HOUSE OF LORDS

HOUSE OF LORDS AUDIT AND RISK ASSURANCE COMMITTEE

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

MINUTES

Present:	Charlotte Moar (Chair) Chris Wood 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) Liz Fox (Engagement Director, National Audit Office) Greg Walsh (Audit Lead, National Audit Office) Mathew Chandler (Director of Facilities) John Bradbury (Head of Fire Safety) Dan Cook (Interim Chief Information Officer and Managing Director of PDS) Mark Lyons (Chief Technology Officer) Cynthujaa Satchi (Clerk to the Committee) Aisha Bi (Head of Governance) Keerut Kang (Executive Support Officer)

1. Declaration of interests for the meeting on 30 April 2024

1.1 There were no declarations of interest.

2. Matters arising from the meeting on 30 January 2024

2.1 The Committee <u>agreed</u> the minutes of the previous meeting.

3. Updates from the Chair:

3.1 The Chair provided an update on the Commission meeting held in March 2024. The Commission noted the Corporate Strategy and Corporate Business Plan, and agreed to further work on professional indemnity assurance for members. The Commission would be meeting in May 2024 discuss security-related capital projects.

3.2 The Chair provided an update on the informal joint meeting of the House of Lords and House of Commons Audit and Risk Assurance Committees. Both Chairs agreed it was important to have joint meetings and discuss bicameral working. The meetings should not duplicate work, such as the assurance of Restoration and Renewal (R&R) which already had an assurance structure in place. The next joint meeting date had been provisionally agreed for 1 July 2024 and would focus on safety of the estate. Viscount Thurso noted that the date of meeting would be difficult to attend. The Chair said that due to scheduling difficulties, the joint meeting would be held immediately after the House of Commons' own meeting. However, future meetings would be scheduled to maximise the chances that all members can attend.

3.3 The Chair noted that the feedback from her introductory meetings with committee members highlighted that the Committee had great support and input from officials. The Committee meeting should include the Accounting Officer's updates, shorter papers and a greater focus on risk.

3.4 Lord Brownlow said that it would be useful for audit reports to have an executive summary and be consistent in their format. Paul Thompson said that he would discuss the format with the relevant individuals, but there were varied opinions on the best approach. The Chair said she welcomed any feedback, and these comments would be considered when preparing for the next Committee meeting.

3.5 The Chair noted that she had attended the Delivery Authority's Audit and Risk Assurance Committee in March 2024. They discussed the Audit Strategy, which did not include assurance of the third R&R option, Enhanced Maintenance and Improvement (EMI). The strategy would be updated to include EMI. She had also met with Lord Morse, Chair of the Finance Committee, to follow up on the work of both committees. Both Chairs agreed to meet regularly.

3.6 The Committee <u>noted</u> the updates.

4. Updates from the Accounting Officer

4.1 Mathew Chandler and John Bradbury joined the meeting. Simon Burton noted that the strategic case for R&R had been published and work continued on the decision for both Houses to take next year. He would be attending the Public Works Estimates Commission (PWEC) with Tom Goldsmith (Clerk of the House), Patsy Richards (Managing Director of the R&R Client Team) and David Goldstone (Chief Executive of the Delivery Authority) to discuss the estimates.

4.2 He noted that research had commenced on reviewing the Whistleblowing Policy, following the discussion on the Staff Grievance Procedure Internal Audit in January 2024. The policy would be redrafted and discussed by the Lords Management Board in October and then provided to the Committee. The Trade Unions and senior leadership would be consulted during the drafting. Lord Cromwell asked whether an external organisation had been procured to evaluate the whistleblowing policy against best practice. Simon Burton said that it would be evaluated internally, but the Trade Unions and NAO would be consulted.

4.3 Simon Burton noted the new Members' allowance scheme for overnight accommodation had been in place since 15th April 2024, and it would be monitored. He thanked the Finance Department for their work on implementing the policy during the year-end financial processes. The interim audit on the end of year accounts had been successful, and teams would be developing the contract management portfolio over the coming year.

4.4 *[Additional data – restricted access]*

4.5 Simon Burton noted that that the Services Committee was leading on the engagement with members on fire safety training. Mathew Chandler said that the Fire Safety Committee had set up a tracker to check that actions were tracked to completion and whether good progress had been made. John Bradbury said that some of the actions from the Fire Safety internal audit had been completed, but some would be delayed due to further transformation within the safety team. The new Director of Safety, Katherine Pickard, would be looking at what safety would look like with respect to fire, construction etc. The Parliamentary Maintenance Services Team actions and passholder training have been completed to the satisfaction of the auditors. The remaining audit actions were expected to be completed by Quarter 3 2024.

4.6 *[Additional data – restricted access]*

4.7 Chris Wood asked whether there was an annual assurance report on fire. John Bradbury said that a report went to the Clerk of the Parliaments and the Clerk of the House. There were areas that were not fully compliant as not all parts of the palace were accessible and some changes could not be completed without significant intrusion. These were put forward in the R&R package for completion.

4.8 The Committee noted the updates.

5. Corporate Risk Register

5.1 Aisha Bi joined the meeting. Andy Helliwell introduced the paper and thanked the Committee for their constructive challenge on the Corporate Risk Register. It provided the impetus to review the register and resulted in the number of red risks being halved. This was achieved by reclassifying the impact score, where a combined probability and impact score of 12 would now be classified as amber; the removal of untargeted cybersecurity risk; reduction of the residual score for the People Risk by recognising the excellent progress made with controls and mitigation; and conducting deep dives. Health & Safety and security may change to amber, but there were likely to remain some intractable red risks.

5.2 Lord Cromwell asked for clarification on how the People Risk moved from red to amber. Andy Helliwell said that the results from the People Survey had been a contributing factor, as well as an uplift in pay and morale. The new People Strategy and the delivery of the Inclusion and Diversity Strategy would further underpin improvements to morale. Simon Burton said that current indicators did not suggest that the risk had materialised and therefore the risk had been revised.

5.3 Chris Wood asked whether the target scores would be brought down if all mitigating actions were completed. Andy Helliwell responded this would be the case, specifically for the Health and Safety Risk and targeted Cybersecurity Risk.

5.4 Chris Wood asked whether the organisation was measuring the right things for health & safety and cybersecurity. For example, cybersecurity could be measured by cyber maturity or the progress made in delivering its end state. Andy Helliwell said that for health and safety, fatality would always have impact of 5, but it was about assessing whether the right mitigations were in place. He would look further into assessing cybersecurity differently. Simon Burton said that the health and safety risk would have to be considered if the EMI route was taken for R and R as it would only rise as a risk over time. Andy Helliwell said that there were further nuanced risk registers inside of the cyber and health and safety risks that allowed sub-boards to look into risks in greater detail. Simon Burton suggested deep dives could look into this and give the deeper assurance needed.

5.5 Lord Cromwell asked whether any risks were added to the risk register and what was the area of greatest concern. Andy Helliwell said that bicameral working risk was the most recent addition, and that the correct four risks were now red which would allow greater focus.

5.6 Lord Macpherson asked whether the immovable red risks were classified as such at other similar organisations. Liz Fox said it depended on the nature of the organisation, as some organisations were targeted due to their role or significant weaknesses. The Chair stated that cybersecurity would always remain a high risk, the question was whether the necessary mitigations have been put in place to protect the organisation.

5.7 *[Additional data – restricted access]*

5.8 The Chair said the reduction of the HR risk was a positive; furthermore, it was pleasing to see the reduction of red risks. The priority would be safety; which would be the topic for the joint meeting of the committees. She commended HR for reducing their risks. Simon Burton said that Katherine Pickard would be identifying sources of assurance and their reliability.

5.9 Lord Cromwell said it would be useful to have guidance on cyber to ensure the Committee could provide adequate challenge and assurance. Liz Fox noted that the NAO had produced a guide for Audit and Risk Assurance Committees with advice on cyber assurance.

5.10 The Committee <u>noted</u> the paper.

INTERNAL AUDIT REPORTS: FOR DISCUSSION

6. Progress against the Internal Audit plan for 2023/24 and proposed plan for 2024/25

6.1 Paul Thompson noted that the 2023-24 audit plan would be completed following issue of the management letter on the Members' Finance Support Scheme. There were a small number of other reviews currently in progress, particularly within Strategic Estates, but these were close to completion. The overall opinion for the year would then be developed. The draft plan for 2024-25 had been extensively discussed through various consultations with Heads of Offices and stakeholders, and the capital works assurance had been signed off by Accounting Officers in both Houses.

6.2 Simon Burton noted that, since he became Clerk of the Parliaments, the previous annual opinions had been taken to the Management Board to show due consideration to areas of limited assurance. However, there were several areas outside of his direct control as Accounting Officer. The new reporting mechanism for management actions had not highlighted any failure to support the closure of actions. Paul Thompson said that Heads of Offices were supportive and engaging constructively with internal audit to surface known issues.

6.3 Lord Cromwell asked Paul Thompson if enough resources were available. Paul Thompson assured the Committee that there were, and impending changes to the team and new posts would improve this.

6.4 Lord Cromwell asked whether there were any concerns as there were several limited assurances in the bicameral areas. Paul Thompson said that many key risks were in shared service areas and it was concerning to see the number of audit opinions of limited assurance. It was a discussion between the two Accounting Officers on how to address the issues. Simon Burton said that there was support from the House of Commons and this was reiterated at the informal joint meeting. Viscount Thurso noted that the majority of papers that had come were bicameral, and it was difficult to manage the relationship between the two Houses. Simon Burton noted that following the Independent Review of Financial Management, there was an improved relationship between the two Houses.

6.5 Chris Wood asked whether there was sufficient contingency in the plan. Paul Thompson said the resources were based on the projected number of audit days and that there was some uncertainty involved. Contingencies were not typically used as the risk may not materialise and it would be difficult to explain why an audit did not occur.

6.6 Chris Wood asked why members security was not being audited for the next few years. Paul Thompson said that members security did not lend itself to an audit but there were other lines of assurance available. Lord Cromwell asked how audits were chosen. Paul Thompson said that it was a mix between high risk, likelihood and rotational audits. Simon Burton said that Heads of Officers were consulted and then the Management Board take a view on the pattern of audits.

6.7 The Chair commended the good practice on closing management actions and highlighting new areas which were previously not audited. Simon Burton and the

Chair would raise on behalf of the Committee concerns around the number of bicameral limited assurance audit reports.

6.8 The Committee:

- Noted progress during 2023-24, including in-year adjustments approved by the Committee and Accounting Officer(s)
- Agreed the audit plan for the current year, and advised the Accounting Officer accordingly.
- Noted:
    - The two provisional adjustments to the plan for 2023-24 since the last update in the autumn.
    - The latest position in respect of the 2023-24 annual opinion.
    - The suggested forward IA programme for 2025-26 and 2026-27

7. Outstanding Management Actions

7.1 Paul Thompson introduced the paper and noted that all management actions were completed. The Committee commended the position.

7.2 The Committee took note of the paper.

8. Information security (HoC IA) - Limited Assurance

8.1 Dan Cook and Mark Lyons joined the meeting. Dan Cook introduced the paper and noted that the audit provided a snapshot of challenges at the time. The audit highlighted known areas of concern and there was a plan in place to improve the position. The audit highlighted the disaggregated nature of Parliament's information landscape which made a holistic view difficult to maintain. This was known by PDS and the Information Security function had improved, with a permanent team, new Information and Digital Strategy, and new Director of Information and Chief Digital Advisor in place.

8.2 Lord Cromwell asked whether there were any outstanding actions to be completed. Dan Cook said responded that there was ongoing work as the project was large, but progress remained positive and on track. The Chair asked for dates for the follow-up report.

8.3 Lord Macpherson asked where an approach had been built into systems to make it easier for users to be secure e.g. email traffic. Mark Lyons said that the system was multilayered and there was confidence in the technology and automatic detection systems, particularly with the protective marking scheme identified in the audit.

8.4 Chris Wood asked whether Parliamentary Digital Services had decided on obtaining ISO 2001. Mark Lyons said that ISO 2001 was used as a reference point in a review of parliamentary information security by the Director of Security, however, due to the heavy accreditation and certification burden this would need to be explored further.

An assumption would be that PDS aligned to ISO 2001, but it would not work towards accreditation. A decision would be made in March 2025.

8.5 The Chair asked whether the issues identified within the audit were due to things not being in place or things that had fallen out of favour over time. Andy Helliwell said some elements had been in place, but PDS had worked to make sure that the basic building blocks were in place, such as permanent posts rather than consultants.

8.6 The Committee took note of the paper.

9. Pest Control Arrangements - Limited Assurance

9.1 Mathew Chandler joined the meeting and introduced the paper. He noted that the audit was useful, and all recommendations had been accepted with actions and dates given to ensure their completion. The audit was well-timed as a new bicameral waste and pest control manager had been employed and will be responsible for contract management of the newly appointed cleaning contractor.

9.2 The Chair asked whether it was clear to staff how to report issues. Mathew Chandler said the pest control was a difficult issue and that the Facilities Department was unhappy with the quality of the previous contract. Pest issues were reported to the helpdesk, but it lacked the specificity to understand whether it was the multiple reports of the same pest or different pests. Andy Helliwell said that reports could also be made via Planon.

9.3 Chris Wood said that this related to the contract management life cycle previously discussed by the Committee. Simon Burton said that the Procurement Commercial Directorate was providing support to contract managers to mitigate contract management issues.

9.4 The Chair noted that a follow-up report would be provided in due course as this was a limited assurance area. Mathew Chandler said that many of the actions would be completed and had tight timescales due the importance of the issue.

9.5 The Committee took note of the paper.

10. Personal Emergency Evacuation Plans (PEEPs) – Moderate Assurance

10.1 Mathew Chandler introduced the paper and noted that the audit did not criticise the PEEPs or the ability to manage those with plans in the case of an evacuation, but rather that there were no PEEPs amongst the administration staff. The audit report highlighted that lines of communication should be clear, and that those who should need or want a PEEP were aware of how to get them. Alix Langley, HR Director, would have significant input in ensuring the audit actions would be delivered.

10.2 The Chair asked who was responsible for members' PEEPs. Lord Brownlow asked how many members had a PEEP, and how Facilities would determine whether a member was on site. Mathew Chandler said that there were 11 members with PEEPs, and that members should be clocking in to enable the team to be aware if they were on site. Simon Burton said the Chief Whips paid attention to members with increasing needs and the Senior Deputy Speaker paid attention for non-party affiliated members. Members were encouraged to make it known to the relevant party that they required a PEEP. Mathew Chandler noted that this was the fire safety team's responsibility and accountability did not fall within the estates team, which left a gap. There was a GDPR issue about information sharing, but more could be done to ensure members could obtain a PEEP easily. Lord Cromwell said the Chief Whip and Convenor should be reminded to reevaluate members who may need a PEEP.

10.3 The Committee took note of the paper.

INTERNAL AUDIT REPORTS: FOR INFORMATION

11. R&R Client Team Integrated Assurance Arrangements and Approval Plan - Moderate Assurance

11.1 Lord Brownlow noted that there was a date error on the audit.

11.2 The Committee took note of the paper.

12. Sound and Vision Operations and Maintenance Contract - Moderate Assurance

12.1 The Committee took note of the paper.

13. Members' Pass Reader Voting – Substantial Assurance

13.1 The Committee took note of the paper.

14. Programme Transition to BAU (HoC IA) – Substantial Assurance

14.1 The Committee took note of the paper.

INTERNAL AUDIT FOLLOW-UP REPORTS: FOR INFORMATION

15. Textual Accuracy of Legislation

15.1 The Committee took note of the paper.

16. Absence Management

16.1 The Committee took note of the paper.

17. Right to Work Checks

17.1 The Committee took note of the paper.

18. Parliamentary Office of Science and Technology

18.1 The Committee took note of the paper.

AUDIT AND RISK ASSURANCE COMMITTEE DISCUSSIONS

19. NAO Audit Planning Report

19.1 Greg Walsh introduced the paper and noted that there the interim audit visit focused on the transactions from the first nine months of the financial year. There were no errors following substantive testing, and IFRS16 testing and grant expenditure would be completed on time for disclosures. Good progress had been made across significant risk areas such as presumed risk of fraud and the property valuation. The bulk of the property work would sit on the final audit visit, and the final valuation report as well as input data had been received. The appendix of the report work set out context and costs.

19.2 Lord Cromwell asked whether there were any areas for concern. Greg Walsh responded they were on track to complete the timeline as planned; property work was back-ended so judgements had to be made. Lix Fox said that further consideration was needed for floor space following challenges from the Financial Reporting Council on the NAO's judgements. The first level of assurance had been completed and were currently working through the evidence provided by management.

19.3 Liz Fox noted that the new climate related financial disclosures were mandatory for government departments and arm's length bodies that met the threshold; the House of Lords did not meet this so any disclosures would be voluntary. The House of Commons did meet the threshold and were proposing to put forward the disclosures at a high level 2023/24, and then provide metrics for 2024/25. The House of Commons did not yet have a plan in place, but an action plan would be taken to the Commission in May to get the House of Commons Commission's view. Fehintola Akinlose noted that they were waiting to see the Commons actions, and following discussions with Simon Burton, it was agreed that no disclosures would be made for 2023/24, nor would it be proposed to do so in 2024/25 as the benefit was limited compared to the work involved. This may change if a decision on EMI was made.

19.4 Simon Burton noted that there would be many changes following the R&R decision, however the issue remained that this had not been decided yet. The meeting had identified several important areas to focus on once EMI was clear.

19.5 The Committee took note of the paper.

20. Draft Audit and Risk Assurance Annual Report 2023-24

20.1 The Committee took note of the paper.

21. Any Other Business

21.1 No other business.

22. Meeting in private with the Finance Director

22.1 The Committee met in private with the Finance Director.

Action Log

Item	Action
Accounting Officer update	Head of Internal Audit to review formatting of audit reports.
Corporate Risk Register	Chief Operating Officer to review the mitigating actions for cybersecurity
Corporate Risk Register	Share guidance on how ARAC could contribute to providing assurance and challenge on cybersecurity
Progress against the Internal Audit plan for 2023/24 and proposed plan for 2024/25	Accounting Officer to discuss with Clerk of the House how to ensure the joint meetings of the Audit and Risk Assurance Committee provide suitable information and assurance.
Information security (HoC IA) - Limited Assurance	Chief Technology Officer to review error identified in the audit report
Information security (HoC IA) - Limited Assurance	Head of Internal Audit to provide timeframe for follow-up report
Personal Emergency Evacuation plans (PEEPs)	Director of Facilities to look at recommendations and see how they could be applied to members.
Personal Emergency Evacuation plans (PEEPs)	Director of Facilities to remind Chief Whips to re-evaluate PEEPs for members
R&R Client Team Integrated Assurance Arrangements and Approval Plan - Moderate Assurance	Head of Internal Audit to review target dates identified in the audit report
Draft Audit and Risk Assurance Annual Report 2023-24	Committee members to provide any comments on the report to the Clerk of the Audit and Risk Assurance Committee

Clerk to the Audit and Risk Assurance Committee
April 2024