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

Minutes of the meeting held via Teams
on Tuesday 20 October 2020

Members of the Committee present:

Dr Rima Makarem (Chair)	Frances Done
Harriett Baldwin MP	Jane McCall
Clive Betts 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
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
Dr Richard Stammers, Head of Internal Audit and Risk
Rachel Harrison, Head of Corporate Risk Management
Hannah Bryce, Committee Secretary
Damian Brewitt, National Audit Office
Ioana Stefu, National Audit Office

In attendance for other items:
Sarah Davies, Clerk Assistant (Item 3)
Isabel Coman, Managing Director of In-House Services and Estates (Item 7)

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 May meeting and July meeting were agreed.

2.2. One new external member joined the Audit Committee: Frances Done. Frances declared that she serves as a Non Executive Board member of the Professional Standards Authority and chairs their Audit and Risk Committee.

2.3. Jane McCall declared her role as Non-Executive Director for the Information Commissioners Office, with respect to agenda item 8 on GDPR.

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

- John Benger updated the Committee regarding materials on fire safety. He confirmed that a letter for Members was in the process of being drafted and that new posters are being printed.

3. Key Risks – Chamber and Committee Team Risks

3.1 Sarah Davies, Clerk Assistant, attended the Audit Committee to brief the committee on current risks and challenges facing CCT. She noted that the last internal audit returned substantial assurance with one area highlighted as meriting significant attention. This was related to contract management and challenges at a House level that needed to be addressed. The actions were for finance and procurement to take forward and there will be a follow up audit later this financial year.

3.2 In terms of risks Sarah highlighted those related to broadcasting which have been higher priority as a result of the pandemic but are in hand. These risks related to the need to move to a permanent broadcast hub, staffing resources and risks related to contracts.

3.3 A further identified risk for CCT relates to IT systems and challenges retrieving material through the new Committees Information System. CCT are working with the digital team to resolve this issue.

3.3 Jane McCall asked whether there is a risk around having enough qualified staff in this specialised area of work and whether there is resilience if staff fall sick. Sarah explained that the policy of circulation in the procedural and scrutiny parts of CCT has helped mitigate this risk. By circulating staff through a range of positions on a regular basis the team is much more resilient. There are still some narrower technical roles which are more vulnerable, but work is ongoing to improve that. Harriett Baldwin noted that the pass reader system of voting had failed due to a technical fault recently. Sarah confirmed that this was a fault of the contractors who had taken the error very seriously and the House service and contractors working together have made sure that there were effective mitigations in place. Frances Done noted that there seemed to be an issue getting information transferred from the old website to the new website. Sarah agreed and has confirmed that this is one of their key priorities which her team is working closely with digital to resolve.

3.3 Rima Makarem asked what might change in CCT forever as a result of COVID-19 and if there were any activities stopped because of COVID which won't start again. Sarah Davies said that a larger number of staff may wish to be based at home and that this was being assessed by the Commons Executive Board (CEB). Procedurally things have continued for the most part but done differently so the question will be how they are done going forward. John Benger referred to the initial staff survey results which recorded that over 70% of staff want to work from home regularly and around 50% want to work from home predominantly. A follow up survey has been done and the results are pending. He noted that as an employer the House already allows quite a lot of flexibility for employees. However, there will need to be consideration of any impact on effectiveness and if over time, as personal bonds fade, there is a weakening of the relationships that help the House function effectively. Practically it will mean less of a requirement for office space and the House is already considering leasing floors of Victoria Street. Clive Betts noted that there needs to be consideration of meeting rooms requirements and the ability to have hybrid meetings. For example, it would be good to have hybrid options for APPGs.

4. NAO update

4.1 Damian Brewitt of the National Audit Office updated the committee on their audit planning. He highlighted the valuation of the estate as a key issue and noted that management have commissioned a new valuation. The NAO will work closely on this and make sure the valuation meets their criteria. He also noted that the NAO would consider the accounting policies related to Restoration and Renewal (R&R).

4.2 Rima Makarem requested further information regarding R&R accounting policies. Malin Eliasson, Director of Corporate Finance, explained that the Sponsor Body and NAO are working closely to go over the treatment of the accounts and how the House of Commons accounts for R&R this financial year. These conversations are expected to conclude before the end of January 2021. The Sponsor Body (SB) are getting external advice from PWC. Damian Brewitt noted that the workshop was being delayed as the SB wanted to incorporate the views from PWC. Damian then continued saying that accounting judgments would have an impact on estimates as well as reducing time to discuss the entries ahead of the audit process, so concluding early was important for the House to manage risks to the estimate process as well as considering the impact on the fixed asset registers and accounts. Mostaque Ahmed, Finance Director and Managing Director, confirmed that regarding accounting policies the House has been very clear that the final backstop is the supplementary estimate in January.

4.3 Frances Done asked why Metropolitan Police Service contract was specifically raised as a risk. Damian Brewitt explained that this contract has historically been tricky to audit as the House is a taker of the service which the police state is required, so has less control over the level of service input required and then invoiced. As such it does not operate as a normal contracting relationship. The NAO need assurance that the process for determining the level of service input, which drives the expense, has continued to be performed as appropriate in the pandemic environment by the House. Mostaque Ahmed confirmed that there is also a Zero-Based Review being undertaken by the House on this contract.

5. Estate Valuation update

5.1 Malin Eliasson presented the planned process for updating the Estate valuation. She noted that there is a high level of uncertainty around the valuation of the Palace of Westminster, given its unique nature. The last detailed review of the gross replacement costs was done in1998, so it is due for review. The finance team are working with VOA on the new valuation, and with NAO to make sure that there is sufficient data to support the new valuation. The terms of engagement with VOA were shared with the committee. Rima Makarem asked whether it will likely result in a significant change to the valuation of the Palace. Malin Eliasson noted that whilst it is difficult to guess, office buildings in central London more generally are not being valued as highly as before so this could impact on its value. She committed to updating the committee at the next meeting

6. Update on finance thresholds

6.1 Alex Mills, Head of Financial Capability, presented proposals for determining financial thresholds for the Accounting Officer. He raised whether the committee would agree to using civil service departments as a guide for the financial thresholds. If so then further work would be done in line with this and presented to the committee.

6.2 Jane McCall asked why the proposed limit of £100m had been suggested as it seemed a high number. Alex Mills explained that this replicates what happens in comparable Civil Service departments. He noted that the current finance procedures in Parliament are open and so all significant transactions are reported and understood but that this threshold would act as a secondary assurance policy. Frances Done said she was surprised to see this paper as it is basic good practise to have financial delegation levels in place and noted that she thought Government departments are much bigger. She stated that it is good corporate governance that there be a threshold at which sign off is required and that this provided important cover for the Accounting Officer. She also noted that an unlimited opportunity to commit public funds is not good practise.

6.3 John Benger agreed with the view that there should be a cap but noted that there are many processes in place that mean that domestic committees and the Commission see proposals before they get signed off. He noted that the Institute for Government compared the House of Commons to a mid-size government department and that this should therefore act as a marker. He explained that the complicated governance system of getting approval from the finance committee and the Commission could become problematic if set at a low threshold.

6.4 Harriett Baldwin asked what the current process in the House of Lords is and Mostaque Ahmed confirmed that they currently have the same approach as the House of Commons. Damian Brewitt noted that he would be cautious of the two Houses having different processes in place and suggested that this issue be raised at the next Joint Audit Committee. He also noted that £100m does seems a quite significant amount compared to overall spend by the Commons and that in terms of managing any reputational risk that it could be beneficial for the Accounting Officer to have protection from Commission even though the risk still sits with the Accounting Officer. Frances Done agreed that this should be raised with the JAC and noted that just because the Lords didn't observe this practise this was not a reason for the Commons not to.

6.5 Rima Makarem expressed her disappointment with the paper. She noted that the topic had been under discussion for a year and that the proposed threshold seemed to be set so high so that it won't ever have to be used. She stated that she wouldn't recommend the proposed approach to the Commission at the moment and that while she recognised some of the risks related to long approval processes going through the finance committee and the Commission, the Commission does have urgent meetings at short notice for other matters so it is possible. She agreed with Frances Done that just because the House of Lords does not follow this approach was not a reason not to adopt it. Damian Brewitt asked if there were opportunities for a more streamlined process whilst respecting the fact that the Commission could sign off. John Benger said it should be considered but that ultimately the process would need sign off from the finance committee and Commission. He noted that it would be useful for the NAO to provide indicative, comparable examples to help inform the committee on possible limits. Damian Brewitt said that whilst the NAO cannot recommend limits, they can provide information from other departments for comparison and this would be available at the next meeting.

7. In House Services and Estates update

7.1 Isabel Coman, Managing Director of In-House Services and Estates, presented her views of the key risks and challenges facing her team and what actions she was taking to meet these challenges. She noted that they were addressing issues highlighted by the internal audit team through implementing their action plan. Her priority is to understand the work of the team better by using performance measurement and data to make sure they are achieving what they set out to achieve.

7.2 Rima Makarem noted that there has been a history of incidents in IHSE, including outstanding internal audit actions, cultural issues, and capital projects not meeting their planned objectives. She asked what Isabel's first impressions had been coming into the organisation and steps she has taken since. Isabel Coman said she was struck by the lack of process, and lack of a structured approach to issues in the team. This meant that energy was focussed on fixing problems not on driving projects forward. She said there was a need to generate the right data and to use it constructively to inform management boards. She recognised a need to better identify and define project requirements at the outset and to do this she will be reviewing the development of business cases so that they have clear objectives defined and that any capability gaps are identified and addressed early on. She identified a disconnect between scheduled activities and finance that needs to be addressed. Isabel noted that her team is made up of two teams who have recently been brought together and that now after 6 months she is starting to see them work well together.

8 Jane McCall asked when the committee could expect to see change as they have been promised improvements over the years but seen very little delivery. Isabel Coman said that she would like to come back regularly to update the committee on this and that she

expects that some change will be evident within 6 months. John Benger noted that there already appeared to be changes in culture and that he thought this would be borne out by results in the staff survey. He also informed the committee that the new format to CEB meetings included monthly updates from IHSE and finance, with key findings from the internal audit team. Rima Makarem expressed concern of risks of falling masonry and that these risks will remain with the House of Commons currently even though the Sponsor Body is in place. Isabel confirmed that she is working with the SB to identify urgent areas requiring work.

8. Internal Audit progress report and 2020/21 Audit plan

8.1 Richard Stammers, Head of Internal Audit, updated the committee on the internal audit team's progress. He noted that the team were managing to carry out their work whilst at home effectively. He noted one joint audit with the Lords on food and allergens had to be delayed as required a presence on the Estate but otherwise on the audit plan was track. He reported that the team had successfully issued three audits with moderate assurance and that others were underway. With regards management response, this had been complicated by the fact that many staff are working remotely which had slowed timings down. However, Richard noted that there are currently no overdue significant actions to report which is a really positive development. Specifically, on the GDPR audit (at the audit committee's request) there is one action that hasn't been completed but it is not due until end of March. It is planned that there will be a follow up audit early in the next financial year. With regards to counter fraud, fraud awareness workshops were held over the Summer and included contract managers. Work has continued with developing a counter fraud risk register, working with finance and talking with the Cabinet Office to get the data ready for the national fraud initiative.

8.2 Jane McCall acknowledged that this was the first time there were no outstanding actions that she recalled and that this was a great outcome. She questioned whether resourcing and capacity issues were resolved. Richard Stammers explained that this is a traditionally busy time between October and February but their expectation is that they will meet their planned timetable. They are working closely with RSM (external auditors) to backfill any areas that are not covered internally. Mostaque Ahmed noted that a lot of the work is done by (or with) House of Lords on behalf of both houses and requested that their forward plan is also shared.

9 Risk assurance

9.1 Rachel Harrison, Corporate Risk Management Facilitator, updated the committee on the quarterly update on management of risk. The Risk Oversight Committee considered the risk appetite statement to make sure that the Commons Executive Board was content. On COVID risk the risk team has been working with the COVID planning group to redefine risk at the board level.

9.2 Rima Makarem asked for further information on the safety risk as it has moved down the risk register. Rachel Harrison explained that this was due to a conversation with the risk lead where it was agreed that with less people on the estate that risk has reduced. This particularly relates to building and construction work carrying on. Whilst the committee have looked at wording of this risk before and amended to include a broader definition than construction, for example fire safety, it was still considered appropriate to reduce this risk at this time. Rima challenged the logic of this decision.

9.3 Frances Done noted that the ROC had agreed to do a review of their own effectiveness and whether consideration had been given to external evaluators. Rachel confirmed that this is because there is a new chair of the committee and she felt that it was time to reflect and revisit the purpose of the group and how effective it is. The new chair felt there was an opportunity to review and consider if there were possible improvements that could be implemented. She confirmed she would feedback to the committee the idea of the use of external evaluators.

10 Report from the Committee

Nothing to report.

11 AOB

Nothing to report.