Meg Hillier MP  
Chair  
Committee of Public Accounts  
House of Commons

19 February 2018

Dear Meg,

Thank you for your letter of 2 February. I am of course mortified that of all bodies within your remit the House of Commons should have been obliged to request an Excess Vote for 2016-17, no matter how small the sum involved. We strive to be exemplary in our financial management as you would expect, and all those involved in this incident share my disappointment.

We flagged the overspend with the NAO as soon as it came to light, and have shared with them and our own Internal Audit and Risk Committee a detailed report on how it came about and how we will ensure there is no recurrence. I should say that our relationship with the NAO is excellent, and that they have shown growing trust in our financial management in recent years, putting increased reliance on our controls.

The overspend arose from several different sources, none of which on their own would have produced it but which coming together tipped the balance:

- Proper accruals not being made in 2015-2016 owing to disputes with our external supplier of IT equipment
- The introduction in the 2015 Parliament of the new ordering system where Members had a wide choice of equipment, leading to orders being spread over a much longer period than after previous General elections
- Higher than usual number of by-elections in 2016-17
- Reliance on manual intervention to disaggregate capital and resource spending

But the real failure was to realise in good time that this relatively small capital budget in the Members Estimate – the only one - would be exceeded. There could be no virement from any underspend in the rest of that Estimate but if it had been spotted we would of course have sought a Supplementary.

I can assure you and the Committee that a number of steps have been taken to ensure that there can be no repetition.

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• Future estimates for Members IT equipment reflect the lessons learned from the experience of the ordering pattern in the 2015 Parliament
• The expenditure has been transferred for this and other reasons to the much larger Administration Estimate, bringing to bear improved control processes and allowing for in-year virements
• The Parliamentary Digital service has reviewed its overall approach to asset management and the ordering process has been improved as a result.

I can assure you that I will be seeking evidence of these improvements in the annual assurance letters I receive as Accounting Officer.

You also mention the overall internal audit opinion, highlighted in the annual governance statement. Naturally, I share your concern. Our new Head of Internal Audit has reported to me that significant progress has been made in addressing the weaknesses highlighted in the report, which primarily relate to the overall risk management and control framework. The level of assurance on financial controls was assessed as Moderate.

We are making progress in many areas, notably in addressing the priorities related to risk management and in embedding a risk management culture. Audit findings are being acted upon more effectively than in the past, in particular in addressing the issues around staff non-compliance with basic essentials such as completing online training modules each year. The Head of Internal Audit has made it an objective of the Internal Audit and Risk Management teams for 2018-19 to concentrate on the lines of defence approach in order to strengthen the existing governance framework, building on a review of Second Line of Defence and Assurance Bodies carried out in November.

There is in my opinion a way to go, and it will take time for the benefits of this and other work to come to fruition. But please be assured that these issues are taken very seriously by the management team, and that we are confident that the organisation is going in the right direction.

Copied to:
Myfanwy Barrett, Managing Director, Corporate Services, House of Commons
Richard Stammers, Head of Internal Audit, House of Commons
Dame Janet Gaymer, Chair, House of Commons Administration Estimate and Risk Assurance Committee and Members Estimate Audit Committee
Helen Wood, Clerk, Finance Committee, House of Commons

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