



HOUSE OF LORDS

HOUSE OF LORDS AUDIT AND RISK ASSURANCE COMMITTEE

Thursday 24 October 2024, 13.30
(Hybrid Meeting – MS Teams and Committee Room 1)

MINUTES

- Present:** 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)
Simon Helps (Engagement Director, National Audit Office)
Greg Walsh (Audit Lead, National Audit Office)
Cynthujaa Satchi (Clerk to the Committee)
Sam Anderson (Governance Support Officer)
Keerut Kang (Executive Support Officer)
- Officials attending for specific items**
Stephanie Armstrong (Risk and Assurance Manager)
Alix Langley (HR Director)
Jonathan Smith (Head of Finance)
Katherine Pickard (Director of Parliamentary Safety)
Joel Crompton (Deputy Director of Parliamentary Safety)
Mathew Chandler (Director of Estates and Facilities)
James Whittle (Chief of Staff)
Christine Evans (Director of Project Delivery)
Colin Ward (Director, Portfolio Management Office)
Robert Noye-Allan (BDO Internal Audit support)
- Apologies:** Chris Wood

1. Declaration of interests for the meeting on 24 October 2024

1.1 There were no declarations of interest.

2. Matters arising from the meeting on 24 July 2024

2.1 The Committee agreed the minutes of the previous meeting.

2.2 The HR Director noted that a draft Whistleblowing policy would be circulated for comment via correspondence to the Committee, following its consideration by the Management Board. In discussion, the importance of consulting with relevant trade unions was noted.

2.3 The Finance Director updated the Committee on the Finance Committee's scrutiny of the Victoria Tower procurement. A follow-up review would be conducted by the external reviewers to provide additional assurance on the actions and recommendations, and the Finance Committee would continue to monitor progress. The current procurement was expected to end in mid-November. The Chair noted that the Commission would discuss the Victoria Tower Procurement at its upcoming meeting.

2.4 The Committee noted progress with the actions arising from previous meetings and agreed to close those recommended by management.

3. Updates from the Chair:

3.1 The Chair noted that a joint meeting of the House of Commons Administration Estimate Audit and Risk Assurance Committee and House of Lords Audit and Risk Assurance Committees had been scheduled for early December and noted the proposed agenda items.

3.2 The Chair congratulated the Finance Team and National Audit Office (NAO) on the publication of the House of Lords Annual Report and Accounts and the Parliamentary Works Grant Annual Report and Accounts.

3.3 The Chair noted that the annual committee self-assessment form would be circulated, and encouraged members to be frank in their feedback.

3.4 The Committee noted the updates.

4. Updates from the Accounting Officer

4.1 The Accounting Officer noted that the House of Lords Management Board (LMB) was undertaking an effectiveness review to demonstrate its priorities and provide assurance on delivery.

4.2 The Accounting Officer noted that in the continuing absence of most of the formal Restoration and Renewal (R&R) structure, work on the options endorsed in the strategic case was ongoing. The Chair noted that it was important, while waiting for R&R to commence, that Parliament had knowledge of the state of key internal systems and their possible vulnerabilities. The Client Board was expected to meet in early December.

4.3 The Committee noted the updates.

5. Corporate Risk Register

5.1 The Risk and Assurance Manager joined the meeting. The Chief Operating Officer introduced the paper, noting that since the last update, the bicameral working risk had been removed in its own right, and incorporated into other risks, with the aim of broadening the risk register's perspective. The revision to the target dates for the cyber and physical security risks, and that those risks were the next deep dives the LMB would consider at the start of 2025. The people risk made further progress, updates to the risk description would aim to define a more specific risk. The Risk and Assurance Manager noted that following the last LMB meeting, risk owners would be asked to consider the incorporation of bicameral risks further.

5.2 In discussion:

- The Committee discussed the current framing of the people risk, and noted the dangers of overstating a risk to then show better management. Work being done related to the people risk as currently framed was outlined, and the intention to review the risk description in April 2025 was noted.
- The Committee discussed the compliance and state of the organisation's policies and monitoring arrangements. The Committee requested a list of the Administration's current policies with owners and review times.
- The Committee highlighted the revision of target dates for the cyber and physical security risks. It was noted that the physical security risk slippage was related to finite resources. LMB was engaged on this, particularly related to the physical security risk, and the Managing Director of Strategic Estates would be invited to the Security Board in December to discuss resourcing. A deep dive on the physical security risk would be presented to LMB in February.
- The Committee discussed the perceived trade-off between speed and costs of works on one hand, and levels of disruption to the parliamentary community caused by works on the other, in relation to completed and ongoing projects. It was noted that the level of disruption willing to be tolerated was an active consideration for major projects, and was now built into business case processes. The Chair agreed to raise the issue when she met with the Chairs of the Finance and Services Committees. The

Committee recommended that the issue should be considered when presenting major projects to the domestic committees and the House.

- The Accounting Officer agreed to explore the appetite for electronic voting with the usual channels, though noted that this was a matter for the Procedure and Privileges Committee and the House overall.
- The Committee discussed the lack of specific target date for the cyber risk. The new Managing Director of the Parliamentary Digital Service would be considering the current risk description, causes, controls and mitigating actions for the cyber risk deep dive coming to LMB in January.

5.3 The Committee noted the paper.

6. Estates-related Risks Deep Dive: the Health and Safety Assurance Roadmap.

6.1 The Director of Estates and Facilities, the Director of Parliamentary Safety and the Deputy Director of Parliamentary Safety joined the meeting. The Director of Estates and Facilities introduced the paper and noted that it aimed to provide the Committee with a detailed picture of the sources, extent and reliability of information required to demonstrate health and safety assurance. He noted that improvements in presentation and reporting were needed, but that compliance evidence was available. Significant improvements had already been seen in data provided by the Parliamentary Maintenance Services Team (PMST). The timetable proposed was achievable but tight, and support was needed from across both Houses.

6.2 In discussion:

- The Committee asked the Accounting Officer whether he would ever take a decision that the estate was not safe to occupy, given that it would mean acknowledging that good work was underway was not sufficient. The Accounting Officer explained that as the Corporate Officer he would take that decision if necessary, and the LMB had discussed this topic and supported him. Work was underway to identify key systems, and when and how they might fail.
- The Committee highlighted the need to acknowledge that staying in the building during R&R would pose an increased risk.
- The Chair asked when the Committee could be confident that safety can be evidenced. The work of the Management Information (MI) Sub-group of the Parliamentary Safety Assurance Board (PSAB), which had encouraged a central focus and oversight, was noted. MI was available but was inconsistent and not collated in a way that provided assurance of 100 percent compliance, which would not be possible in a building as complex as the Palace of Westminster. The Committee discussed the assurance currently being received around safety. Significant work was underway to maintain the building and ensure it remained safe, with a safety management system, and safety governance and assurance function. The new Parliamentary Safety Team (PST) were considering aligning with the ISO 45001 standard. PST had

received significant resourcing and good engagement with senior leadership in both Houses.

- There had been significant improvements in assurance related to Asbestos management, construction and design safety, and a number of experienced, operationally focused colleagues were now in post. PST also conducted peer reviews for serious incidents and an independent assurance panel had been convened to challenge both Houses and the Commissions. The Committee suggested that members should be told automatically if they have not done fire safety training.
- The Committee highlighted the importance of ensuring the House of Commons also supported this work. There was also good engagement in the House of Commons, who have recently convened an independent assurance panel and engaged an independent fire safety expert.
- The Committee noted the utility of working with the Health and Safety Executive (HSE). HSE had provided assurance on Asbestos management in October, and further liaison with HSE was in train.

6.3 The Committee:

- noted the content of this paper and the undertakings given in respect of the actions detailed; and
- agreed to support the stated commitment to safety on the estate and to promote further resourcing required to ensure that levels of assurance can be improved without delay.

7. NAO Management letter update

7.1 Greg Walsh noted that the management letter from the 2023/24 annual report was not yet available, but would be circulated to the Committee as soon as possible. Eight of ten recommendations from 2022/23 had been closed, and three new recommendations relating to areas of best practice in property valuation had been made, as well as three outside this area.

7.2 In discussion:

- The Chair asked whether problems related to measuring the floor space had been resolved, which they had. Further recommendations related to property had already been shared to ensure they could be addressed during this financial year.
- The Chair asked how plans for the 2024-2025 audit were progressing. A planning meeting would be held before Christmas, and had been discussed by the Finance Director and the NAO Engagement Director.

7.3 The Committee noted the update.

8. Draft Fraud Strategy and Action Plan

8.1 The Head of Finance joined the meeting. He noted that in previous meetings, ARAC had emphasised the importance of relevance and proportion in the strategy, and that a one size-fits all approach would not necessarily be relevant. The next step in the

process was to undertake an organisational high level fraud risk assessment, which would help guide future work. It was also important to recognise how much work was shared with the House of Commons, so working with them will be important.

8.2 In discussion:

- The Committee discussed whether the largest fraud risk to the House of Lords and Parliament was related major projects, including contracts, or smaller, low level fraud.
- The Committee noted that close working with the House of Commons would be central to mitigating the risk related to major projects. Work would be undertaken in concert with the House of Commons if necessary. The Head of Finance would discuss the risk with his Commons counterparts.
- The Committee noted that with a number of large projects upcoming, it was important to take advice on the risk of fraud early. It was noted that this would require specialised resource. The Accounting Officer received assurance from the House of Commons Accounting Officer on these topics.
- The Head of Internal Audit noted that as this work was prompted by an Internal Audit, there would be a follow-up report, and The Head of Internal Audit and Head of Finance would coordinate this work, to ensure the Committee considers both at an appropriate time.

8.3 The Committee reviewed and commented on the draft Counter fraud, bribery and corruption strategy

9. Head of Internal Audit Limited Assurance Opinion – Actions Taken

9.1 The Chief of Staff joined the meeting. He noted that the reasons for the Head of Internal Audit's limited assurance opinions for the last three financial years had varied, but bicameral services had been a key driver. There had been significant work done to improve the House's relationship with those services, including the establishment of a bicameral services forum.

9.2 In discussion:

- The Chair asked when the Head of Internal Audit's opinion would no longer be limited. The Accounting Officer noted that the Internal Audit function looked at different areas each year, and it was particularly important that they look at difficult areas, where they can be of most use. The Head of Internal Audit noted that the willingness to use Internal Audit to address challenging areas was a sign of a mature organisation. There was not a pattern of limited assurance in House of Lords only areas, but in the more complex bicameral space, there were less clear levers to pull to address control weaknesses. The Head of Internal Audit attends as an observer the House of Commons steering group on reviewing the governance, risk and control frameworks.
- The Committee noted the importance of strengthening the overall control framework on a continuous, ongoing basis, as well as responding to internal audits.

9.3 The Committee *noted* the work underway in response to the Annual Opinion and Report 2023–24 and previous years.

10. Progress against the 2024-2025 Audit Plan

10.1 The Head of Internal Audit introduced the paper, and noted that changes in the resources of the Internal Audit team made planning the schedule of audits for the rest of the financial year more challenging. He was not concerned about having enough work to support the preparation of the 2024-2025 annual opinion. Further to the paper, work on members' travel arrangement would be subsumed into work on members' financial support, freeing up resource for the audit of health and safety procedures in Lords offices.

10.2 In discussion:

- The Committee noted the challenges of dealing with staff change in small internal audit teams. The Head of Internal Audit explained that he expected one of the upcoming posts to be filled, but if the team struggled to fill the other, BDO could provide support in the interim. The Committee agreed it was important to ensure there was no gap in the internal audit function.
- The Committee noted the functions of the Lords Internal Audit team and ARAC related to R&R assurance. The Internal Audit team still undertook some R&R-related audits. The Chair noted that the aim was for the R&R governance structures to look at R&R-related audits and other sources of assurance, but the Committee would continue to look at them where necessary.
- The Committee asked about delays in receipt of the Parliamentary Data Strategy Audit and the Stonework Conservation Project Audit. The Head of Internal Audit explained that a change of Senior Responsible Owner (SRO) of the Stonework Conservation project had delayed the management responses.
- The Head of Internal Audit noted that he would provide a further update on progress against the current plan at the Committee's first meeting in 2025.

10.3 The Committee *noted* progress to date and the projected position at year end, together with minor adjustments to the audit plan.

11. Outstanding Management Actions

11.1 The Head of Internal Audit introduced the paper and noted that he was not particularly concerned about the new actions. He noted the significant work being undertaken by the Parliamentary Safety Team on PSAB, which the Committee had discussed earlier. He also noted that the actions had been accepted by colleagues who were no longer in post, and if new post holders had demonstrated that recommendations had been considered, that would be sufficient for closure.

11.2 The Committee *noted* the current position for management actions.

12. Capital Project Handover Arrangements: Limited Assurance

12.1 The Director of Project Delivery and Director of the Portfolio Management Office, and Robert Noye-Allen (BDO Internal Audit support) joined the meeting. The Head of Internal Audit noted that the Strategic Estates (SE) Internal Audit strategy aimed to blend project/programme specific audits with cross-cutting themes. SE had worked constructively throughout the process, and accepted, or proposed a different response to, all recommendations. Robert Noye-Allen noted that this was a comprehensive audit that consulted SE project delivery teams, PMST design and planning teams, and client SROs. He noted that a lot of work was underway, but key issues related to alignment of handover criteria between project teams and other parliamentary teams, definition of responsibility in the supply chain, and a need for communication and coordination. He noted that the proposed modified responses fitted with the risks identified. The Director of Project Delivery explained that projects that are currently at handover stage were commissioned a number of years ago, when the scope and challenges of working in a historic building may not have been understood. Greater engagement with PMST had already begun and was welcomed.

12.2 In discussion:

- The Committee discussed work underway to improve the Project Delivery Handbook.
- The Chair asked if governance forums were in place to support handover. The Director of Project Delivery explained that handover boards were in place for each project, and agendas have been revised to ensure the actual process was focused on. A handover escalation board had also been established for when conflicts arise.
- The Committee noted that with more complex projects coming down the pipeline, forecasting and pipeline planning was a priority for SE. The project baseline and forward look were considered by the Strategic Portfolio Board for the first time in October. There had been increased capacity in data-driven forecasting. The pipeline project was also looking at working with heritage and other teams to understand those which might be impacted.
- The Chief Operating Officer noted that, as a client of SE, there had been improvements in the last 18 months, demonstrated by the Fielden House and Millbank House Flood works project handovers.

12.3 The Committee *noted* the paper.

13. Risk Management Arrangements for the Capital Portfolio: Limited Assurance.

13.1 Robert Noye-Allen introduced the paper and noted that the report recognised of the ongoing work and progress made in this area. A limited assurance opinion was provided because of engagement and wider understanding of risk in certain areas, and both the communication of changes and the integration of feedback from stakeholders. He noted that where management had proposed a modification to recommendations, these would adequately address risk areas identified in the report.

The Director of Project Delivery noted that it was a useful audit and that the Project Delivery team were engaging with the heritage team, and encouraging single project risks, rather than multi-project risks. She noted that this information could be communicated better.

13.2 In discussion:

- The Committee discussed the House of Commons Administration Estimate Audit and Risk Assurance Committee's comments related to this audit. They had suggested that the report should include more information about work already underway.
- The Committee noted the challenges of engaging with a complex organisation like the Project Delivery team, and how this could impact on audit reports.

13.3 The Committee *noted* the paper.

14. Business Resilience Arrangements in Lords Offices: Moderate Assurance

14.1 The Committee *noted* the paper.

15. Catering Systems Project: Moderate Assurance

15.1 The Committee *noted* the paper.

16. Norman Shaw North Redevelopment Project: Moderate Assurance

16.1 The Committee *noted* the paper.

17. Maintenance Operations: Follow-up Report

17.1 The Committee *noted* the paper.

18. Staff Grievance Procedures: Follow-up Report

18.1 The Committee *noted* the paper.

19. Effectiveness of the Parliamentary Safety Assurance Board: Follow-up Report

19.1 The Committee *noted* the paper.

20. Accommodation Strategy: Follow-up Report

20.1 The Committee *noted* the paper.

21. Cash Handling within the House of Lords Administration: Follow-up Report

21.1 The Committee *noted* the paper.

22. Personal Emergency Evacuation Plans: Follow-up Report

22.1 The Committee *noted* the paper.

23. Audit and Risk Assurance Committee Self-Assessment

23.1 The Committee *was invited* to complete the self-assessment exercise.

24. Any Other Business

24.1 The Head of Internal Audit noted that actions related to internal audits of SE carried out by Lords teams are reported to the Committee when there were ten or above, and there was a spike in number recently, which was brought down. The Head of Internal Audit would continue to monitor the situation.

24.2 The Committee discussed with the Accounting Officer the House's use of committees and board to provide assurance.

25. Meeting in private with the Accounting Officer

25.1 The Committee met in private with the Accounting Officer. No actions were agreed.

Action Log

Item	Action
Accounting Officer update	Committee to receive update on what systems on the estate might fail, and when.
Corporate Risk Register	Committee to receive a list of the Administration's current policies, their owners, and review dates.
Corporate Risk Register	Chair to raise the trade off between the speed of completion of major projects and levels of disruption with the Chairs of the Finance and Services Committees.
Corporate Risk Register	Accounting Officer to explore with the usual channels their appetite for electronic voting.
Health and Safety Risk deep dive	Director of Facilities to explore the possibility of automatic reminders for members when they have not done their fire safety training.
NAO Management Letter	NAO to share management letter with the Committee once agreed with Finance Department.
Draft Fraud Strategy and Action Plan	Head of Finance to discuss the risk of fraud relating to major projects with House of Commons colleagues
Progress against the 2024-2025 Audit Plan	Chief Operating Officer to chase Strategic Estates on management response for the Stonework Conservation internal audit

Clerk to the Audit and Risk Assurance Committee
October 2024