HOUSE OF LORDS

HOUSE OF LORDS AUDIT AND RISK ASSURANCE COMMITTEE

Thursday 8 May 2025, 14.45
(Hybrid Meeting – MS Teams and Committee Room 1)

MINUTES

Present:
Charlotte Moar (Chair)
Lord Brownlow of Shurlock Row
Lord Cromwell
Baroness Ford
Viscount Thurso
Chris Wood
Lord Lemos

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)
Karen Yohannes (Senior Auditor, National Audit Office)
Cynthujaa Satchi (Clerk to the Committee)
Kirsty McAskill (Governance Support Officer)
Erin Young (Assistant Private Secretary to the CoP)
Aisha Bi (Head of Governance)
Sophie Milton (Internal Auditor)
Jonathan Smith (Head of Finance)
Mathew Chandler (Director of Estates and Facilities)
Alix Langley (HR Director)

Officials attending for specific items
Stephanie Armstrong (Risk and Assurance Manager)
Emma Gendall (Head of Employee Experience & Reward)
Tom Hyner (Commercial Director)
Jimi Ogunfuwa (Works Commercial Director)
Alison Giles (Director of Security for Parliament)
Katherine Hallett (Portfolio Director, PSD)
Simon Hankins (Deputy Director, PSD)

1. Declaration of interests for the meeting on 8 May 2025

1.1 There were no declarations of interest.

2. Matters arising from the meeting on 6 February 2025

2.1 The Committee thanked Lord Macpherson of Earl's Court and Lord Haskel for their contribution to the Committee and welcomed Baroness Ford and Lord Lemos.

2.2 The Committee agreed the minutes of the previous meeting.

2.3 The Director of Facilities noted that plans are now in place for a fire evacuation drill. Chair noted that the Chair of Services Committee had written to the Committee on the improved fire safety training provision and the arrangements to follow up individually with members who have not completed their training.

2.4 The Committee noted progress with the actions arising from previous meetings, and that there were now dates for all actions.

3. Updates from the Chair

3.1 The Chair noted that the Commission had asked the Committee to follow up on abandoned procurements which is on the meeting's agenda. The update to the Commission in June would include cyber security and business resilience from the recent joint meeting of the House of Lords and House of Commons' Audit and Risk Assurance Committees, and the headlines from May committee meeting.

3.2 The Committee noted the updates.

4. Updates from the Accounting Officer

4.1 The Accounting Officer noted that interim measures to improve access at Peers' Entrance were now in place supported by additional physical security presence. The Commission would receive a lessons learnt report on Peers' Entrance in June 2025.

4.2 The Lords Management Board effectiveness review had taken place and had been presented to the Commission. The Board would be implementing the recommendations from the review.

4.3 The Chief Operating Officer noted that acquisition of QEII had been dependent on a political-level meeting with key stakeholders. The meeting had been positive and steps towards acquiring the building would now continue. The Commission had endorsed a plan that included the fit-out of the building. *[Additional data – restricted access]*

4.4 The Committee noted that they would continue to receive briefing on the progress of R&R, but it would not duplicate its governance.

4.5 The Committee noted the updates.

5. HR Policy register

5.1 The HR Director and the Head of Employee Experience & Reward joined the meeting.

5.2 The HR Director introduced the paper stating she could provide assurance that policies were comprehensive and up to date. The standard legislative updates were applied to policies and the HR Department included several members of the Chartered Institute of Personnel and Development who make sure any legislative changes were incorporated.

5.3 In relation to the risk around longer term employee contracts becoming outdated, it was confirmed that most of the employment detail was in the Employee Handbook, but HR regularly reviewed contracts and would issue a variation if necessary.

5.4 The Committee asked whether policies were easy to use and how compliance was monitored. It was noted that the usage of and feedback on policies were the subject of consultation with Heads of Office each year. The focus of HR was on ensuring line managers were supported. The Head of Internal Audit noted that the IA team were part of the assurance regime for HR policies.

5.5 The Committee asked if there were any potential gaps in HR policies for example where a policy might belong to HR or not. The Whistleblowing policy was now integrated into the Employee Handbook. The HR team worked with the Governance Office and Finance Department to reduce the likelihood of gaps.

5.6 The new HR payroll system will be going live in October 2025. Preparation work for the has involved reviewing processes to automate processes, improve workflows and support more self-service.

5.7 The Committee discussed how Members Staff are supported. Offices across the House work together to support Members Staff, with HR support located in the relevant teams, e.g. training is with Learning and Organisational Development. The offer from HR was being reviewed. The Accounting Officer noted that the Administration was constantly looking at the safety of Members Staff and that a newsletter specifically aimed at Members Staff had been launched recently.

5.8 The Chair noted that the Committee would like a list of policy owners and might wish to continue a discussion on risk for Members Staff.

5.9 The Committee *noted* the HR policy register.

6. NAO Interim Report on the 2024-25 Financial Statements Audit

6.1 The Engagement Director at the National Audit Office (NAO) introduced the paper and noted that the audit plan was on track with the final audit commencing shortly. F

6.2 The Committee noted that the Palace of Westminster was the dominant value in the accounts and therefore was a high audit risk. The NAO follow Treasury Guidelines on the valuation.

6.3 The Committee discussed the accounting policy for major capital programmes and whether there was any impact from the Financial Reporting Council review or any changes expected due to upcoming major projects e.g. Victoria Tower and flat roofs. It was noted that no changes were expected in capitalisation of projects, but discussions would take place between Finance and the NAO to ensure that the information being captured would be adequate for future audit requirements.

6.4 The Committee *noted* the paper.

7. NAO Management Letter 2023/24 update

7.1 The NAO introduced the paper and noted that recommendations were closed where they had been previously rejected by management. There was better clarity on the responses and actions to follow. The Committee noted that future reports should include details of accept/reject with dates in the future.

7.2 The Committee discussed the timing of the 2024/25 management letter and ensuring this was available on a timely basis, ideally aligning to the presentation of the Annual Report and Accounts. It was noted that the letter was dependent on the House of Commons, and it was important to make sure that the right processes were followed.

7.3 The Committee:

- *reviewed* their observations and recommendations arising from the 2023-24 audit together with management responses (pages 3-7); and
- *noted* the rationale for closing prior year recommendations (pages 8-12)

8. Progress against the Internal Audit Plan 2024/25 and proposed plan for 2025-26 (inc. latest position on the annual opinion)

8.1 The Head of Internal Audit introduced the paper and noted that there had been good progress and there would be enough information to support the Annual Opinion which was expected to be moderate assurance However, other evidence would be taken into account before the final opinion was made.

8.2 The Committee noted that the pension administration audit focused on staff within the House of Lords.

8.3 The Committee noted that the Transforming Digital audit had been removed as it had substantial external audit and a Gateway Review.

8.4 The Committee noted that there were no significant changes to the Internal Audit Charter which is the same for both Houses to support auditing of bicameral areas.

8.5 The Committee noted that at the Joint Committee meeting that confirmation has been received that the House of Commons had agreed that the audits of the Parliamentary Commercial Directorate were sufficient and PDS had confirmed their involvement in the plans for the audits of digital services.

8.6 Following the discussion, the Committee:
• *noted* progress on the 2024-25 plan, including in-year adjustments approved by the Committee and Accounting Officer(s),
• *agreed* the audit plan for 2025/26, and to advise the Accounting Officer accordingly.
• *agreed* The suggested forward programme of IA work for 2026-27 and 2027-28Internal Audit Charter

9. Outstanding Management Actions

9.1 The Head of Internal Audit introduced the paper, and noted there was one outstanding management action on security construction which in progress.

9.2 The Committee *noted* the position.

10. Commercial Assurance Board (CAB) –Moderate Assurance

10.1 The Commercial Director and the Works Commercial Director joined the meeting. The Head of Internal Audit introduced the paper and noted that the CAB was an important control since its introduction in 2023. The report was positive though identified opportunities for improvement. Management's response accepted the recommendations with some modifications.

10.2 The PCD Works Director noted that CAB was introduced to drive commercial standards for significant and high-profile procurements which required high levels of performance.

10.3 The Committee discussed the level of authority that the CAB had, given it was an advisory board. It was noted that the external review into Victoria Tower identified a similar issue, making recommendations to put CAB on a formal footing. There was an opportunity for CAB to become a formal sub-committee of the Strategic Portfolio Board, which might be delivered via the formation of the joint department.

10.4 The Committee discussed the terminology underpinning the recommendations in the report, as some of the recommendations should be deemed essential rather than desirable. It was noted that the recommendations were rated by their importance, but there was a level of subjectivity involved in determining the assurance level. The Head of Internal Audit would consider the rating in future audits.

10.5 The Committee discussed oversight and advice for CAB, including accountability. CAB provided expert overview for the organisation but when the Senior Contract Officer (SCO) or the Senior Responsible Owner (SRO) made decisions they were informed by advice.

10.6 The Committee discussed the confidence in the CAB process. It was noted that the CAB had not been retroactive but were catching up with projects and longer-term projects with multiple gateways would be caught by the process at their next review.

10.7 The Committee discussed value for money. Large projects had been challenged on performance versus suppliers. It was noted that there was a specialist for construction projects. The in-house expertise made sure projects delivered value for money, and had been challenged and amended. It was also noted that PCD and the Finance Department completed benchmarking exercises wherever possible.

10.8 The Committee discussed lessons learnt through CAB. There was a recent example, Heritage Storage Solutions, where not all CAB recommendations had been adopted and there was subsequently an independent report. The lessons learnt taken from the independent report genuinely prompted improved engagement, and the contract had now successfully awarded.

10.9 The Chair asked whether there was a 'CAB plus' for more involved projects. It was noted that there were extra gateway reviews for very large/complex projects. This meant projects would go through CAB more than once. It was also possible for projects to bring in additional expertise or go through CAB. For the most complex projects, there was a procurement advisory board. PCD worked with the Complex Transactions Team in Government, who supported high-value, complex procurement and provided additional assurance.

10.10 The Chair noted that CAB had the Committee's full support, and it supported CAB having formal status, especially due to the size and scale of the procurements dealt with. The Committee would keep track via Internal Audit actions.

10.11 The Committee *noted* the paper.

11. Hansard Production – Substantial Assurance

11.1 The Committee recognised Hansard's work and their efforts for the audit. The Chair would write to the Clerk Assistant to highlight the positive review.

11.2 The Committee *noted* the paper.

12. Parliamentary Key Control Review of Health and Safety Processes within Catering and Retail Services - Substantial Assurance

12.1 The Committee discussed the positive work of Catering and Retail Services. The Chair would write to the Director of Facilities to highlight the positive review.

12.2 The Committee *noted* the paper.

13. Portcullis House Lifecycle Replacement – Moderate Assurance

13.1 The Committee noted that the audit focused on a House of Commons owned project however it was important to understand whether similar issues could occur in other projects. The Head of Internal Audit stated that whilst the range for moderate assurance was broad; the audit balanced the positives and negatives. There were many positive elements to the Portcullis House project. The Chair noted that it would be useful to look at the audit as a case study with the House of Commons to consider value for money, handover and lessons learnt.

13.2 The Committee *noted* the paper.

14. Key IT Controls - Ransomware Cyber Security – Moderate Assurance

14.1 The Committee discussed the progress of actions in place to reduce risks for ransomware and for network segregation. The Head of Internal Audit would request an update from the House of Commons Internal Audit team on progress with the recommendations.

14.2 The Committee *noted* the paper.

15. Business Resilience within House of Lords Offices and Departments: Follow-up Report

15.1 The Committee *noted* the paper.

16. Pensions Administration: Follow-up Report

16.1 The Committee *noted* the paper.

17. Failed and elevated risk procurements and contracts

17.1 The Commercial Director introduced the paper and noted no procurement errors led to projects being abandoned since the report received by the Commission in December 2024 following the issues around the Victoria Tower procurement. There had been improvement in controls, governance and contract management. Progress with the new procurement for Victoria Tower was on track.

17.2 The Committee discussed core issues with procurements that could cause them to fail including documentation and ambiguity of requirements. It was noted that a good procurement required clear requirements and a good understanding of the market. Some business areas did not allocate enough preparation time, which led to a rushed procurement and therefore had further cost implications.

17.3 The Committee discussed the governance for estates projects procurement. It was noted the Strategic Portfolio Board (SPB) looked at functional performance, and owners of the systems and processes as a whole. The Investment Committee looked at specific business cases. The review on the implementation of the Independent Review of Financial Management (IRFM) would consider whether recommendations including around lessons learnt had been implemented. The Enterprise Portfolio Management Office (EPMO) reported to SPB and the Investment Committee. Business cases for a new project needed to include lessons learnt from previous projects.

17.4 The Committee discussed the process for high-risk procurements, and it was noted that these go the Finance Directors of both Houses and The Clerks of both Houses with advice from PCD and Office of the Speakers Counsel. The Clerk of the House and/or the Clerk of the Parliaments took the decision on procurements to be abandoned depending on if they are bicameral or unicameral.

17.5 The Committee noted it would be useful to see an end-to-end process diagram or map for major estate projects, including where the approvals, gateways and challenges were. This should be posed as a project mandate i.e. what happens from mandate to the business case approval process.

17.6 The Committee noted that there should be an annual update on failed and elevated risk procurements and requested to see the review report on IRFM.

17.7 The Committee *noted* the paper.

18. Principal Risk Report: April 2025

18.1 The Risk and Assurance Manager, the Director of Parliamentary Security (PSD), the Portfolio Director and Deputy Director joined the meeting.

18.2 The Risk and Assurance Manager introduced the paper and noted that Health and Safety Risk had been realigned and renamed Safety. The risk definition remained broad, and controls and actions were underpinned by the Safety Programme. This risk would be going to the joint meeting of the Commons Executive Board and Lords Management Board shortly.

18.3 The Committee discussed the Cyber Security Risk, and the controls listed as fully effective. It was noted that fully effective meant that actions were in train as well as completed. The Control Working Group informed those controls.

18.4 The Committee noted the joint review of cyber security and business resilience risks with the HoC and HoL Audit and Risk Assurance Committees had been useful and requested that these should continue.

18.5 The Committee discussed the risks of major infrastructure projects not being delivered. It was noted the risk register focused on the relationship with Strategic Estates (SE) and any risks to a particular project would be on SE's risk register.

18.6 The Committee noted the very significant estates programme and that reducing the infrastructure and physical security risks are dependent on these being achieved. The Director of Parliamentary Security noted that this should be examined more closely as security projects controls and mitigating actions should be part of the infrastructure risk, rather than solely focused on the Facilities team. There was a discussion on whether the current governance of projects and risk structure was fit for purpose in a complicated stakeholder environment. The discussion included whether the Administration should look at the infrastructure risk and governance more holistically.

18.7 *[Additional data – restricted access]*

18.8 Following discussion, the Committee:
- *noted* the Principal Risk Register
- *noted* the Physical Security Deep Dive

19. Audit and Risk Assurance Committee Terms of Reference and Operating Framework

19.1 The Chair introduced the terms of reference and noted they would be updated to include the recommendation of the Parliamentary Works Estimate Grant to the AO.

19.2 The Committee:
- *agreed* the updated terms of reference and the operating framework.
- *agreed* that the Chair should recommend the revised TOR for approval at the Commission meeting on 11 June

20. Any Other Business

20.1 No other business.

21. Private meeting with the Head of Internal Audit

21.1 The Committee met with the Head of Internal Audit in private.

Action Log

Item	Action
HR Policy register	Audit & Risk Committee to receive a list of corporate policies
NAO update	Finance and NAO to review accounting approach and information requirements for major projects.
Hansard Production – Substantial Assurance	Chair to write to the Clerk Assistant to highlight the positive audit. (Post meeting note, complete)
Parliamentary Key Control Review of Health and Safety Processes within Catering and Retail Services - Substantial Assurance	Chair to write to the Director of Facilities to highlight the positive audit. (Post meeting note, complete)
Staff Portcullis House Lifecycle Replacement	Chair to discuss a joint case study or review on works projects with the Chair of the

	Common's Audit and Risk Assurance Committee.
Key IT Controls - Ransomware Cyber Security – Moderate Assurance	Head of Internal Audit to check on dates for actions on network segregation and mobile media and provide an update to the Committee.
Failed and elevated risk procurements and contracts	Clerk to request paper from EPMO on end-to-end major project process.
Failed and elevated risk procurements and contracts	Clerk to request update on the end of Morse review when available from Finance Committee.
Failed and elevated risk procurements and contracts	Clerk to add failed and elevated risk procurements to forward work programme.
Principal Risk Report: April 2025	Chair to provide update on the Commission's discussion of on Peer's Entrance
Principal Risk Report: April 2025	Chair to include heat map and the key messages in update to the Commission.
Audit and Risk Assurance Committee Terms of Reference and Operating Framework	Clerk to update ToR to provide clarity on PWEG process in ToR and ToR to be recommended to the Commission for approval via ARAC chair update.

Clerk to the Audit and Risk Assurance Committee
May 2025