

**House of Commons Administration Estimate Audit and Risk Assurance
Committee and Members Estimate Audit Committee**

**Minutes of the meeting held via Teams
on Thursday 14 January 2021**

Members of the Committee present:

Dr Rima Makarem (Chair)	Frances Done
Harriett Baldwin MP	Jane McCall
Clive Betts MP	Sir Charles Walker MP

In attendance for items 2-12:

Dr John Benger, Clerk of the House and Accounting Officer

Mostaque Ahmed, Finance Director and Managing Director, Finance, Portfolio and Performance

Marianne Cwynarski, Managing Director of the Governance Office

Malin Eliasson, Director of Corporate Finance and Performance, Finance, Portfolio and Performance

Alex Mills, Chief Accountant and Head of Financial Capability, Finance, Portfolio and Performance

Ian Ailles, Director General

Dr Richard Stammers, Head of Internal Audit and Risk

Rachel Harrison, Head of Corporate Risk Management

Hannah Bryce, Committee Secretary

Liz Fox, National Audit Office

Ioana Stefu, National Audit Office

Marc Nuttall, National Audit Office

1. Matters to be raised before officials invited in

1.1. The Committee had a private discussion about the agenda and issues arising from the previous meeting.

2. Minutes, matters arising and interests

2.1. The minutes of the October meeting were agreed.

2.2. No declarations of interest were made.

2.3. The Committee considered the actions arising from previous meetings:

- John Benger updated the Committee regarding the dissemination of materials on fire safety. He confirmed that letters have been sent to Members and new posters and leaflets had been disseminated. This action is complete.

- A Take Note paper was provided with updated actions with regards the PDS audit that was considered by the Joint Audit Committee.

3. Major projects and governance including EPMO

- 3.1 Marianne Cwynarski introduced the paper to the Audit Committee and explained she had recently taken over as Chair of the Joint Investment Board (JIB). She said her approach to taking on this role was to consider the processes in place, specifically the Enterprise Portfolio Management Office (EPMO) and the role of Senior Responsible Owners (SROs) and whether they were serving the needs of the organisation. She noted if the committee wishes for more in-depth discussion on EPMO that the head of it, Jamie Williams, is very willing to speak to the committee.
- 3.2 She noted that there are approximately the same number of Category A and B projects running this year as last year (139) and that these are rated on a Red/Amber/Green (RAG) basis. The RAG rating is awarded by the SRO which they base on delivery confidence assessment. There are currently 11% of projects on red and 7% on Red/Amber. She has checked whether this is in line with expectations and is confident that other organisations, such as the civil service, have similar performance rates. She noted that IHSE have been working hard to reprioritise their work to meet the demands of the pandemic. She also noted that JIB will be focussing on the effectiveness of the current SRO set up, expecting a piece of work in February that considers this.
- 3.3 Rima Makarem asked who is responsible for determining the RAG rating and how often is it wrongly applied. Marianne confirmed that it is the SROs who apply the rating but that she had not been in position long enough to be able to gauge how accurate those ratings tend to be. She observed though that as SROs are drawn from different areas of the organisation it is a concern that they don't have the skills of the area of which they are SRO. Ian Ailles added that SROs are supported by a project board to help but that he recognised that there could be an optimism bias.
- 3.3 Frances Done sought assurance that when assessed there were some people who were not appointed as SROs, in that they did not meet the required criteria. She also asked what end of project review process was in place and if there were any external elements to that process. John Bengner confirmed that some project SROs have been changed and that there has been a change of view of what makes a good SRO away from it just being someone who is good at their job. Mostaque Ahmed agreed that it is very valuable to do post implementation reviews and offered Millbank House as a good example. He noted that EPMO, along with digital and strategic estates PMO, collate lessons learnt and store them so that when starting a new project there is a resource to check to see if something similar has been done before. Ian Ailles noted that the projects are very long in the House of Commons so in some cases it can be years before benefits are realised so we should get better assessing these longer projects.

4. NAO update

- 4.1 Liz Fox and Ioana Stefu briefed the committee on significant risks and areas of focus for the external audit. These will include the risk of fraud in revenue recognition and the risk of management override of controls, which include a review of any unusual transactions. The NAO are required to consider these risks for all audits. There will be a consideration of any major impacts of the COVID pandemic. The valuation of the Parliamentary Estate has been identified as a significant risk for many years and the NAO will be considering the full report from management experts and the specific work on the gross replacement cost that is being undertaken. Key to this work will be a clear process and understanding of the basis on which the valuation is calculated. In addition the NAO will also review as part of the audit process capital additions and accruals, new leases that were signed, the Met Police Service contract, and the process of transition of finances to the Sponsor Body and Delivery Authority. They also noted that the Members Estimate audit report would be brought back into the usual timetable, having slipped last year due to constraints by the pandemic. Short money will be the area of focus for that audit report.
- 4.2 Rima Makarem noted that none of the risks identified were unexpected but is a timely reminder regarding the accounting principles between the Houses and the Sponsor Body regarding Restoration and Renewal. Malin Eliasson responded that the Sponsor Body have brought in PWC to provide assistance which has led to useful discussions but there is still more work to be done around clarifying who has control over the future economic benefits of the building. Next year will be the key time for this piece of work but the aim is that this will be ready by the time the Sponsor Body start preparing the outline business case. Liz Fox noted that there are many questions to address on the accounting treatment of the building works and associated arrangements but that the key point at this stage is that the House of Commons ensures it is actively engaged in the process and not leaving it solely to the Sponsor Body. Mostaque Ahmed noted that the Sponsor Body Audit Committee are having similar discussions.

5. Estate Valuation update

- 5.1 Malin Eliasson updated the Committee on the valuation of the Estate. She noted that it is a complex assessment to make. The Valuation Office Agency (VOA) initial report assessing the Gross Replacement Cost has been received and considered by the Finance team and also Cluttons. The valuation estimate is based on the reproduction of the current palace rather than a modern equivalent. The initial result indicates a net reduction in the value of the Palace of approximately £26 million (£16 million HOC share). The next step will be a meeting with the VOA to discuss the assumptions and findings of their report. Also noted in the paper is Richmond House. Rima Makarem noted that Portcullis House is not included in the review and questioned what the plan for that will be. Mostaque Ahmed agreed to check with colleagues in the property team. The NAO noted that there had been a discrepancy on the floor area which had been resolved but that they would be looking at the report prepared by the VOA. Malin confirmed that based on current information the revised valuation would

not impact on the estimate or budget as this would be covered by the revaluation reserve.

6. Update on finance thresholds

- 6.1 Alex Mills presented the third iteration of the financial thresholds paper. The finance team have proposed a framework of thresholds which will require the Accounting Officer to consult the House of Commons Commission. This framework has been based on Cabinet Office spending controls framework activities.
- 6.2 Jane McCall stated she was unhappy with the proposed thresholds as she felt they were too high. She felt the comparisons provided by the NAO were not helpful in the context of House of Commons as there is a different approval process. She also noted that she felt the Accounting Officer should seek approval from the House of Commons Commission rather than just consult them. Clive Betts agreed the thresholds seemed high and noted that the Finance Committee should be a part of any delegation process. Frances Done also agreed that the proposed thresholds were set too high. She suggested that universities may present a better comparison. She suggested that the proposal should go to the House of Commons Commission at a lower proposed rate and that the Accounting Officer should seek agreement and renewal on an annual basis in case the Commission wish to make changes to it. Harriet Baldwin noted that Parliament is sovereign so is different to a government department but that there should be a proposal that is workable for Parliament.
- 6.3 John Benger noted that it is difficult to find comparisons for Parliament. He noted that the House of Commons Commission unlike the Treasury covers a wide range of activities and responsibilities which is why they have a Finance Committee to advise them. He agreed that it was therefore important to use the Finance Committee in determining the final process. He noted that he welcomed this framework which provides extra assurance to the Accounting Officer and he recognised that the paper presented by the finance team goes a lot further than the original request which focussed on property acquisition. Rima Makarem also noted that the Treasury was not the right comparison but that the House of Commons Commission was more like a Board of Directors. Liz Fox, NAO, explained that the examples they provided were aimed at illustrating that different processes could apply but it was related to risk appetite and the nature of transactions.
- 6.4 Rima Makarem noted that there was discontent regarding the proposed thresholds and governance structure. She suggested that the limits were revised and the proposed governance process reworked to include scrutiny by the Finance Committee and sign off by the House of Commons Commission. Once the finance team have a revised proposal she suggested it should go to the Commission rather than back to the Audit Committee.

7. Annual Report timetable

- 7.1.1 Malin Eliasson presented the proposed timetable for the Annual Report and Accounts process. This was noted by the Committee.

8. Internal Audit progress report

- 8.1.1 Richard Stammers, Head of Internal Audit, updated the committee on the internal audit team's progress including that he expected to complete 16 audits this year despite the challenges presented by the pandemic. This is lower than had been planned but more than were completed last year (15). Based on the current direction of travel he expects to be able to provide a moderate opinion in his annual opinion but this will depend on the outcome of remaining audits. He noted that there are no outstanding audit actions at this time which he attributed to the amount of time and effort invested by management to achieve this. He noted however that there were audits being conducted by the House of Lord's auditors (BDO) which may have actions for management to complete. With regards counter fraud Richard updated the Committee that they had started their involvement in the National Fraud Initiative and will update the Committee on progress.
- 8.1.2 Ian Ailles asked if there was a way of speeding up audit outcomes from the House of Lord's so that teams had plenty of time to respond. Richard Stammers agreed to follow up with House of Lord's counterparts. Rima Makarem noted the improvement in completing audit actions in a timely way and noted the change of management culture mindset that had achieved this.

9. Internal Audit on Moves Programme Property Transactions

- 9.1 Richard Stammers introduced the findings of the Internal Audit on the Moves Programme Property Transactions which was conducted by the external auditors BDO. This internal audit provided a Limited opinion and was therefore automatically considered by the Audit Committee. The audit was commissioned by the Managing Director of Finance, the Managing Director of Human Resources (as SRO for the Moves programme) and the Director General, following concerns that a property transaction had not followed the correct processes before it reached senior management (those who commissioned the audit) for sign off. He noted that when it reached senior management it was stopped and sent back for further work before it proceeded to be signed off by them and eventually John Benger. He noted that it was a near miss but raised concerns about the process that was followed and how it had got to that point. At the time of the transaction the property team was led by an interim manager. They have subsequently been replaced with a permanent lead who has made many of the recommended changes suggested already and will continue to implement any outstanding audit actions. Ian Ailles agreed with this assessment.
- 9.2 Rima Makarem asked what was the process for scrutiny. Mostaque Ahmed explained that when developing the business case for a property transaction senior management

would see a business justification case which sets out the financial plans, risks and benchmarking, and this process would require the team to engage with the finance team, procurement team and the Senior Responsible Owner (SRO) working on the programme. In this case the senior management had been aware that there was a plan for a property transaction but were not engaged in any conversations prior to receiving the email for approval which was concerning. Whilst there was no question of the business case being approved without due process, the fact that due process has not been followed was alarming. The audit was commissioned in January 2019 and the field work started in March 2019 but was delayed due to COVID-19.

- 9.3 Rima Makarem asked if the process happened again today what would have changed or been fixed. Mostaque Ahmed noted that with the change in personnel all the recommendations have been implemented already. Frances Done noted that she was not comfortable with the findings of the audit and that robust internal controls should not depend on who is property manager at the time. She suggested that in her view the assurance level should be unsatisfactory rather than limited. Mostaque Ahmed reaffirmed that whilst process hadn't been followed it had been caught and acted on (including the commissioning of the audit) and that the controls were now strengthened and in place. Jane McCall agreed the findings were very concerning and asked if there were plans for a follow up audit. Richard Stammers confirmed that as it was through the Lords auditor it would be pursued by them but that all actions are tracked before shown as complete so there is assurance that audit actions are completed.
- 9.4 John Bengier acknowledged the issues and concerns raised by the audit but welcomed the fact that the culture around audits has improved and that they are sought after. He agreed with Frances Done that it was wrong to attribute the issues to the role of one person and that in this case the failures were systemic but he noted that there is a specific risk in using interim people in roles. He recognised that the changes recommended were being carried out but would welcome a health check from BDO to assess whether those controls were robust and working. He noted that the positive change in culture in the In-House Services and Estates team is important as you need both a strong framework and a good working culture. Liz Fox questioned whether the NAO had been involved in the sign off as this should have been raised to them and, with agreement by the Clerk of the House, that the organisation should capture 'near misses' to ensure that relevant lessons are learnt and acted on to prevent failures of process.

10. Risk assurance

- 10.1 Rachel Harrison updated the Committee on the management of the House of Commons 2020/21 Principal Risks by the Commons Executive Board: Risk Oversight Committee (CEB:ROC) and on the outcomes of the recent effectiveness review of the CEB:ROC. The ROC completed a self-evaluation which concluded that the Committee is reasonably effective particularly in analysing and reviewing risks. It highlighted however that it should focus more on horizon scanning and emerging risks.

Harriet Baldwin noted that from a MP perspective there was a lot of information about corporate risks but that concerns around the democratic function of House of Commons were not captured. She specifically highlighted the difficulties for members to speak and participate in debates and that she thought these risks should be highlighted. John Benger noted that the pandemic has presented a lot of challenges to the running of the House of Commons but that those challenges have been met and in some cases exceeded. He gave the example of increased Select Committee activity during the pandemic, that the Government had been able to continue with its legislative agenda, that Urgent Questions and statements had continued which all amounted to sustained scrutiny in Parliament. He explained that lateral flow testing was being considered for staff and Members but that he was always conscious of risks to staff who can't choose whether or not to attend the Estate. Marianne Cwynarski explained that a facility for testing would likely be available at the end of the month and that tests would also be sent to Members homes so that they could test before travelling to Westminster.

- 10.2 Frances Done asked whether emergency exercises were carried out regularly to test whether plans were robust. She noted that in her experience this was the most effective way to identify any issues in the planning. Marianne Cwynarski said that chamber sharing exercises were carried out and the next was planned before Summer recess in 2021. She noted that there is a Strategic Business Resilience team that is dedicated to planning these scenarios and that they could come and speak to the Committee. Rima Makarem agreed this would be useful at a future meeting.

11. Report from the Committee

The Chair proposed to report the proposal on finance scheme of delegation and the findings of the Internal Audit on the Moves Programme Property Transactions.

12. AOB

Nothing to report.