

**ADMINISTRATION ESTIMATE
AUDIT COMMITTEE**

**Minutes of the meeting
held on Wednesday 23 January 2013**

Members of the Committee present:

Alex Jablonowski (Chairman)
Barbara Scott
John Thurso MP

Stephen Brooker
Sir Alan Haselhurst MP

Apologies:

Angela Eagle MP

In attendance for items 1-9:

Ben Williams, Committee Secretary
Cara Molloy, Committee Assistant

In attendance for items 2-9:

Sir Robert Rogers KCB, Clerk of the House and Chief Executive
Myfanwy Barrett, Director of Finance
Matthew Hamlyn, Head of the Office of the Chief Executive
Paul Dillon-Robinson, Director of Internal Audit
Bryan Ingleby, Director, Parliament, National Audit Office
Alan O'Connor, National Audit Office
Andrew Manning, Deloitte

In attendance for item 4:

Joan Miller, Director, PICT

In attendance for item 5:

Helen Wood, Director, SPIRE programme

1. Matters to be raised before officials and external auditors invited in

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

2. Matter arising for previous meetings

- 2.1 The **Chairman** welcomed Barbara Scott to her first official meeting of the Audit Committees and recorded the Committees' thanks to Mark Clarke for his contribution to the work of the Committees.
- 2.2 The Committee noted that the update on the transfer of the staff pension scheme had been postponed until the April meeting.

3. Internal Audit Director's progress report

- 3.1 Paul Dillon-Robinson** introduced his report. In addition to the changes noted in the report there were two further amendments to the Audit Plan. The first was a lessons learned exercise on the network refresh procurement. The second was an audit of casual catering staff which would focus on both value for money and potential fraud risks. He was content that the Internal Audit Service had sufficient capacity to manage with these additions.
- 3.2 The Chairman** noted that the catering staff audit and the work on Attendance and Performance Management matched the Committee's desire for an increased focus on HR issues by Internal Audit.
- 3.3 John Thurso** asked for further information about the "Use of Consultants" audit which had provided moderate assurance. The Finance and Services Committee were currently looking at the use of consultants rather than House employees for the delivery of some Estate projects. If the House was not attracting consultants of a sufficient quality, there would be implications for this approach. **Paul Dillon-Robinson** responded that the moderate assurance related to the procurement and contract management of consultants rather than the quality of the consultants themselves.
- 3.4** The Committee confirmed the changes to the Audit Plan.
- 3.5** The **Chairman** noted the positive progress on implementation of agreed actions in paragraph 8.3 of the paper and **agreed** that, at the moment, there was currently no need to arrange further meetings with poor performers. **Sir Robert Rogers** thanked the Committee for the energy and commitment it had demonstrated in pursuing this issue; substantial progress had been made but there was still room for improvement.
- 3.6** The **Chairman** noted Internal Audit's engagement with the Government's Internal Audit Transformation Programme and its decision to align itself with a group of independent regulators and non-ministerial departments. It had been accepted by HM Treasury that the House Service could not be mandated by the Internal Audit Transformation Programme. **Sir Robert Rogers** confirmed that he was content with this arrangement.
- 3.7 Paul Dillon-Robinson** invited Committee members to send him suggestions of subjects for inclusion in next year's Audit Plan. The **Chairman** stressed the importance of individual managers, and the Management Board collectively, signing up to the Audit Plan.

4. Implementation of Agreed Audit Actions by PICT

4.1 The **Chairman** explained that PICT had been asked to attend the meeting because the Committee did not view its performance in implementing agreed audit actions to be satisfactory.

4.2 **Joan Miller** spoke to her paper. PICT had a process to track implementation of audit recommendations, which were discussed at the monthly performance board meeting. PICT had not always engaged sufficiently with the audit team when recommendations were being formulated. This meant that recommendations had been agreed by PICT that were either not for it to implement, or that had overly ambitious delivery dates and/or objectives. In other cases actions were outstanding because technological changes had led to PICT adopting a different approach to address a problem identified by Internal Audit. In these cases PICT needed to be better at communicating these changes back to Internal Audit.

4.3 The Committee discussed the paper. In discussion the following points were made:

- Delays in implementing audit actions might reflect an inability by PICT to anticipate technological change.
- A more likely explanation was an unwillingness by PICT staff to challenge external experts, even in cases where they had more detailed technical knowledge. This “acceptance culture” was in part due to the large number of demands made of PICT by the business, notably through the Service Desk. Parliament could be very demanding of its ICT function.
- Work on the ICT strategy should strengthen PICT’s advisory capacity, which should help address this cultural issue.
- It was important that departments worked with Internal Audit to ensure that departments owned the agreed management actions. There was a tendency for PICT to take a long time to provide information to the audit team. It was hoped the audit manager role, referred to in the paper, would improve the situation.
- If the technical situation changed in a way that affected an agreed action it was important to ensure that the original issue identified by the audit was being addressed by the new action.

4.4 The **Chairman** summarised the discussion. There needed to be a more mature attitude by both PICT and Internal Audit when agreeing management actions. The actions needed to have realistic timeframes. There needed to be a clear mechanism for change control; when changes to agreed actions were proposed they should be agreed with Internal Audit and reviewed by a senior figure. The remaining outstanding actions needed to be completed.

*Action: **Paul Dillon-Robinson** to provide assurance that the new process for agreeing changes to agreed management actions was operational, before the end of the financial year.*

5. SPIRE Programme: Lessons learned from Audit Process

- 5.1 Helen Wood** introduced her paper. There were a number of positives that the SPIRE team had taken from their technical audit. The process had provided an external perspective and highlighted issues that the project team would otherwise have missed, including system testing, data migration and reporting. Going through the audit process gave the team confidence to proceed with the project knowing that the system had been rigorously tested. The team had developed a strong relationship with Internal Audit, including challenging recommendations where necessary which had improved the quality of the final report.
- 5.2** However the process had been resource-intensive, involving five team members over six months; at points it had seemed like a never-ending distraction from the core business. Some of the external reviewers seemed to have had preconceived ideas about the correct solution, without fully considering the needs of Parliament. It would have been appreciated if the audit had provided more positive feedback on areas that had been done well, which would have provided assurance to the Project Board and aided team morale. The process also involved a significant overhead in terms of work by both the Internal Audit partner and staff on the programme.
- 5.3** SPIRE had been well placed to make the audit process work for a number of reasons. SPIRE was a programme which had a critical path, with time being a critical factor; this gave the team an incentive to address the audit actions promptly that might not exist in a business as usual context. Responding to the audit came naturally to a project team that were used to tracking, progressing and reporting on actions. The team's culture was one that embraced friendly challenge and constructive criticism. The project leader also had full control of the team's resources so could prioritise responding to the audit, and was able to reject recommendations where they did not fit the project. Finally, the SPIRE team asked to be audited; it was not something being done to the team.
- 5.4 Matthew Hamlyn** noted that he had been the project executive for the implementation of SPIRE and commended Helen on how well she had run the SPIRE programme.
- 5.5** The Committee discussed the paper. In discussion the following points were made:

- Auditing a project half way through its life was an innovative approach and was unusual.
- There were other ways of health checking projects during their life cycle including Gateway reviews. Reviews did not all need to be conducted by Internal Audit.
- There was currently no mandated assurance planning process for programmes in the Commons. This should be built into all significant programmes with the cost accounted for in the programme budget.
- The Audit had been timed to inform the “go/no-go” decision point. Had the audit revealed a large number of serious or fundamental problem it was likely the project would not have proceeded.
- The main benefit had been the recommendations on testing, where the audit had recommended testing in areas that had not occurred to the programme team.
- There was a notable cultural difference between the approach to audit presented here and that in the previous agenda item. The organisation could learn lessons from this.

5.6 The **Chairman** summarised the discussion. A proactive and mature relationship between audit and the business greatly improved the outcome of the audit. More projects should integrate audits, or other reviews, into their programme timelines.

6. Reforming Assurance Processes

6.1 The **Chairman** reminded the Committee that they had discussed this proposal at their informal meeting to review their effectiveness. While this was still a work in progress the Committee were content with the direction of travel.

6.2 **John Thurso** advised against over reliance on the three lines of defence model as it did not match incentives to expected behaviour. It should not be adopted simply because the Treasury recommended it as best practice. **Paul Dillon-Robinson** replied that the point he wanted to emphasise was that the majority of assurance came from managers, not Internal Audit. There had been instances of managers providing assurances while simultaneously reporting residual red risks and projects and programmes with a red RAG status. This suggested that some managers did not understand the importance of providing assurance.

6.3 The **Chairman** asked who would perform the challenge role envisaged in the paper. **Matthew Hamlyn** reported that the OCE would be sending out the initial letter to executive board members shortly ; their responses would then be challenged by the performance and risk team in the OCE. This should

improve the quality of the final, formal, letters of assurance that DGs wrote at the end of the financial year.

Action: The Committee to review the new process after the current round of letters of assurance.

7. House of Commons Administration 2012-13 Accounts: Audit Planning Report

- 7.1 **Bryan Ingleby** asked the Committee to confirm that the risks on page 8-10, that the NAO intended to focus on, were the right areas, whether there were any other major risks the Committee were aware of that they thought the NAO should consider and whether the Committee were aware of any instances of fraud.
- 7.2 **John Thurso** agreed that the identified risks were issues that the NAO should consider but was not in a position to know if there were other risks that should be investigated. **Stephen Brooker** confirmed that the NAO had identified the correct risks. **Myfanwy Barrett** confirmed that she had been consulted in the preparation of the Audit Plan and was content. The Committee **agreed** the Audit Plan.

8. Any other business

- 8.1 The **Chairman** raised the paper on regulatory requirements on the House Service. The main task for the Audit Committee was to get assurance that the House was complying with the regulation, regardless of whether it voluntarily complied or was legally obliged. **Stephen Brooker** had found the paper very helpful. The Committee agreed that the relevant Directors-General should provide the Committee with the required assurances.

*Action: The **Director-General Facilities** and the **Director-General HR & Change** should be invited to present a paper on regulatory compliance in their departments over the course of the next two meetings.*