduced the paper and noted that PDS accepted the findings and were taking steps to address the issues identified. The internal audit helped leverage a quicker response to business continuity and disaster recovery from various stakeholders as it helped understand the critical digital systems, stakeholder needs, priorities and the conversations needed in the event of a major incident.
- 9.2 Charlotte Moar noted that it was important to identify which services were most crucial to business operations and/or data security and that these should be the priority for action and disaster recovery.
- 9.3 Lord Brownlow asked whether there was an overlap on systems. Sarah Hartwell-Naguib said that there were legacy digital systems which were being curated. However, these were not business critical systems and they would be reduced.
- 9.4 Lord Cromwell asked whether there was anything that the Audit and Risk Assurance Committee should be escalating to the Commission. Daniel Elliot said there was nothing to escalate. However, it was important that any solution put into place was transitioned appropriately to provide enduring capability rather than resolving issues as and when they occur.

9.5 Chris Wood asked whether a deep dive on the digital infrastructure was needed. Andy Helliwell said that the new Chief Technology Officer had a priority action on understanding the enterprise architecture and legacy systems.

9.6 The Committee took note of the paper.

10. Staff Grievance Procedures: Moderate Assurance

10.1 Alix Langley joined the meeting. Paul Thompson introduced the paper and noted that Advisory, Conciliation and Arbitration Service (ACAS) defined grievance as concerns, problems or complaints raised by employees to their employers. The internal audit aimed to identify the routes available to staff for surfacing issues. The route chosen by staff members depended upon the nature of the complaint. The report concluded that reporting mechanisms were generally fit for purpose and usage of these schemes had been low in recent years. The report did not offer an opinion on the low usage as it would involve speculation. There were a small number of recommendations and management response was positive. Alix Langley noted that the low number of formal grievances may be due to the landscape in which staff operated. HR would need to make sure there was regularly reporting to monitor any changes in volume and work with the Independent Grievance and Complaint Scheme (IGCS). Simon Burton noted that the recent People Survey showed that 83% of staff were satisfied or very satisfied with their line manager. There had been a concerted effort into management training and building a positive culture, and it would need to demonstrate that it was in line with best practice.

10.2 Lord Cromwell noted that the request to understand whistleblowing was due to a potential private members' bill. It would not be a positive look if the House of Lords did not have a robust whistleblowing policy. He noted that grievance and whistleblowing were not the same thing and whistleblowing was a difficult area. Simon Burton said that the organisation needed to test the policy against best practice to make sure it was effective.

10.3 The Chair noted that the report was not a review of all possible routes for whistleblowing. There were issues that may not come through the staff grievance procedures and the route by which complaints were made appeared to leave it to the individual to decide. These different routes and processes for raising a concern would not align with industry best practice. There should be an easy route, and this should be the area of focus for the Management Board.

10.4 Charlotte Moar noted that the Malpractice (whistleblowing) Policy was not very clear and easy to use and requested that this should be revised noting that Internal Audit team had offered to support the review of the Whistleblowing Policy. Liz Fox said that the National Audit Office (NAO) would also support the review of the policy and that the policy could include the Comptroller and Auditor General as a named contact outside of the organisation.

- 10.5 Charlotte Moar also noted that the Malpractice policy said that health and safety whistleblowing concerns should be raised via the Health and Safety Policy however this does not set out how this should be done. This should be resolved as part of the review of the Whistleblowing Policy.
- 10.6 The Committee supported the action to map out clearly for staff the various routes which could be taken to raise a concern to make this simple, and a timely review of the Whistleblowing Policy.
- 10.7 The Committee took note of the paper.

11. Management of the Risk of Fraud: Interim Follow-up Report

- 11.1 Paul Thompson introduced the paper and noted that the interim follow-up was a deviation from normal audit follow-ups as the Audit and Risk Assurance Committee had requested an update following management decisions. The Management Board agreed that certain elements of the relevant Government functional standard would be applied. Actions would be proportionate and Internal Audit would assess progress in its follow-up report.
- 11.2 The Committee took note of the paper.

INTERNAL AUDIT REPORTS: FOR INFORMATION

12.Accounts Receivable (Debtors): Substantial Assurance

- 12.1 The Committee took note of the paper.

13.Independent Review of Financial Management (IRFM) Implementation Programme (HoC report): Moderate Assurance

- 13.1 The Committee took note of the paper.

14.Cash Handling within the House of Lords Administration: Moderate Assurance

- 14.1 Chris Wood asked whether the House of Lords needed to handle cash. Fehintola Akinlose said that cash was used within Catering and Retail Services by their customers.
- 14.2 The Committee took note of the paper.

15. NAO Audit Planning Report

- 15.1 Liz Fox introduced the paper and noted that due to the availability of NAO officers the audit plan was still in draft and being discussed with management. A finalised draft would be circulated to the Committee. The interim audit would start in February. The 2022/23 audit planning report saw a significant impact from the transfer of the

Sponsor Body and the implementation of IFRS 16 on the balance sheet. The 2023/24 report was expected to be business as usual with key changes expected in audit standards related to the quality of audits. This would impact the supervision and documentation of the audit team. In 2024/25, the Treasury would be implementing climate disclosures into the government financial reporting manual (FREM). This would be voluntary for the House of Lords, but it would be mandatory for the House of Commons. Management would need to decide whether to implement climate disclosures since it would impact bicameral areas.

- 15.2 She noted that the 2022/23 Management Letter focused on the valuation of the estate. Management disagreed with some of the recommendations, but the NAO were not concerned as they would use 2023/24 to resolve the challenges. There was a presumed risk around management override of control and revenue recognition.
- 15.3 Fehintola Akinlose said that management would respond to the audit planning proposal from the NAO in the coming weeks.
- 15.4 The Chair sought clarification on the climate disclosures in FREM. Liz Fox said that there was a potential issue where the House of Commons was reporting the disclosures, but the House of Lords was not, even though it would be voluntary by the House of Lords. Fehintola Akinlose said that there would need to be a discussion with the House of Commons. Charlotte Moar said that at some point reporting may become compulsory and there was a reputational issue associated with not disclosing the relevant information on a voluntary basis. The organisation would need to look ahead to determine whether they start collecting the data now in anticipation.
- 15.5 The Committee took note of the paper.

16. Audit and Risk Assurance Committee Self-Assessment

- 16.1 The Chair noted that the overall scores were similar to the previous years. Given the change in leadership, the Audit & Risk Assurance Committee and the Finance Committee could consider discussing their roles and responsibilities to avoid any confusion. There was a comment on more regular self-assessments but it would be better to consider refreshing the questions on self-effectiveness with the new Chair leading on the change.
- 16.2 Lord Brownlow said the Committee may lose some trend information by changing its questions. Charlotte Moar said that the self-assessment would be used to understand how the Committee wanted to use their time effectively.
- 16.3 The Committee agreed the actions relating to closer oversight of risks and mitigations with the House of Commons Committee around Restoration and Renewal and Strategic Estates and reviewing work programme priorities with the Finance Committee to ensure no gaps or duplication.
- 16.4 The Committee took note of the paper.

17. Any Other Business

17.1 The Chair said that it would be worth reviewing the governance and engagement over the last 12 months with the House of Commons Estimate Audit and Risk Assurance Committee to assess how this could be strengthened.

17.2 The Audit and Risk Assurance Committee thanked Mathew Duncan for his time as Chair of the Committee.

18. Meeting in private with Clerk of the Parliaments

18.1 The Committee met in private with the Clerk of the Parliaments

Action Log

Item	Action
Updates from the Commission	Clerk of the Audit and Risk Assurance Committee to check whether the decisions of the Commission were made available in the Royal Gallery
Corporate Risk Register	Chief Operating Officer and Risk & Assurance Officer to provide update on the Corporate Risk Register in April with particular focus on reviewing the management appetite for accepting “red” risks, post mitigating actions.
Fire Safety: Limited Assurance	Clerk of the Parliaments to make representation to the Services Committee on conducting a fire drill at an appropriate time when there are a representative mix of activities within the Estate and to report back to the next ARAC meeting on progress.

Clerk to the Audit and Risk Assurance Committee
January 2024