



HOUSE OF LORDS

HOUSE OF LORDS AUDIT AND RISK ASSURANCE COMMITTEE

Wednesday 24 July 2024, 16.00pm
(Hybrid Meeting – MS Teams and Committee Room 1)

MINUTES

Present: Charlotte Moar (Chair)
Chris Wood
Lord Brownlow of Shurlock Row
Lord Cromwell
Lord Haskel
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)
Cynthujaa Satchi (Clerk to the Committee)
Aisha Bi (Head of Governance)
Sam Anderson (Governance Support Officer)
Keerut Kang (Executive Support Officer)

Officials attending for specific items

Jimi Ogunfuwa (Director of PCD)
Tom Hyner (Director of PCD)
Lord Morse (Chair of the Finance Committee)
Jonathan Smith (Head of Finance)
Saeka Parkar (Head of Financial Reporting)
Katherine Pickard (Director of Parliamentary Safety)
Joel Crompton (Assistant Director)
James Whittle (Chief of Staff)

Apologies: Lord Macpherson of Earl's Court

1. Meeting in Private with NAO

1.1 The Committee met in private with Liz Fox and Greg Walsh.

2. Declaration of interests for the meeting on 24 July 2024

2.1 There were no declarations of interest.

3. Matters arising from the meeting on 30 April 2024

- 3.1 The Committee agreed the minutes of the previous meeting.
- 3.2 The Committee noted progress with the actions arising from previous meetings and agreed to close those recommended by management.

4. Updates from the Chair:

- 4.1 The Chair noted that the joint meeting of the House of Commons Administration Estimate Audit and Risk Assurance Committee and House of Lords Audit and Risk Assurance Committees scheduled for July had been cancelled due to the general election and a new one would be rearranged for November 2024. The priority would be a deep dive into safety. The two Accounting Officers and Chairs would aim to meet informally before then to provide further assurance.
- 4.2 The Committee noted the updates.

5. Updates from the Accounting Officer

- 5.1 Simon Burton noted that an advisory audit of staff allowances had been conducted in March 2024, and there would be a full review of allowances as part of the 2025/26 pay agreement. He noted that the Lords Management Board (LMB) had discussed corporate performance reporting and bicameral services at their recent away day. They had considered how to take a more collaborative approach with the House of Commons, establish clarity about services offered and create opportunities for shared training. The Board thought it would be helpful if the heads of the bicameral services met in an informal forum to exchange best practice.
- 5.2 Andy Helliwell updated the Committee on the corporate risk register. He noted there had been no movement in any residual scores since the Committee's meeting in April, but several mitigating actions had been updated by risk owners. The Committee would be updated further at its next meeting. There were several deep dives coming up which would be aligned with the Committee's schedule. The Chair noted that the members of the Committee had asked for deep dives at each meeting, which would be scheduled.
- 5.3 Viscount Thurso asked whether delivery of bicameral services by joint ownership was the best model, and whether establishing a client-provider relationship between the two Houses, rather than sharing risk, would be better. Simon Burton noted there were a number of different models, and the Board would consider these at its upcoming review.
- 5.4 Lord Cromwell asked whether the whistleblowing policy would be reviewed internally and externally. Alix Langley confirmed that a whistleblowing policy and procedure had been drafted. Human Resources would consult with the Trade Unions in September, and the policy would then go to LMB for approval in October, after which the

Committee would be consulted. Liz Fox noted that the National Audit Office (NAO) would also be able to help review the policy.

- 5.5 The Chair noted that the Restoration and Renewal (R&R) Programme and Client Boards had not met due to the general election, and asked how the Accounting Officer was retaining assurance around R&R during this time. Simon Burton noted that the bodies had not been due to meet until the autumn, work on the options selected by the Client Board had been carrying on as official bodies and processes had continued. The recruitment of a successor to David Goldstone, the Chief Executive Officer of the Delivery Authority, was underway.
- 5.6 Lord Brownlow asked whether there was any publicity management for the R&R programme and its cost. Simon Burton noted that no official numbers had been produced recently, and that there was a social media and communications team supporting R&R.
- 5.7 The Committee noted the updates.

6. Update on the Victoria Tower External Review and New Procurement

- 6.1 The Committee invited Lord Morse, Chair of the Finance Committee, to join the meeting. Tom Hyner, Jimi Ogunfuwa and Lord Morse joined the meeting. The Chair noted that the Committee had received a briefing on this in April. *[Additional data – restricted access]*
- 6.2 *[Additional data – restricted access]*
- 6.3 The Chair thanked the Administration for their transparency on this topic. She noted that the Committee would continue to examine planned audits on commercial and would ask for an update from the Finance Committee once it had conducted its review.
- 6.4 The Committee noted the paper.

ANNUAL REPORT AND RESOURCE ACCOUNTS

7. Draft Annual Report and Resource Accounts 2023-24

- 7.1 Jonathan Smith and Saeka Parkar joined the meeting. Jonathan Smith noted the slight delay in signing off the Accounts as further assurance was needed on the valuation of the Palace of Westminster. He said there was an agreed programme with the House of Commons and NAO to get the Accounts certified and signed off in the Autumn.
- 7.2 Liz Fox noted that through testing, the NAO had identified that floor space data which informed the valuation of the Palace of Westminster either could not be supported back to floor plans, or plans used were aged. Strategic Estates had subsequently shared a new dataset which had been created for workspace planning. That data had

significant variations from data used in the valuation. Quality assurance was now in process, and the shared ambition for completion of this by September was tight.

- 7.3 Jonathan Smith noted that newer surveys, completed for workspace planning purposes, provided an unnecessary level of detail for accounting purposes. Lord Cromwell asked whether the problem was one of lack of regular measuring, or a more serious issue. Jonathan Smith said that the issue had come up because of the availability of more up to date data.
- 7.4 The Chair asked whether the owner of the dataset was clear. Jonathan Smith said that who owned the data going forward would depend on the R&R option selected. Simon Burton said that Strategic Estates owned the data, but consideration would be given to the transfer of data if the Delivery Authority delivered R&R. It would be important for the data to then return to Parliament.
- 7.5 Lord Cromwell asked how often the building should be remeasured. Jonathan Smith said that a full valuation was needed every five years, and the House of Lords also undertook a desktop review every year. The full valuation was undertaken on a sample given the size of the building and associated costs.
- 7.6 The Chair noted that the current language in the Annual Report on shared services did not fully reflect the Accounting Officer's responsibilities in this area. Simon Burton said that he would review the language. Lord Cromwell suggested it would be important to identify in the Annual Report where the House had contact points with shared services provided by the Commons.
- 7.7 Viscount Thurso noted that it would be helpful for the Management Board to consider the narrative and key points they would like to communicate across in each Annual Report ahead of drafting. The Chair said that in ten years' time, it would be important to look back at the Annual Report and judge that its commentary on safety was accurate, and progress had been made on this language.
- 7.8 The Chair thanked the team for their work on the draft Annual Report and Accounts.
- 7.9 The Head of Internal Audit noted that heritage assets work has been deferred to accommodate the House of Commons' review on governance.
- 7.10 The Committee:
- Took note of the paper
 - Approved the Audit and Risk Assurance Committee Annual Report (pages 102-109)
 - Agreed to delegate authority to the Chair of the Committee for the final review of the Annual Resource and Accounts, and to advise the Accounting Officer.

8. NAO Audit update report on the 2023-2024 financial statements audit

- 8.1 Liz Fox introduced the paper and noted that the audit was substantially complete with the only major outstanding issue being the valuation of the building. Liz Fox thanked the Lords Finance team for their cooperation. No issues had been identified

with revenue recognition, there had been no indication of management override, and she had no control observations to bring to the Committee's attention in these areas. The NAO had established that the Heritage Assets team did not write off missing assets unless they were lost for 20 years, and a management recommendation would suggest this be reassessed. No significant findings had been made on property other than on floor space, the assumptions used were reasonable, and she commended management on their action following last year's management letter.

8.2 The Committee took note of the paper.

INTERNAL AUDIT REPORTS: FOR DISCUSSION

9. Annual Opinion and Report 2023-24

- 9.1 Paul Thompson introduced the paper and noted that the overall opinion for the year was limited due to the number of limited assurance audits and their weighting. These predominantly arose in estate and digital. The LMB reviewed the Annual Opinion in June, provided challenge and a positive level of engagement, with a focus on improving and strengthening the control framework. Simon Burton noted that the LMB only started considering the Annual Opinion in the last couple of years due to its importance and to receive challenge.
- 9.2 The Chair asked whether there was a credible resourced plan, with the House of Commons, to achieve moderate assurance, and what it would take to accelerate that plan, given that the limited audit was central to the functioning of the business and safety of staff. Simon Burton noted that there were conversations ongoing with the House of Commons about the provision of shared services, and he would shortly suggest a joint effort from both management boards to look at how these are delivered. Andy Helliwell noted that there were major programmes of change and improvement in place in these areas already. Lord Cromwell asked what these programmes were doing differently. Andy Helliwell said that the Committee had heard earlier about the Fast Forward programme in PCD. There was major work underway to restructure and drive improvement in Strategic Estates and the Parliamentary Maintenance Services team. Work had already done to improve safety organisation and assurance, and the Transforming Digital programme had completed major changes in the way Parliament delivered digital services. Andy Helliwell noted that Parliament had failed in the past to complete projects before starting the next wave, so it was important to complete work already started. Andy Helliwell noted that the Independent Review of Financial Management programme had delivered as expected up to this stage, but the programme continued. The Chair noted that tracking these programmes was a priority for the Committee, which also needed to be done working with the House of Commons.
- 9.3 Chris Wood asked whether the reduction of outstanding recommendations to none was a result of a better control environment or a cultural impetus. Paul Thompson said that of 125 recommendations in the 2023-24 financial year from Lords audits, there was a rejection rate of less than one percent. Management was therefore taking on more actions, and engaging positively with the audit function and ensuring that

actions were completed within agreed timeframes. The view of the LMB was also useful as a way to engage senior managers by demonstrating how seriously the Board took issues raised by Internal Audit. He noted that there was a greater willingness to engage with the audit function overall in the organisation. Simon Burton noted it helped that the Head of Internal Audit reported directly to him to effect change.

- 9.4 The Chair concluded that a limited assurance head of internal audit opinion was a significant concern. She recognised that the Lords-only services in general were receiving moderate or substantial opinions and the limited assurance arose generally in shared services areas whether led by the House of Commons (estates and safety), jointly managed (PDS) or Lords-led (commercial).

- 9.5 The Committee took note of the paper.

10. Outstanding Management Actions

- 10.1 The Committee noted the current position for management actions.

11. Management of Joint Contracts: Limited Assurance

- 11.1 Jimi Ogunfuwa and Tom Hyner joined the meeting. Paul Thompson introduced the paper and noted that though there were a range of control weaknesses outlined, many of the weaknesses identified by the report had been recognised and addressed by the Fast Forward programme. Through the audit it also became clear the scope was too narrow, as it was difficult to split the overall management of shared services with management of contracts. Internal audit intended to conduct a fuller review of the governance and controls of shared services when this can be arranged.

- 11.2 The Chair asked whether Fast Forward covered both putting procurement rules in place and supporting Parliament in contract management and working to those rules. Tom Hyner said that setting procurement rules sat within PCD, as did the cultural and behavioural component, which aimed to give service owners and senior officers skills and channels to manage their contracts. He said there was a steering group with senior leaders from both Houses, a contract managers community, and the programme reported to the boards of both Houses.

- 11.3 The Committee took note of the paper.

12. Construction Health and Safety Follow-Up Report (HoC IA): Moderate Assurance

- 12.1 Katherine Pickard and Joel Crompton joined the meeting. Paul Thompson noted that while there had been progress since the initial audit, three out of seven scope areas were still unsatisfactory. Further strengthening of the control framework was needed. The Chair noted that there were plans to meet with the House of Commons

Administration Estimate and Audit and Risk Assurance Committee to discuss safety in November.

- 12.2 Katherine Pickard noted that she was undertaking a wide-ranging review and restructuring of Parliament's safety team, to ensure there was a stronger assurance base. There would be a governance and assurance arm, and a construction arm which would employ five construction safety specialists who would undertake assurance reviews focusing on high-risk activities. An independent review carried out in 2022 described safety governance arrangements as inadequate, and Katherine Pickard presented an interim review to the LMB in June. The interim review recommended an Infrastructure Committee be established, which would provide greater assurance based on reporting and management information. She noted though that this data had not historically provided the level of assurance required, she was focused on improving this. The Safety team were reporting on construction performance to the Parliamentary Safety Assurance Board as an interim governance measure but were looking at how to make this more robust. She also noted that the Safety Transformation Programme would challenge behaviours and culture. She was confident work on safety was being done, but finding evidence of this quickly, to assure the organisation and the Committee that the work was being done, was a challenge. Joel Crompton said that more work was needed on cultural compliance.
- 12.3 Lord Cromwell asked whose behaviour was being addressed. Katherine Pickard said that there was evidence that members and staff had breached construction protocols and guidance, such as walking through barriers. Contractors also needed to be engaged with, and a supply chain safety forum had been established, to ensure culture permeated through all our areas.
- 12.4 Lord Cromwell asked whether there was a better system for prompting members to undertake fire safety training. Katherine Pickard noted that she would be raising the question of mandatory fire training with the Fire Safety Committee.
- 12.5 Chris Wood asked whether it was worth trying to achieve the ISO45001 standard. Katherine Pickard noted that this was an aspiration. The aim would be to get certification for construction activities initially, which would likely not be until 2026.
- 12.6 The Committee took note of the paper.

13. Fraud: Annual Update 2024

- 13.1 Jonathan Smith noted that the Committee would receive the fraud strategy, fraud action plan, and risk register, at its meeting in October. He was working on developing appropriate metrics.
- 13.2 The Committee took note of the paper.

INTERNAL AUDIT REPORTS: FOR INFORMATION

14. R&R Client Team Capacity and Capability: Moderate Assurance

14.1 The Chair noted that although this report gave moderate assurance overall, there was limited assurance about how Strategic Estates and the Delivery Authority were working together, which the Committee would need to consider in the future. Strategic Estates were now leading development of one of the three options and the governance of the R&R programme had been adapted accordingly.

14.2 The Committee took note of the paper.

15. Digital and Data Operating Model (HoC IA): Moderate Assurance

15.1 The Committee took note of the paper.

16. Key Control Review of Staff Disciplinary Arrangements: Substantial Assurance

16.1 The Committee took note of the paper.

17. Members' Financial Support: Management letter

17.1 The Chair congratulated the team that in this area of significant reputational risk there continued to be substantial assurance.

17.2 The Committee took note of the paper.

18. Review of Staff Allowances: Management letter

18.1 The Committee took note of the paper.

AUDIT AND RISK ASSURANCE COMMITTEE DISCUSSIONS

19. Any Other Business

19.1 No other business.

Action Log

Item	Action
Accounting Officer update	Chief Operating Officer to check with the R&R Communications team on recent media articles on spend.
Draft Annual Report and Resource Accounts	Clerk of the Parliaments to review language used for the responsibility of bicameral services in Draft Annual Report and Resource Accounts
Updates from the Chair	Chair to report back on progress organising a joint meeting of the audit and risk assurance committees.
Update on the Victoria Tower External Review	Finance Director to provide update on the Finance Committee's scrutiny of the project.
NAO Audit Update report	Head of Internal Audit to provide follow-up on Internal Audit plans around heritage assets.
Construction Health and Safety Follow-Up Report (HoC IA): Moderate Assurance	Director of Parliamentary Safety to provide update on progress on mandating fire training for members.
Annual Opinion and Report 2023-24	Head of Internal Audit to provide updated 2024/25 Internal Audit plan with sponsors to the Committee in October and indicative timings of audits to the Chair.
Annual Opinion and Report 2023-24	Clerk of the Parliaments to update the Committee on progress towards achieving moderate assurance.

Clerk to the Audit and Risk Assurance Committee
July 2024