

Members Estimate Audit Committee Annual Report 2016-17

Introduction

1. This is the twelfth annual report of the House of Commons Members Estimate Audit Committee (MEAC), which was established by the House of Commons Members Estimate Committee on 14 June 2004, following changes to the governance structure for the Members Estimate agreed by the House in January 2004.
2. This report outlines the MEAC's conclusions in relation to the Members Estimate for the financial year 2016-17. The Committee's findings are set out by reference to the key areas on which it is required to provide assurance to the Accounting Officer under its terms of reference.
3. Details of the MEAC's terms of reference, membership and activity during the year are provided in the Appendix to this report.

Conclusion for the financial year 2016-17

The effectiveness of the system of governance, risk management and internal control (the "system of internal control")

4. Since IPSA took over responsibility for Members' allowances in May 2010, the Members Estimate has become significantly smaller and the scope of the Committee's work in considering the effectiveness of the system of internal control has reduced accordingly. We refer readers to the 'Annual Report of the Administration Estimate Audit and Risk Assurance Committee' for our conclusions on the overall control environment within which the Members Estimate operates.

The integrity of the Annual Accounts

5. The Committee have reviewed the Annual Accounts. The Members Estimate exceeded the 2016-17 Capital Departmental Expenditure Limit by 27.3%. The Committee has been assured that a number of actions, some already implemented and others planned, will mitigate against any overspend recurring, such as the transfer of expenditure on Members' loan equipment, support and broadband services from the Members Estimate to the Administration Estimate. Accordingly, despite the qualification of the Annual Accounts in this respect, we consider the Accounts acceptable for signature by the Accounting Officer. We are satisfied with the Annual Governance Statement.
6. The Parliamentary Contributory Pension Fund (PCPF) is the pension scheme for Members of Parliament, Government ministers and other Parliamentary office holders. In line with our past recommendation, the liabilities in relation to the PCPF have been transferred to the PCPF's own accounts, where the assets are also shown. Funding of the Exchequer contribution towards current service costs remains with the Members Estimate. Approximately 30% of the Members Estimate now relates to the pension scheme.
7. We have previously noted a case for transferring the Exchequer contribution to IPSA and the Minister for the Civil Service. We will continue to monitor closely any developments relating to the future of the Members Estimate.
8. We note that new reporting arrangements for financial assistance to opposition parties

(Short Money or Representative Money) were introduced in respect of this financial year and onwards. These will enhance consistency of reporting, transparency and minimise risk. Also, the independent auditor will be required to audit the summary accounts in addition to his existing responsibilities.

The work of the internal audit service

9. Given the relatively small size and scope of the Members Estimate, the internal audit plan contained only two audits directly relating to expenditure under the Members Estimate. Other reports did however have findings related to both Estimates. The two audits undertaken related to expenditure on Members' stationery and Members' ICT equipment. Both audits were able to provide assurance that controls were working effectively in these areas. The scope of the audit on digital expenditure looked at controls relating to individual Member expenditure and did not review the controls that led to qualification of the Members Estimate.

The external audit by the external auditor

10. We are satisfied with the scope and nature of the work of the NAO and believe that the NAO carried out its external audit work with due independence. We are satisfied that the unadjusted misstatements reported therein do not require adjustment. These errors, together with the recommendation contained within the audit completion report do not highlight any substantive weakness in financial control.
11. We have noted the contents of the letter of representation, which is standard, including the required disclosures on fraud and regularity.
12. We are satisfied that the audit opinion was appropriate and note the qualification in the opinion on regularity and the action taken to prevent reoccurrence.

Other matters referred to the Committee by either the Accounting Officer or the Members Estimate Committee

13. No other matters were referred to the Committee by the Accounting Officer or the Members Estimate Committee in 2016-17.

Appendix: Terms of reference, membership and activity of the MEAC

Terms of reference

- I. The Committee has the following terms of reference, which are approved by the Members Estimate Committee:

REMIT

The Members Estimate Audit Committee (“The Committee”) pursues its objectives and fulfils its responsibilities on behalf of the Members Estimate Committee (“MEC”) and, as it deems appropriate, shall draw any matters arising within these terms of reference to the attention of the Members Estimate Committee.

MEMBERSHIP

The membership of the Committee shall be:

- 3 MP members, including:
 - A Member of the Members Estimate Committee
 - A Member of the Finance Committee
- 3 external Members, appointed by the MEC

The Chairman shall be appointed by the MEC from amongst the members of the Committee.

QUORUM

The quorum of the Committee shall be 3, including 1 MP and 1 external member.

OBJECTIVES

The Committee has been established to support the Accounting Officer in discharging his responsibilities under the Members Estimate, particularly with regard to the maintenance of an effective system of internal control. The Members Estimate contains financial assistance to Opposition parties (Short Money and Representative Money); the Members Fund; ICT maintenance and equipment depreciation; training for Members and their staff; disability assistance; insurance and contributions to the Members’ pension scheme (the Parliamentary Contributory Pension Fund (PCPF)).

The Committee’s objective is to give assurance to the Accounting Officer on:

- The effectiveness of the system of governance, risk management and internal control (referred to collectively as the “system of internal control”)
- The integrity of the Annual Accounts
- The work of the internal audit service
- The external audit by the external auditor
- Other matters as may be referred to it by either the Accounting Officer or the Members Estimate Committee

RESPONSIBILITIES

Governance, Risk Management and Internal Control

The Committee is responsible for reviewing governance, risk management and internal control (“the system of internal control”). This reviewing will include:

- The effectiveness of the design and operation of the system of internal control;

- The development and operation of the system of risk management, in accordance with the overall risk management policy;
- The level and range of assurances on the management of risks; and
- The adequacy and implementation of proposed management actions to improve the effectiveness of internal controls.

Annual Accounts

The Committee is responsible for reviewing the Annual Accounts before their submission to the Accounting Officer. This review will include:

- Any significant changes in the accounting policies or treatments;
- Major financial reporting judgements or estimates;
- Consistency of the Annual Governance Statement;
- Resolution of any matters raised by the external auditor; and
- Significant adjustments resulting from the audit by the external auditor.

Internal Audit

The Committee is responsible for monitoring the work of the internal audit service. This includes:

- Involvement in the appointment of the Director of Internal Audit and the audit partner;
- Agreement to the annual internal audit plan and monitoring of progress;
- Consideration of the results and findings from internal audit work and the adequacy of management responses; and
- Consideration of the Director of Internal Audit's annual report and opinion.

External Audit

The Committee is responsible for monitoring and reviewing the work of the external audit. This review will include:

- Recommendations on the appointment and scope of work of the external auditor;
- Consideration of the external audit strategy;
- The results of the external audit work, including any reports to those charged with responsibilities for governance, and the adequacy of management responses;
- Representations made by management to the external auditor; and
- Annual review of the external auditor's independence and effectiveness.

RELATIONSHIP WITH THE ADMINISTRATION ESTIMATE AUDIT AND RISK ASSURANCE COMMITTEE

The Committee will rely upon the work of the Administration Estimate Audit and Risk Assurance Committee (AEARAC) on matters that relate to the overall governance, risk management and internal control of the House of Commons Administration, and concentrate its own work on those parts of its responsibilities that specifically relate to matters under the Members Estimate. Where relevant, the Committee will take into account the results of the AEARAC's deliberations in drawing conclusions on its own work.

Membership

2. The Committee is chaired by an external member, Dame Janet Gaymer DBE, who is also an external member of the House of Commons Commission. Barbara Scott and Stephen Brooker were the other two external members of the Committee at the start of the financial year. Barbara Scott's term of office ended on 31 December 2016; Jane McCall was

appointed to the Committee, and is also a member of the House of Commons Commission. Stephen Brooker's term of office ended on 31 July 2016. Robert Scruton was appointed to the Committee with effect from 1 August 2016. The MP members of the Committee until 31 October 2016 were Sir Paul Beresford MP, Tom Brake MP and Rt Hon Nick Brown MP. Thereafter, the Rt Hon Nick Brown was succeeded by the Rt Hon Dame Rosie Winterton. The Membership of the MEAC is the same as that of the AEARAC.

3. The Clerk of the House, the Director General of the House of Commons, the Director of Finance, the Director of Internal Audit and officials from the National Audit Office (NAO) also attend the Committee's meetings. These officials may withdraw for specific items at the Committee's, or their own, request.
4. The Committee's Secretary is the Private Secretary to the Clerk of the House. The Committee is also supported by a Committee Assistant.

Meetings

5. The Committee met formally five times in the financial year 2016-17: on 13 April, 6 and 20 July, 19 October 2016 and 24 January 2017. Attendance is shown in the table below.

Member	Total number of meetings attended
Dame Janet Gaymer DBE (Chair)	5/5
Sir Paul Beresford MP	5/5
Tom Brake MP	5/5
Stephen Brooker	3/3
Rt Hon Nick Brown MP	3/3
Jane McCall	5/5
Robert Scruton	2/2
Dame Rosie Winterton	0/2

6. In addition it held an informal joint seminar with the House of Lords Audit Committee to consider audit best practice on 21 March 2017.
7. The external members of the Committee held informal meetings with the House's finance team and the NAO to discuss the draft House of Commons Members Estimate Accounts on 7 June 2017.

Internal Audit

8. As set out in the terms of reference above, MEAC relies upon the work of the Administration Estimate Audit and Risk Assurance Committee (AEARAC) on matters that relate to the overall governance, risk management and internal control of the House of Commons Administration, and concentrates its own work on those parts of its responsibilities that specifically relate to matters under the Members Estimate. Areas of overlap between the Audit Committees, for example in relation to the regular report on the work of internal audit, are usually discussed in AEARAC meetings and have therefore not been set out in this report. They are available in the annual report of the AEARAC.

9. Given the size and scope of the Members estimate, the internal audit plan contained two internal audits directly relating to expenditure under the Members estimate, although other reports did have findings that are related to the management systems that cover both Estimates. The two audits undertaken related to stationery expenditure and digital expenditure. Both audits were able to provide assurance that controls were working effectively in these areas. The scope of the digital expenditure audit provided assurance on individual member expenditure and did not consider wider financial controls.

External Audit

10. In January 2017 the Committee discussed the NAO's planned approach to auditing the Members Estimate Accounts for 2016-17. Other than the risks required to be presumed under ISA 240, the NAO raised no significant risks.
11. The external members of the Committee met with the NAO and Finance staff on 7 June 2017 to discuss the draft House of Commons: Members Estimate Accounts for 2016-17. Following this the Accounts were discussed by the full Committee on 5 July 2017 prior to being signed off by the Clerk of the House, as Accounting Officer.

Further information about the Committee

12. The two Audit Committees publish annual reports and certain papers (agendas, minutes and actions arising) on their page on the parliamentary website <http://www.parliament.uk/business/committees/committees-a-z/other-committees/estimate-audit-committees/>