

**ADMINISTRATION ESTIMATE
AUDIT COMMITTEE**

**Minutes of the meeting
held on Wednesday 17 April 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

In attendance for item 5:

John Borley, Director-General, Department of Facilities
Charlotte Simmonds, Head of Fire, Safety and Environment

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. Matters arising from previous meetings

2.1 The **Secretary** reported that all the actions arising were in hand.

3. Internal Audit Director's progress report

3.1 The **Chairman** noted the increasing number of outstanding agreed management actions from audit reports; reversing the progress that had been made in previous months. **Robert Rogers** suggested that this might be due to

a lack of management capacity but that managers needed to prioritise these actions appropriately. He invited Paul Dillon-Robinson to bring to his attention any particular areas of difficulty. **Paul Dillon-Robinson** noted that a number of actions had a deadline of 31 March and their status may not have been updated since year-end.

- 3.2 **Barbara Scott** asked for a progress report on HAIS as the testing of key financial controls seemed to have highlighted some problems. **Paul Dillon-Robinson** said that the main concern, which had been highlighted by a test of the House's key financial controls, was about the quality of Human Resources data.
- 3.3 **Myfanwy Barrett** said that the Committee had previously been informed about the working group tasked with resolving problems with the HAIS financial reporting system. This group's work had been completed and it had decided that no further changes should be made for three months to allow users to become familiar with the current system. This period of consolidation had gone well but there was one outstanding issue to resolve with estates forecasting as the system had trouble coping with multi-year budgets. This problem had impacted on the project management system.
- 3.4 Concerns about the quality of HR data seemed to stem from changes that had been made to the division of responsibility for the payroll system between HR and payroll. HR were responsible for inputting the data about who does what job and how much they are paid; payroll was a transactional service that made the payments to staff and checked overtime and tax calculations. This division reflected best practice and had been clearly documented in staff guidance and designed into the new system. However the new set-up was not operating effectively, with mistakes being made when data was inputted and not being spotted during the reconciliation process. The Head of Pensions and Payroll and the Head of HR Operations were working together to resolve the problem and additional resource was being dedicated to address this issue.
- 3.5 **Bryan Ingleby** said that NAO's work had identified two issues with HAIS. The first was some bugs which caused errors in calculations; these could be easily identified and fixed. The second was the control environment, where the thresholds for investigating mistakes had been relaxed. The materiality of the errors was not great and this issue was not going to affect the final audit opinion. **Barbara Scott** asked what the total cost of the HAIS renewal programme had been. **Myfanwy Barrett** replied that it had been £4m over three years.
- 3.6 The **Chairman** asked whether the Committee were content to accept management assurances or wanted input from internal audit. **Myfanwy Barrett** said that the main issue was that the transfer of ownership and responsibility for data entry had not been embedded. To address this the staff

who were now responsible for data input would be receiving training to understand the importance of good data inputting. **Paul Dillon-Robinson** agreed the main problem was a culture which did not acknowledge the importance of accurate personnel data; similar issues had been identified by an ongoing audit of catering casual staff.

*Action: **Myfanwy Barrett** and **Paul Dillon-Robinson** to work with the Department of Human Resources and Change and the NAO to provide the Audit Committee with evidence that this issue had been addressed at its next meeting in July.*

3.7 The **Chairman** asked for an update on improving the quality of the Houses' forecasting. **Myfanwy Barrett** said that the last two years had involved a lot of system changes and a period of stability was now needed to allow the systems to embed. A new training course on forecasting had just been implemented and had received very positive feedback.

3.8 The **Chairman** said that he was happy to approve the Internal Audit Charter but thought it would be worth having a separate meeting between the Head of Internal Audit and the External Members of the Committee to discuss it in more detail, together with the outcomes of the EQA review of internal audit. **The Committee agreed the Internal Audit Charter.**

*Action: **Committee Secretary** to arrange a meeting to discuss the Internal Audit Charter and EQA review. This should be scheduled between the accounts meeting and the summer recess so that the new Chair of the Committee could be involved.*

3.9 The **Chairman** noted that the EQA review had highlighted that the Director of Internal Audit was a single point of failure and ask what the contingency plan was to provide short-term cover. **Paul Dillon-Robinson** said that in the short term it was likely that the Director of Internal Audit in the House of Lords would cover his responsibilities. Alternatively the Deloitte contract could be used to provide an external resource. **John Thurso** asked whether the Internal Audit team could be strengthened by the appointment of a Deputy Head of Audit. **Paul Dillon-Robinson** said the he had recently recruited a new member of staff who should be able to fulfil the role in time. **Stephen Brooker** suggested that there might be merit in having a joint head of Internal Audit shared between the two Houses.

3.10 **Paul Dillon-Robinson** asked whether the Committee was content that he was sufficiently independent from management, as that had been an issue raise by the EQA review. The **Committee agreed** that it was content the Director of Internal Audit was sufficiently independent.

4. Internal Audit Programme for 2013/14

- 4.1 The **Chairman** said he would like additional information on: the resourcing of audit programme, the split between compliance and value for money work, and an indication of which risk areas were not being covered. **Paul Dillon-Robinson** confirmed that there was a resourcing plan underlying the audit programme. **Stephen Brooker** asked whether this plan had been seen by the Management Board. **Paul Dillon-Robinson** explained that all Board members had seen the plan but it had not been taken by the Board as a formal item. Internal Audit would be producing an assurance map during the current financial year which might help provide the Committee with some of the information it wanted. **Robert Rogers** said he was content with the Audit Programme. The **Chairman** suggested that next year's Audit Programme should be taken briefly by the Board.

*Action: **Committee Secretary** to include Internal Audit Programme on the agenda for the informal meeting to discuss the EQA review.*

- 4.2 **Barbara Scott** asked how the Audit Committee would receive assurance that the HR Delivery Programme was operating effectively. **Paul Dillon-Robinson** said that he was discussing with the Parliamentary Programme and Project Assurance Office how to create a more integrated assurance process and the business case guidance now includes a section providing assurance. The **Chairman** said that the HR delivery programme should be used as a test case for using a more integrated model of assurance.

5. Fire Safety

- 5.1 The **Chairman** thanked Charlotte Simmonds for her excellent paper. **Stephen Brooker** asked how the safety of visitors was ensured. **Charlotte Simmonds** said that fire evacuation marshals, Metropolitan Police staff and House staff in visitor-facing roles were given training in how to handle visitors in the case of a fire. She had received assurance from the Met Police that all their staff had completed this training. More could be done to provide fire safety training to regular visitors.
- 5.2 The **Chairman** asked about uptake of training and the provision of fire marshals in Member's offices. **Charlotte Simmonds** said she was less confident that full coverage had been achieved there. **Robert Rogers** said that Members had been reminded of the need to do fire training in the Administration Committee update and he had raised the issue with the Chief Whips. **John Borley** said that hard copy letters had been sent to all Members' offices in 1 Parliament Street. **John Thurso** noted that in the hospitality industry some people, such as guests, were viewed as effectively untrainable

and a different approach was taken to managing them in the case of a fire. He suggested that Members' staff should be approached separately from Members. **John Thurso** suggested providing a small reward, perhaps a social event, to thank fire marshals and encourage others to volunteer as fire marshals. **Robert Rogers** agreed that this idea would be explored further.

- 5.3 **Sir Alan Haselhurst** suggested that photographs on local fire marshal could be displayed around the building in the same way that photographs of Service Delivery Managers were. He asked what the process was for dealing with people who arrived while a fire evacuation was in progress. **Charlotte Simmonds** explained that in this situation the police would not allow anyone to enter the affected areas.

6. Financial Improvement Plan: Update

- 6.1 The **Chairman** noted that concerns about HAIS had been covered during the earlier discussion. **Myfanwy Barrett** reported that work was being undertaken to get a better understanding of the cost of House Services, ranging from the cost of answering a Parliamentary Question to catering costs and overheads. This was particularly important as income generation activities increased. The report would be sent to the Management Board and would lead to annual cost summaries being produced.
- 6.2 The **Chairman** confirmed that the detail of the costing model was a management issue; the Committee's interest was in ensuring there was a robust system that was being used appropriately. **Barbara Scott** said the Committee should celebrate how much progress had been made by the Finance Department in the last two years. **John Thurso** echoed this sentiment and noted the importance of making sure the costing information related to factors within management control so they would be relevant in decision making.

7. Pensions

- 7.1 **Myfanwy Barrett** said this paper gave the Committee advance notice that the 2014/15 accounts would look different if the proposed merger with the civil service pension scheme proceeded. **John Thurso** said the Commission had already approved this and it was a positive development, which would produce a more stable and predictable set of accounts. **Bryan Ingleby** noted that there would be no impact on the public purse as this was effectively a transfer of funds. **Stephen Brooker** asked whether there was any risk this merge could lead to the House underwriting liabilities from other schemes. **Myfanwy Barrett** said that this would not happen as the scheme would still be

separate for actuarial purpose, scheme management and valuation purposes and the Houses' employers contribution would be calculated separately.¹

8. NAO Audit Administration Estimate: Progress Report

- 8.1 **Bryan Ingleby** reported that the NAO's audit was well advanced this year. Other than issues about HAIS and payroll no other problems had been found and there were no risks to the audit opinion. **Alan O'Connor** said the work on income and expenditure was nearly complete and no errors had been found in the accounts payable. Both the governance and data migration were good, and although the cost codes went into a high level of detail, that did not raise any concerns about the system. The next stage of the audit would be to look at the balance sheet.
- 8.2 A key risk identified at the planning stage had been the Estates strategy. A lot of work had been done on the freehold contract. There were no problems with the leasehold dilapidation and they were awaiting further information from the valuation office work. The draft income and expenditure account was showing an increased level of underspend caused by a technical accounting adjustment for the revaluation of the estate. **John Thurso** asked why this had not been absorbed by the revaluation reserve. **Myfanwy Barrett** explained that this was because a previous reduction in value had used up the entire revaluation reserve; this had happened at the time of the change to resource accounting. The House had approved a supplementary estimate to amend the estimate to reflect the reduction but the actual value had changed again since the estimate had been approved.
- 8.3 **Alan O'Connor** said that NAO had adapted its audit approach due to the problems with payroll data and had found no further comments. The **Chairman** said that NAO might wish to comment on the extra work this problem had caused in its final report. **Bryan Ingleby** said it would be commenting on this issue in the section on internal controls. The DG of Human Resources and Change was determined to resolve this problem which provided some assurance for the future.

9. Any other business

- 9.1 The **Chairman** asked for suggestions of subjects for the joint meeting with the Lords Audit Committee. His suggestions were the security contract and a report from the Programme and Project Assurance office. **Barbara Scott** said the Committee should chase progress on joint procurement under actions arising. The **Committee agreed** to the Chairman's suggestions and to returning to joint procurement.

¹ Post-meeting note: this situation was confirmed after the meeting.