

***The* HOUSE of
COMMONS:
Members**

**Annual Accounts &
Audit Committee Annual Report**

2012-13

(for the year ended 31 March 2013)

Presented to the House of Commons pursuant to section 6(4)
of the Government Resources and Accounts Act 2000

Ordered by The House of Commons to be printed 15 July 2013

Published by Authority of the House of Commons

London: The Stationery Office

£10.00

HC 493

© Parliamentary Copyright House of Commons 2013

This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/site-information/copyright

Contents

	Page
Members Annual Accounts 2012-13:	
Foreword to the Accounts	6
Statement of Accounting Officer's Responsibilities	10
Annual Governance Statement	11
Independent Auditor's Report to the Members of the House of Commons	14
Statement of Parliamentary Supply	16
Statement of Comprehensive Net Expenditure	17
Statement of Financial Position	18
Statement of Cash Flows	19
Statement of Changes in Taxpayers' Equity	20
Notes to the Accounts	21
Members Estimate Audit Committee:	
Annual Report for 2012-13	37

House of Commons: Members

Annual Accounts

2012-13

(for the year ended 31 March 2013)

Foreword to the Accounts

As at 31 March 2013

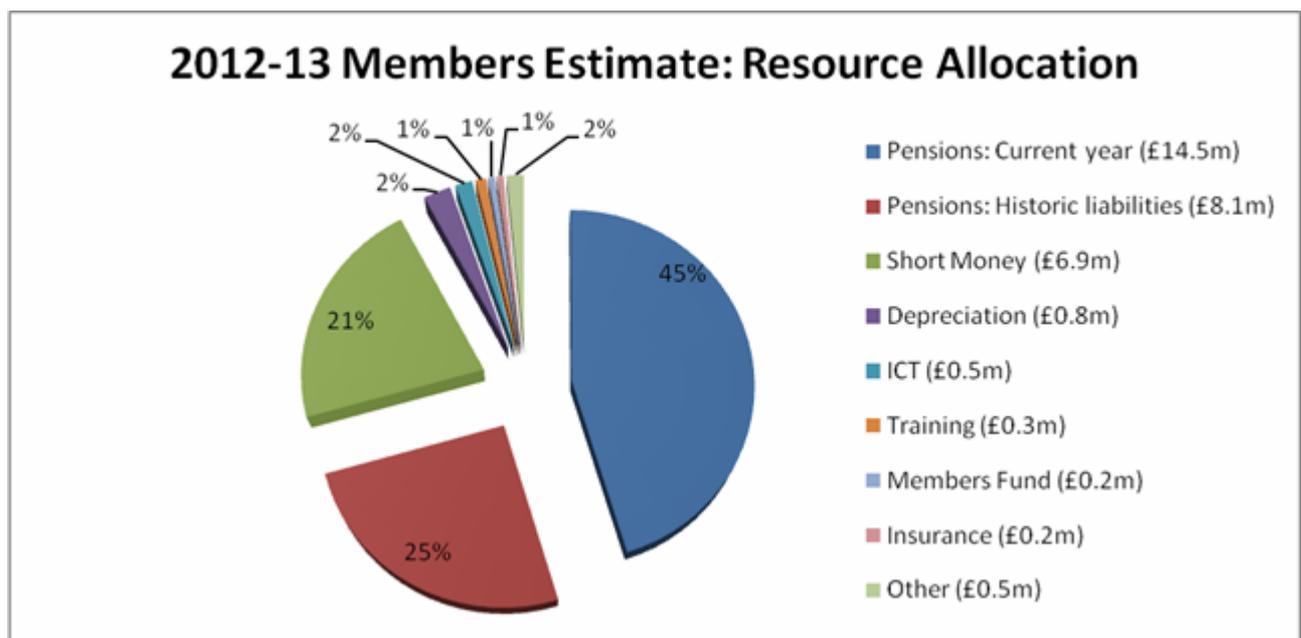
Scope of the Estimate

Following the 2010 General Election responsibility for the administration of Members' salaries, expenses claims, travel and certain other costs were transferred to the Independent Parliamentary Standards Authority (IPSA) in accordance with the Parliamentary Standards Act 2009, as amended by the Constitutional Reform and Governance Act 2010. As such, the Members Estimate now only provides for the Exchequer contribution towards the cost of pensions for Members of Parliament, to provide provision for accrued pension liabilities arising from the Parliamentary Contributory Pension Fund (PCPF), payroll costs of Members appointed to specific parliamentary duties, the provision of ICT equipment to Members, financial assistance to Opposition parties to support them in the discharge of their parliamentary or representative functions (Short Money), an Exchequer contribution to the Members' Fund, provision of training for Members and their staff, payment for insurance, Members pay and allowances relating to earlier financial years, and other general costs and non-cash items.

The Constitutional Reform and Governance Act 2010 provides for the Exchequer contribution to the PCPF to be transferred to IPSA at a future date. The cost of running House services and the Parliamentary Estate are borne on the House of Commons Administration Estimate.

Activities

An Estimate consisting of £32.0 million resource and £0.2 million capital was agreed by the House of Commons for 2012-13 and published as part of Central Government Supply Estimates 2012-13 (HC1919). This was less than the provision provided in 2011-12 (£35.7 million). The greater part of the resource provision (70%) was to cover PCPF pension scheme expenditure (£22.6 million), which included the Exchequer contribution towards future benefits earned during the year (£14.5 million) together with a charge arising from the movement in the net pension deficit over the year (£8.1 million).



Financial assistance to Opposition parties (Short Money) is available to help Opposition parties to carry out their parliamentary or representative business. This was budgeted at £6.9 million which,

together with the pension scheme costs made up 92% of the total funding made available through the Estimate.

Members are entitled to five items of ICT equipment purchased from this Estimate for use in the performance of their parliamentary or representative duties. There was a major refresh of ICT equipment following the 2010 General Election and apart from some minor capital purchases only resource maintenance costs and depreciation charges arose during the year. The Commission agreed in April 2012 to include the provision of an iPad as one of the five pieces of ICT equipment available to Members.

The Members' Fund provides for ex-Members and their dependants who find themselves in difficult circumstances. Such payments are made at the discretion of the Trustees. It also pays certain "as of right" benefits for service as a Member prior to 1964. It is funded jointly by a grant from the Estimate and contributions from Members. It is administered by trustees appointed by the House of Commons. The accounts of the Members' Fund are published separately; copies can be obtained from the House of Commons Department of Finance or from the TSO website <http://www.official-documents.gov.uk>;

Oversight of Estimate

All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. Oversight of the Estimate is undertaken by the Members Estimate Committee (MEC), which has the same membership as the House of Commons Commission. The functions of the Committee are:

- to codify and keep under review the provisions of the Resolutions of the House relating to expenditure charged to the Members Estimate and to modify those provisions from time to time as the Committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances;
- to provide advice, when requested by the Speaker, on the application of those provisions in individual cases;
- to carry out the responsibilities conferred on the Speaker by the Resolution of the House of 5 July 2001, in relation to directions as to the application of the provisions of that Resolution, and authorisation of expenditure not otherwise specified in the ambit of the Members Estimate.

The Committee is not empowered to create a new form of charge on the Estimate, or to increase any rate of charge or payment determined by Resolution of the House. A consolidated list of the Resolutions of the House relating to expenditure charged to the Estimate was published by the MEC on 21 January 2013 (HC918).

On 20 March 2013 the House agreed changes to Standing Orders Nos. 144 and 152D to require the Members Estimate Committee to agree the Members Estimate (and any Supplementary Estimates) each year on the basis of advice from the Finance and Services Committee. This is analogous to the existing process by which the House of Commons Commission agrees the Administration Estimate.

At the start of the financial year the membership of the MEC was:

The Rt Hon John Bercow MP: Speaker (Chairman, by virtue of office)

The Rt Hon Sir George Young Bt CH MP: Leader of the House of Commons (by virtue of office)

John Thurso MP: also Chairman of the Finance and Services Committee

Sir Paul Beresford MP

Frank Doran MP

Angela Eagle MP

Membership of the Commission changed on 6 September 2012 when the Rt Hon Andrew Lansley CBE MP replaced the Rt Hon Sir George Young Bt CH MP.

The Clerk of the House is the Accounting Officer for the Estimate. Although the House of Commons Management Board receives monthly updates on financial performance against the Members Estimate, it does not have any formal responsibility for the Estimate because the Board takes its authority from the House of Commons (Administration) Act 1978.

Management Commentary

Resources

The Statement of Parliamentary Supply show an outturn of £29.8 million against an Estimate of £32.0 million which represents an underspend of £2.2 million (7.3%).

Allowance	Planned £000s	Outturn £000s	Variance £000s
PCPF: Exchequer contribution	14,500	13,607	893
Charge arising from movement on pension deficit	8,100	7,193	907
Short Money	6,900	6,936	(36)
ICT: Maintenance	500	309	191
Depreciation	800	907	(107)
Members Fund	150	148	2
Training	250	206	44
Insurance	225	103	122
Other	575	400	175
Total	32,000	29,809	2,191

Fluctuations against both the original financial assumptions, especially the discount rate derived from the current rate of return on AA rated corporate bonds, and demographic assumptions make it difficult to plan the resource requirements of the PCPF scheme ahead of the financial year end. As a consequence the unpredictability of pension costs led to £1.8 million (82%) of the underspend recorded.

Payments received by Opposition parties through Short Money are fixed, but subject to an RPI adjustment each year. The small overspend shown reflects an index movement that was different from that assumed at the time the Estimate was laid.

Capital

An outturn of £43,000 arose against the Estimate provision of £200,000 giving rise to an underspend of £157,000 (78.5%). This small budget had been allocated for any additional equipment required following the refresh of ICT equipment to Members immediately after the 2010 General Election. In the event only a small amount of ICT equipment was purchased.

Cash

A net cash outturn of £21.8 million arose against the Estimate of £23.2 million. This represents an underspend of £1.4 million (6.0%) which primarily reflects the lower than expected cash Exchequer contribution to the PCPF during the year. Other minor underspends against budget were offset by movements on monetary working capital.

Net assets

The net liability increased from £185.9 million at the 31 March 2012 to £202.2 million at the year end, an increase of £16.3 million (8.7%).

The Statement of Financial Position shows a negative balance because of the significant pension liabilities arising from the PCPF. Most of the increase represents provision for future pension liabilities to be redeemed through pension payments made to Members, and as such will not be fully realised for many years. The valuation of the PCPF by the Government Actuary's Department shows the future liability increasing by £15.5 million from £186.5 million at the 31 March 2012 to £202.0 million at the date of these accounts as explained in Note 13.

Resources required for 2013-14

The House of Commons has agreed an Estimate (HC1074) for 2013-14 with a net resource requirement of £33.5 million and capital provision of £0.1 million. The net resource requirement includes an increase of £2.5 million for the transfer of Members' stationery and postage costs from the House of Commons Administration Estimate.

Auditors

The audit of these accounts is undertaken by the Comptroller and Auditor General.

As Accounting Officer I am not aware of any relevant audit information of which the auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern

Although the Statement of Financial Position at 31 March 2013 shows negative Taxpayers' Equity of £202.2 million this mainly reflects the inclusion of pension liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the House of Commons Members Estimate net cash requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need.

The future financing of the liabilities recorded in the Statement of Financial Position will therefore have to be met by future grants of Supply approved annually by Parliament. Approval for those amounts required in 2013-14 has already been given. It is therefore appropriate to adopt a going concern basis for the preparation of the 2012-13 financial statements.

Sir Robert Rogers KCB
Accounting Officer
10 July 2013

Statement of Accounting Officer's Responsibilities

Although the Members Estimate is laid by a Government Minister as part of the main Supply Estimates, the accountability arrangements rest with the House of Commons and are approved by the Speaker. The Speaker has appointed the Clerk of the House as Accounting Officer for these accounts.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

The Accounting Officer is responsible for the House of Commons financial reporting arrangements. He should ensure that the resource accounts:

- observe the relevant accounting and disclosure requirements, and apply suitable applicable accounting policies on a consistent basis;
- include judgements and estimates made on a reasonable basis;
- state whether applicable accounting standards, as set out in the House of Commons financial reporting manual, have been followed, and disclose and explain any material departures in the accounts; and
- have been prepared on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the organisation's assets, are set out in Managing Public Money published by HM Treasury.

Annual Governance Statement

Governance framework

The governance structure of the House of Commons Members Estimate differs from that of most other public sector Estimates in that it is laid by the Government, but thereafter the governance and accountability are entirely within the House, which is constitutionally separate from the Executive.

Two Estimates cover the direct expenditure of the House of Commons. The Administration Estimate covers the administrative costs of running the House of Commons as an institution, meeting staff costs of the House Service, the maintenance costs of the Estate, the running costs of the Chamber and associated activities, and travel costs of Members and officers undertaking parliamentary business such as select committee work. The focus of the Members Estimate is mainly on Members of Parliament as individual elected representatives. Following the establishment of the Independent Parliamentary Standards Authority (IPSA) in May 2010, the Members Estimate has been restricted to covering expenditure on pension contributions to the Parliamentary Contributory Pension Fund (PCPF), IT equipment provided to assist Members in their duties, financial assistance to the Opposition parties, an Exchequer contribution to the Members' Fund, the costs of insurance and training, and other associated costs and non-cash items. On 20 March 2013, the House resolved that, with effect from 1 April 2013, the cost of Members' pre-paid envelopes and stationery, previously a charge on the Administration Estimate, should be a charge on the Members Estimate.

The Members Estimate Committee (MEC) was established by a Standing Order of the House in 2004 to have responsibility for oversight of the system of Members' expenses. While the MEC retains responsibility for the residual functions remaining within the Members Estimate, the statutory Speaker's Committee on IPSA (SCIPSA) has taken on responsibility for the IPSA Estimate. Membership of the MEC is the same as the House of Commons Commission who have responsibility for the Administration Estimate. As Clerk of the House, and in my role as Accounting Officer and Chief Executive of the House Service, I have responsibility for ensuring the Resolutions of the House and directions from the MEC are properly put into effect.

Together with the MEC, I am supported in this role by the Members Estimate Audit Committee (MEAC). Membership of the Committee is the same as that of the Administration Estimate Audit Committee and includes Members of Parliament, non-executive Management Board members and an external expert. The Chair is currently one of the non-executive external members of the Management Board and the other non-executive Board member also sits on the Committee.

During the year concerns were expressed by the NAO and MEAC that there was no formal requirement on any Member body to agree the Members Estimate or any Supplementary Estimate before it was laid, and recommended that this duty should be given to the Members Estimate Committee, thus replicating the position which applies to the Administration Estimate (which is agreed by the Commission, on advice from the Finance and Service Committee). On 20 March the House agreed to changes in Standing Orders Nos. 144 and 152D, which have the effect of requiring the Members Estimate Committee to agree the Members Estimate (and any Supplementary Estimates) each year, on the basis of advice from the Finance and Services Committee.

The cost of administering the Members Estimate expenditure falls to the House of Commons Administration Estimate. These aspects are governed by both a delegation from the House of Commons Commission to the Management Board, and the Parliament (Joint Departments) Act 2007 in respect of PICT.

The House of Commons Management Board oversees the operational functions of the House and develops the House's policies, budgets and strategic planning, the main elements of which are endorsed by the Commission. The Clerk of the House of Commons, who is also the Chief Executive, chairs the Management Board and is the Accounting Officer and Corporate Officer. The other members are the heads of the five Departments of the House: Chamber and

Committee Services, Facilities, Finance, Human Resources and Change, and Information Services, together with the director of Parliamentary ICT (PICT), a bicameral department serving both Houses. There are two non-executive external members.

PICT manages the purchase and maintenance of Members ICT equipment together with the ICT network and infrastructure. The delivery of PCPF related services are managed through the Department of Finance while the remaining functions on the Members Estimate are handled within the Department of HR & Change. Members' ICT is handled through a budgetary delegation to PICT.

The Parliamentary Commissioner for Standards deals with the application of the Code of Conduct and related Rules that apply to Members of Parliament. This includes the registration of financial interests held by Members and the investigation of complaints about Members who have allegedly breached the Code or related Rules. When the Parliamentary Commissioner for Standards recommends a financial sanction against a Member it is the responsibility of the House Service to recover and account for the receipt.

Although the Members Estimate Committee is the ultimate authority for expenditure under the Members Estimate, this Statement essentially relates to the remit of the Management Board.¹ As Accounting Officer I am mindful of HM Treasury's guidance on the scope of the Governance Statement as it applies to Government departments, but as the House's governance circumstances are different from those of Government departments, the content of this statement will therefore also differ.

The same is true of the extent to which the House administration is able to follow the Treasury's Corporate Governance Code. Significant variations from the Code include the fact that the Management Board is not equivalent to the single management board of a Whitehall department; the balance of executive and non-executive members is different; and there is no Nominations and Governance Committee. However I am content that the House administration's structure meets the overall objective of separating policy and operations, and that the necessary element of non-executive challenge and scrutiny is available through the external members of the Audit Committee and the Management Board.

For detailed information about the system of controls within which the Member Estimate is governed please see the Annual Governance Statement in the Administration Annual Accounts (HC492)².

Responsibilities attached to specific areas of expenditure

On 24 October 2011 the power to establish a scheme making provision for pensions to Members of Parliament and certain office holders under the Constitutional Reform and Governance Act 2010 passed to IPSA by order of the House of Commons. On the same date, responsibility for the oversight of Ministerial pensions within the PCPF, paid under the Ministerial and Other Salaries Act 1975, was transferred to the Minister for the Civil Service (MCS). The Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 as amended up to 23 October 2011 have been reconstituted as the initial member pension scheme rules. These will apply, subject to any further amendments until such time as new schemes for Members of Parliament and Ministerial pensions are created. Both IPSA and the MCS have consulted on new schemes during 2012-13 and are expected to produce final schemes to commence in 2015.

The enactment of the Constitutional Reform and Governance Act 2010 also affected the structure of the PCPF Trustee Board. Incumbent trustees have been reduced from ten to eight, with the

¹ The Commission publishes its own Annual Report under s. 1(3) of the House of Commons Administration Act 1978.

² [House of Commons Annual Accounts - UK Parliament](#)

remaining trustees being reconstituted as the first Member nominated trustees. A trustee representing IPSA, together with another representing the Minister for the Civil Service, have been appointed. The reconstituted PCPF trustee board continue to manage the administration of the fund. The Secretariat that assists them in this role continues to be drawn from House of Commons staff employed within the Department of Finance. The PCPF reimburses the House Administration for all staff costs associated with these Secretariat duties.

At present funding of the Exchequer contribution towards current service costs and accounting for the historic liabilities remain with the House of Commons Members Estimate. As 71% of the Members Estimate covers PCPF related expenditure further consideration has been given to the management of these accounting arrangements. At present the pension scheme assets are managed by the PCPF trustees and accounted for separately in the PCPF Accounts, while the scheme liabilities are reported in the House of Commons Members Accounts. This situation will be kept under review.

The controls for financial assistance to Opposition parties (Short Money) which accounts for around 22% of the Members Estimate differs from other expenditure in that the money provided is used for party political purposes in connection with Parliament and on representative work, but cannot be used for party political campaigning. The use of the money is validated by appropriately qualified external auditors. Parties in receipt of financial assistance are required to submit audit certificates at the end of each financial year. These are statements from the external auditors certifying that the money paid to the party has been expended exclusively on parliamentary or representative business. During the year MEAC and the NAO discussed the impact on the timetable for finalising the accounts for the Members Estimate of the submission of these certificates very near the deadline for completion of the accounts. In January 2013 the Members Estimate Committee agreed to address this concern by bringing forward the deadline for submitting certificates to the end of May.

Evidence base

I have obtained evidence of the organisation's effectiveness as it relates to the Members Estimate through a variety of means. The most important are: the annual letters of assurance from the head of each House department and PICT; a separate letter of assurance on information security (from the Senior Information Risk Owner); the Head of Internal Audit's annual report and opinion; and advice and reports from the Audit Committee. The letters from Heads of department were subject to internal challenge and review by the Office of the Chief Executive. In addition, account has been taken of the findings of the 2012 survey of services provided to Members. For evidence about the organisation's effectiveness as it related to the Administration Estimate please see the Administration Annual Accounts (HC492).

Conclusion

The statement explains the governance arrangements for the PCPF and Short Money, the expenditure for which combined accounts for more than 90% of the total expenditure under this Estimate in 2012-13. The statement also explains the improvements that have been made during the year in relation to the roles of the MEC and the Finance and Services Committee. I am satisfied that adequate controls have been maintained for expenditure incurred through the Members Estimate. These controls will, however, continue to be reviewed and if necessary further refined to ensure transactions are properly controlled and risks managed.

Sir Robert Rogers KCB
Accounting Officer
10 July 2013

Independent Auditor's Report to the Members of the House of Commons

I have audited the financial statements of the House of Commons: Members for the year ended 31 March 2013. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and the auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the House and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013, and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of the House of Commons: Members as at 31 March 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the House of Commons Financial Reporting Manual.

Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial are not in agreement with the accounting record; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect House of Common's application of best practice, including HM Treasury's guidance.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London, SW1W 9SP

Date: 10 July 2013

Statement of Parliamentary Supply

Summary of Resource Outturn and Capital Outturn 2012-13

	2012-13 Estimate			2012-13 Outturn			Voted Outturn compared with Estimate: saving/(excess) ¹ⁱ	2011-12 Outturn Total
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
	£000	£000	£000	£000	£000	£000		
Departmental Expenditure Limit								
-Resource	23,900	-	23,900	22,616	-	22,616	1,284	22,326
-Capital	200	-	200	43	-	43	157	65
Annually Managed Expenditure								
-Resource	8,100	-	8,100	7,193	-	7,193	907	7,139
Total	32,200	-	32,200	29,852	-	29,852	2,348	29,530
Total Resource	32,000	-	32,000	29,809	-	29,809	2,191	29,465
Total Capital	200	-	200	43	-	43	157	65
Total	32,200	-	32,200	29,852	-	29,852	2,348	29,530

Net Cash Requirement 2012-13

	2012-13 Estimate	2012-13 Outturn	Outturn compared with Estimate: saving/(excess) ¹	2011-12 Outturn
	£000	£000	£000	£000
Net cash requirement	23,220	21,808	1,412	21,575

¹ Explanations of variations are shown in the Management Commentary.

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

All expenditure is classified as Programme.

The Notes on pages 21 to 36 form part of these Accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Programme Costs			
Members' costs	6	160	124
Members' pensions	6	13,607	13,561
Grants	7	7,124	6,802
Other costs	7	8,918	8,978
Net Operating Costs for the year ended 31 March 2013		29,809	29,465
Other Comprehensive Net Expenditure			
Net (gain)/loss:			
Pension liabilities due to changes in actuarial assumptions	13	8,300	8,400
Total Comprehensive Expenditure for the year ended 31 March 2013		38,109	37,865

The Notes on pages 21 to 36 form part of these Accounts

Statement of Financial Position

as at 31 March 2013

		2012-13	2011-12
	Note	£000	£000
Non-current assets:			
Property, plant and equipment	8	1,139	2,004
Total non-current assets		1,139	2,004
Current assets:			
Trade and other receivables	10	99	151
Cash and cash equivalents	11	33	21
Total current assets		132	172
Total Assets		1,271	2,176
Current liabilities			
Trade and other payables	12	(1,471)	(1,613)
Total current liabilities		(1,471)	(1,613)
Non-current assets less net current liabilities		(200)	563
Non-current liabilities			
Provision for pension liability	13	(201,954)	(186,461)
Total non-current liabilities		(201,954)	(186,461)
Total assets less liabilities		(202,154)	(185,898)
Taxpayers' equity:			
General Fund		(202,154)	(185,898)
Total taxpayers' equity		(202,154)	(185,898)

Sir Robert Rogers KCB
Accounting Officer
10 July 2013

The Notes on pages 21 to 36 form part of these Accounts

Statement of Cash Flows

for the year ended 31 March 2013

		2012-13	2011-12
	Note	£000	£000
Cash flows from operating activities			
Net operating cost	6,7	(29,809)	(29,465)
Adjustments for non-cash transactions	7	8,146	8,072
(Increase)/Decrease in trade and other receivables	10	52	60
Less movements in receivables relating to items not passing through the SCNE		(58)	(80)
Increase/(Decrease) in trade payables	12	(142)	(407)
Less movements in payables not passing through the SCNE		54	310
Net cash outflow from operating activities		(21,757)	(21,510)
Cash flows from investing activities			
Purchase of equipment	8	(51)	(65)
Proceeds of disposal of equipment		-	-
Net cash outflow from investing activities		(51)	(65)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		21,811	21,509
From Consolidated Fund (Supply) – prior year		66	146
Net Financing		21,877	21,655
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		69	80
Receipts due to the Consolidated Fund	5	30	87
Payments of amounts due to the Consolidated Fund		(87)	(397)
Net increase/(decrease) in cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		12	(230)
Cash and cash equivalents at the beginning of the period		21	251
Cash and cash equivalents at the end of the period		33	21

The Notes on pages 21 to 36 form part of these Accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

	Note	General Fund £000
Balance at 31 March 2011		(169,658)
Changes in taxpayers' equity for 2011-12		
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions	13	(8,400)
Non-cash charges – auditor's remuneration	7	50
Net operating cost for the year		(29,465)
Total recognised income and expense for 2011-12		(37,815)
Net Parliamentary Funding – drawn down		21,509
Net Parliamentary Funding – deemed		-
Supply (payable)/receivable		66
		21,575
Balance at 31 March 2012		(185,898)
Changes in taxpayers' equity for 2012-13		
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions		(8,300)
Non-cash charges – auditor's remuneration	7	45
Net operating cost for the year		(29,809)
Total recognised income and expense for 2012-13		(38,064)
Net Parliamentary Funding – draw down		21,811
Net Parliamentary Funding – deemed		-
Supply (payable)/receivable	10	(3)
		21,808
Balance at 31 March 2013		(202,154)

The Notes on pages 21 to 36 form part of these Accounts

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the House of Commons *Financial Reporting Manual (FReM)*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the policy which is judged to be most appropriate to give a true and fair view has been selected. The particular policies adopted by the House of Commons are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the House of Commons also prepares an additional Statement of Parliamentary Supply which shows outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention rather than the modified historic cost convention (MHCA) used to reflect assets at current values. This policy has been adopted given that the asset values mainly comprise IT equipment which have a short life and low value.

1.2 Administration and Programme expenditure

All costs incurred on the Members Estimate are treated as programme expenditure. The cost of administering the Members Estimate expenditure has been charged against the House of Commons Administration Estimate.

1.3 Operating income

No operating income is anticipated or collected under the Estimate. Any cash receipts representing repayment of debts arising from previous financial years, or receipts of insurance payments for lost or damaged computer equipment, are surrendered to the Consolidated Fund.

1.4 ICT equipment

Members are provided with ICT equipment to carry out their Parliamentary and representative duties. All ICT equipment that is attributable to specific workstations are grouped and capitalised. Depreciation is charged on a straight line basis and is calculated at rates sufficient to write off the value of tangible fixed assets by equal instalments over their estimated useful lives. For accounting purposes the useful economic life of computer equipment is deemed to be 4 years, although iPads are deemed to have a shorter deemed life of 2 years.

1.5 Pensions

The Parliamentary Contributory Pension Fund (PCPF) is a funded pension scheme which generates a significant liability on the Statement of Financial Position. Contribution rates are reviewed periodically in conjunction with the returns on assets held by the pension scheme. This has previously led to contribution rate adjustments to address the level of pension scheme liabilities. Further details of the methodology adopted for valuing pension scheme assets and liabilities can be found at Note 12.

1.6 Grants payable

These include financial assistance provided to Opposition parties and an Exchequer contribution to the Members' Fund. All payments are made in accordance with Resolutions of the House of Commons.

1.7 Value added tax

This account is outside the scope of VAT. Output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

1.8 Going concern

Although the closing balance on the General Fund is negative and is likely to remain so in future years, the Members Estimate is expected to continue to receive annual funds voted by Parliament.

1.9 Impending application of newly issued accounting standards not yet effective

There are no newly issued accounting standards not yet effective that would have a significant impact on these financial statements.

2. Net Outturn**2.1 Analysis of net resource outturn by section**

	2012-13					2011-12	
	Gross	Outturn Programme		Total	Estimate		Outturn Total
		Income	Net		Net Total	Net Total compared to Estimate	
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit							
Members' salaries, allowances and other costs	22,616	-	22,616	22,616	23,900	1,284	22,326
Annually Managed Expenditure							
Provisions	7,193	-	7,193	7,193	8,100	907	7,139
Total	29,809	-	29,809	29,809	32,000	2,191	29,465

2.2 Analysis of net capital outturn by section

	2012-13					2011-12	
	Outturn			Estimate		Net	
	Gross	Income	Net	Net	Net Total compared with Estimate		
	£000	£000	£000	£000	£000	£000	
Spending in Departmental Expenditure Limit							
Voted	51	(8)	43	200	157	135	
Total	51	(8)	43	200	157	135	

There are no virements within the Members Estimate.

3. Reconciliation of resource outturn to net operating cost

	2012-13	2011-12
	Outturn	Outturn
	£000	£000
Total Resource Outturn in Statement of Parliamentary Supply	29,809	29,465
Non-Supply income	-	-
Net Operating cost in Statement of Comprehensive Net Expenditure	29,809	29,465

4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	Net Total outturn compared with Estimate saving/(excess)
		£000	£000	£000
Resource outturn		32,000	29,809	2,191
Capital outturn	2.2	200	43	157
Accruals to Cash adjustments:				
Depreciation	7	(800)	(907)	107
Adjustments to previous provision	7	(8,100)	(7,193)	(907)
Other non-cash items	7	(80)	(46)	(34)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in trade receivables	10	-	14	(13)
(Increase)/decrease in payables	12	-	88	(89)
Net Cash requirement		23,220	21,808	1,412

5. Analysis of income payable to the Consolidated Fund

The following income relates to the House and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2012-13		Outturn 2011-12	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	£000	£000	£000
Non-operating income and receipts	(30)	<i>(30)</i>	(81)	<i>(87)</i>
Total income payable to the Consolidated Fund	(30)	<i>(30)</i>	(81)	<i>(87)</i>

The non-operating receipts comprise:

- (a) Recoveries in relation to the Legg Review of past Additional Costs Allowance payments (£2,672) from former Members.
- (b) Voluntary payments made by Members (£24,397). This includes repayments against expenses claimed and returns of rental and other deposits following the General Election.
- (c) Other recoveries (£3,000) include repayments arising from the Standards and Privileges Committee.

Consolidated Fund income is not accounted for through the Statement of Comprehensive Net Expenditure.

6. Members' costs

6.1 Members' costs comprise:

	Note	2012-13 £000	2011-12 £000
Members' salaries		114	114
Resettlement Grant ¹		37	1
Social security costs		9	9
		160	124
Other pension costs	13	13,607	13,561
Total net costs		13,767	13,685

¹A delayed Resettlement Grant payment arising from the 2010-11 General Election.

Members' salary costs are the additional salaries for the Chairman of Ways and Means (£41,370) and the two Deputy Chairmen of Ways and Means (£36,360 each).

6.2 The House of Commons Members' Fund (HCMF)

The HCMF was set up by the House of Commons Members' Fund Act 1939 as amended by subsequent Acts between 1948 and 1991. The Fund is not a pension scheme as defined by the House of Commons Financial Reporting Manual but functions primarily as a benevolent fund and operates to provide for former Members and their dependants who find themselves in difficult circumstances. These accounts only show the contribution paid into HCMF each year on behalf of all Members. Separate accounts for the HCMF are published and can be viewed at <http://www.official-documents.gov.uk>. The last full valuation of the HCMF was as at 30 September 2011 (HC 878) when the Government Actuary assessed the value of the assets at £5.1 million. The total liability of the fund was £2.0 million, giving a surplus of £3.1 million. The Trustees have determined that actuarial reports will be commissioned every 5 years.

7. Other costs

	Note	2012-13		2011-12	
		£000	£000	£000	£000
Cash Items					
Members' allowances (pre 2010 General Election)		-		34	
ICT related		309		393	
Training		206		207	
Insurance		103		111	
Central management		154		152	
Contributions to Members' staff pensions		-		9	
			772		906
Grants to other bodies					
Financial assistance to Opposition parties		6,936		6,600	
Members' Fund		148		182	
Other		40		20	
Subtotal			7,124		6,802
Non-cash items					
Depreciation of fixed assets:					
Property, plant & equipment	8	907		900	
Reduction in provision for bad and doubtful debt		-		(17)	
(Gain)/Loss on disposal of fixed assets		1			
Pension liability provision	13	7,193		7,139	
Audit fee		45		50	
Subtotal			8,146		8,072
Grand Total			16,042		15,780

No remuneration was paid to auditors for non-audit work.

8. Property, plant and equipment

The House's property, plant and equipment comprise of IT Equipment.

	2012-13	2011-12
	£000	£000
Cost or valuation		
At 1 April	3,651	6,229
Additions	51	65
Disposals	(33)	(2,643)
At 31 March	3,669	3,651
Depreciation		
At 1 April	1,647	3,390
Charge in year	907	900
Disposals	(24)	(2,643)
At 31 March	2,530	1,647
Net book value at 31 March	1,139	2,004

9. Financial Instruments

As the cash requirements are met through the Estimate process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the House's expected purchase and usage requirements and the House is therefore exposed to little credit, liquidity or market risk. The pension fund (PCPF) assets and liabilities are managed independently by the PCPF trustees.

10. Trade receivables and other current assets

	As at 31 March 2013	As at 31 March 2012
	£000	£000
Amounts falling due within one year:		
Members ¹	9	15
Prepayments	66	59
Other receivables	24	14
Provision for doubtful debt	-	(3)
	99	85
Amounts due from the Consolidated Fund in respect of supply	-	66
	99	151

¹The Members receivables figure represents the amount due as at 31 March 2013 and includes:

	Amount outstanding at 31 March 2012	Repaid or reduced on appeal in 2012-13	Amount outstanding at 31 March 2013	Repaid or entered into contract to repay
	£000s	£000s	£000s	£000s
Legg Review of ACA payments:				
- Former Members	12	3	9	9
Standards and Privileges Committee reports				
- Prior years	3	3	-	-
Total	15	6	9	9

11. Cash and cash equivalents

	As at 31 March 2013	As at 31 March 2012
	£000	£000
Balance at 1 April	21	251
Net change in cash and cash equivalents	12	(230)
Balance at 31 March	33	21
The following balances at 31 March were held at:		
Office of HM Paymaster General	33	21
Balance at 31 March	33	21
Amounts issued from the Consolidated Fund but not spent at year end	3	(66)
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	30	87
	33	21

12. Trade payables and other current liabilities

	As at 31 March 2013	As at 31 March 2012
	£000	£000
Amounts falling due within one year		
Other taxation and social security	60	-
Other payables – current	37	15
Accruals and deferred income	1,341	1,511
	1,438	1,526
Amounts issued from the Consolidated Fund for supply but not spent at year end	3	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
- Received	30	87
	1,471	1,613

13. Provision for Pension Liability**Overview**

The Parliamentary Contributory Pension Fund (PCPF) is a funded pension scheme which generates a significant liability on the Statement of Financial Position. This liability will be redeemed through the pension payments made to current and former Members and as such will not be fully realised for many years.

Governance arrangements

The Fund is a statutory scheme. Prior to 24 October 2011 the Fund was set up under the Parliamentary and Other Pensions Act 1987. The main governing arrangements were the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993.

The Constitutional Reform and Governance Act 2010 conferred powers on the Independent Parliamentary Standards Authority (IPSA) to ensure that decisions on Members' salaries and pensions were undertaken independently of the House. Powers to take certain decisions on Ministerial pensions within the Fund were conferred on the Minister for the Civil Service. With effect from 24 October 2011, following the enactment of Schedule 6 of the 2010 Act, the provision of the 1993 Regulations became:

- An IPSA scheme under paragraph 8 in relation to the administration and management of the Fund;
- An IPSA scheme under paragraph 12 for the benefits payable under the Fund for Members, paid committee chairmen, and other paid office holders in Parliament; and
- A Minister for the Civil Service scheme under paragraph 16 for the benefits payable under the Fund for certain other paid Members.

Contributory rates and benefits provided

Contribution rates are reviewed periodically in conjunction with the returns on assets held by the pension scheme. This has previously led to contribution rate adjustments to address the level of pension scheme liabilities. Further details of recent adjustments are provided below. The Constitutional Reform and Governance Act 2010 made provision for IPSA and the Minister for the Civil Service to alter the Exchequer contribution to the PCPF in the future if required, but the existing process of the Government Actuary's Department (GAD) recommending the rate payable in their triennial valuations of the fund remains in place.

(a) PCPF scheme member contributions**(i) Members of Parliament**

The PCPF is a defined benefit scheme based on a Member's salary over the last 12 months of service. It is funded by contributions from scheme members, the Exchequer and investment returns. Scheme members can build up pension under one of three options:

- 1/40th for each year of service (subject to a maximum pension of 2/3rds of final pensionable salary, less pensions built up prior to being elected as a Member);
- 1/50th for each year of service (subject to a maximum pension of 2/3rds of final pensionable salary, less pensions built up prior to being elected as a Member);
- 1/60th for each year of service.

Member contributory rates were increased by 1.85% from 1 April 2012 to take account of increases to public sector pension scheme contributions from 1 April 2012 announced by the Government following the publication of the Independent Public Service Pensions Commission: Final Report (Hutton Report) on 10 March 2011. The IPSA scheme for Members of Parliament also made other minor changes to the scheme rules including allowing Members a three month period in which to switch their pension accrual rate, and the ability to cancel added years contracts. IPSA is currently undertaking a thorough review of member pay and pensions. Any new benefits scheme is expected to be introduced at the time of the next General Election.

(ii) Ministerial pensions

PCPF benefits are provided for the additional salary entitlement attached to certain official and Ministerial posts in both Houses. The Minister for the Civil Service scheme previously adopted the same scheme member contributory rates but since 1 April 2012 different additional increases to these rates have been applied. Scheme member contributory rates are dependent on the level of Ministerial responsibilities held:

- Offices which are the responsibility of IPSA: Speaker, Commons' Deputy Speakers and other office holders in the House of Commons (for example, select committee chairmen pay an additional 2.4% of pay received in the post);
- Group A: Secretaries of State, the Leader of the Opposition in the Commons and Speaker in the House of Lords pay an additional 2.4% of Ministerial pay;
- Group B: Ministers of State, the Government Chief Whip, the Leader of the Opposition in the Lords, and both the Chairman and Deputy Chairman of Committees of the House of Lords pay an additional 1.6% of Ministerial pay; and
- Group C: Parliamentary Under-Secretaries, Government and Opposition Whips pay an additional 1% of Ministerial pay.

Pensions provided to other Offices of State, including the Prime Minister and Speaker of the House of Commons, are paid directly from the Consolidated Fund.

A summary of member contributions payable are shown in the following tables:

Post held	Contributory rate payable from 1 April 2012		
	1/40th	1/50th	1/60th
Member of Parliament	13.75%	9.75%	7.75%
Office which is the responsibility of IPSA	13.75%	9.75%	7.75%
Office which is the responsibility of the Minister for the Civil Service (Group A)	14.3%	10.3%	8.3%
Office which is the responsibility of the Minister for the Civil Service (Group B)	13.5%	9.5%	7.5%
Office which is the responsibility of the Minister for the Civil Service (Group C)	12.9%	8.9%	6.9%

Post held	Contributory rate payable from 1 April 2013		
	1/40th	1/50th	1/60th
Member of Parliament	13.75%	9.75%	7.75%
Office which is the responsibility of IPSA	13.75%	9.75%	7.75%
Office which is the responsibility of the Minister for the Civil Service (Group A)	16.7%	12.7%	10.7%
Office which is the responsibility of the Minister for the Civil Service (Group B)	15.1%	11.1%	9.1%
Office which is the responsibility of the Minister for the Civil Service (Group C)	13.9%	9.9%	7.9%

The Minister for the Civil Service has indicated that further contribution increases for both Members of Parliament and Ministers within the PCPF will be considered for 2014-15.

(b) Exchequer contribution

The Exchequer contribution from 1 April 2012 to 31 March 2013 was 29.0% of pensionable pay, the rate recommended in the 2011 funding valuation, comprising an on-going rate of 20.4% and a deficit recovery rate of 8.6%. From 1 April 2013 following an increase in member contributions for Ministers, the Exchequer contribution will be 28.8% of pensionable pay, comprising an on-going rate of 20.2% and a deficit recovery rate of 8.6%.

(c) Member of Parliament staff pensions

Employees of Members of Parliament automatically join the Portcullis Pension Plan, although they can opt out if they wish. All employees within the Plan benefit from a contribution of 10% of their basic earnings. This is administered by IPSA from the staffing allowance provided to Members.

Membership statistics

The valuation is based on participation in the PCPF at the 1 April 2011 as follows:

(a) Current Members

	Members of Parliament within PCPF	Ministerial pensions within PCPF
Number accruing benefits at 1/40 th	563	160
Number accruing benefits at 1/50 th	41	15
Number accruing benefits at 1/60 th	30	6
Total number	634	181
Average age (years)	50.5	54.7
Average accrued pension (per annum)	£16,600	£2,700

(b) Incumbent pensioners

	Former Members	Surviving dependents of former Members	Active members in receipt of statutory Guaranteed Minimum Pension	Members aged over 75 with an abated pension	Total
Number of pensioners	665	284	9	7	965
Average age (years)	73.2	74.6	71.2	78.6	73.6
Average pension in payment (per annum)	£21,100	£12,100	£5,900	£36,500	£18,400
Total cost pensions in payment (per annum)	£14.03 million	£3.42 million	£0.05 million	£0.26 million	£17.76 million

Assumptions adopted for calculating the pension liability

The actuarial valuation involves placing a current value on the benefit payments due to be paid in future years. They cover a considerable period and include liabilities accrued during 2012-13 and previous years for current, former and retired Members. International Accounting Standards (IAS 19) requires the value of accrued liabilities and the contribution rate to be assessed using the standard actuarial methodology known as the Projected Unit Credit Method.

(i) Demographic assumptions

The demographic assumptions adopted include mortality rates (both in service and in retirement), withdrawals from service, and ages of dependants.

(a) Life expectancy of normal health pensioners at age 65

	As at 31 March 2013		As at 31 March 2012	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	25.0	26.2	24.9	26.1

(b) Rate of turnover at a General Election

Age at Election date	Proportion of Members leaving the House of Commons
Under 63	25%
63 to 75	80%
Over 75	100%

(ii) Financial assumptions

Financial assumptions include future increases in pensionable salary due to general inflation, pension increases (both in payment and deferred), and the rate of interest (or notional return) used to calculate the discounted value of the benefits and contributions. The assumptions adopted have been agreed following advice from GAD.

	As at 31 March 2013	As at 31 March 2012
Rate of return (discount rate)	4.3%	4.9%
Rate of increase:		
- Salaries (2.25% above CPI)	4.7%	4.7%
- Pension in payment/deferred	2.5%	2.5%
CPI rate	2.5%	2.5%

The discount rate adopted is the current rate of return on corporate bonds (AA rated). The public sector pay freeze for the next two years is not considered to impact significantly on the long term historic trend for salary growth. The rate of increase for salaries is based on the assumption that earnings in the future will continue to increase at a rate 2.25% above CPI.

The Government Actuary's Department were asked to forecast the impact on the liability of adopting an alternative assumption for short-term salary growth of 1% until the end of 2015-16 and then reverting to the long-term salary growth assumption thereafter. Such an assumed change in the nominal growth from 4.7% to 1.0% until 2015-16 would reduce the liability by £22.3 million. This would imply a new Fund liability of £663.6 million and a scheme deficit of £179.3 million.

The expected return on assets is:

	As at 31 March 2013	As at 31 March 2012
Equities	6.2%	7.2%
UK Government bonds	2.7%	4.2%
Other bonds	4.0%	5.0%
Cash	2.7%	4.2%

The results of actuarial calculations are inherently uncertain because of the assumptions made, but it is estimated the changes in assumptions have added around £29.2 million to the actuarial liability. A sensitivity analysis prepared by the actuaries at 31 March 2013 suggests that changes to the main assumptions could have a significant impact on the total pension liability:

Rate of return:	£ million
(i) Change of -0.5% in salary	7.0
(ii) Change of -0.5% in pension in payment	55.0
Pensioner mortality:	
(iii) Average increase of 2 years life expectancy	55.0

In variant (i) the assumed rate of return in excess of pension increases remains unchanged while in variant (ii) the rate of return in excess of earnings remains unchanged. Variant (i) shows a small effect because the real rate of return in excess of earnings differs from the central assumptions (by 0.5% a year). The total actuarial liability would change by about 1%. Similarly, variant (ii) shows a substantial effect because the real rate of return in excess of pension increases differs from the central assumptions (by 0.5% a year). The total actuarial liability would change by about 8%. Variant (iii) shows the significance of pensioner mortality: if longevity at retirement were assumed to be 2 years greater, then this would increase the total actuarial liability by around 8%.

Movement on pension liability

The value of liabilities at 1 April 2013 has been calculated using data from the 2011 actuarial valuation rolled forward to 31 March 2013. Based on the financial and demographic assumptions applicable at the beginning of 2012-13 the current service cost for the year ended 31 March 2013 is estimated to be 29.8% of pensionable salaries (30.6% in 2011-12). This is equivalent to a cost of approximately £14.0 million. A projected estimate of the current service cost at 31 March 2014, to be used in the 2013-14 accounts, is 36.8%.

(j) Total movement in net liability

	2012-13	2011-12
	£ million	£ million
Present fair value of scheme liabilities (see ii below)	686.2	612.6
Less: fair value of scheme assets (see iii below)	(484.2)	(426.1)
Net liability	202.0	186.5

(ii) Movement in actuarial liability	2012-13	2011-12
	£ million	£ million
Historic actuarial liability brought forward from previous year	612.6	589.4
Movement in the year due to:		
Future benefits earned from service (current service cost):		
- Funded by the House ¹	14.0	14.5
- Funded from regular Member contributions	5.7	5.1
- Enhanced benefits funded by additional Member contributions	0.4	0.2
Benefits paid out in respect of retired Members	(21.6)	(21.1)
Net transfers into Fund	(0.5)	1.5
Interest on scheme liability ²	30.0	33.6
Changes in assumptions adopted ³	65.3	29.2
Experience loss ⁴	(19.7)	(39.8)
Actuarial liability at end of year	686.2	612.6

(iii) Movement in assets	2012-13	2011-12
	£ million	£ million
Value of scheme assets brought forward from previous year	426.1	418.4
Movement in year due to:		
Expected return on scheme assets	23.1	27.5
Difference between actual return and expected return on scheme assets	37.3	(18.9)
Exchequer contribution to the scheme	13.6	13.6
Member contributions towards future benefits	6.1	5.3
Less: benefits paid out in respect of retired Members	(22.1)	(19.6)
Rounding difference	0.1	(0.2)
Closing fair value of scheme assets	484.2	426.1

<i>At year end the scheme assets comprised:</i>	2012-13	2011-12
	£ million	£ million
Investments brought forward:		
Pooled Investment Vehicles	264.6	-
Equities	148.4	257.9
Property	-	73.7
Bonds	-	78.3
Fixed Interest	52.2	-
Index Linked	6.7	-
Cash and other assets	10.1	25.8

¹ Figures reflect both a reduction in the contribution rate from 30.6% (2011-12) to 29.0% (2012-13) and changes in scheme membership.

² Notional interest cost of funding the liability.

³ This represents the future impact of changes to the assumptions which have been adopted at 31 March 2013 (e.g. reduced discount rate)

⁴ Figures represent the impact of changes in salary and some other assumptions since the 2011 revaluation of the scheme.

Investment liabilities	(0.2)	(12.8)
Current assets and cash at bank	4.3	5.0
Current liabilities	(1.9)	(1.8)
Closing fair value of scheme assets	484.2	426.1

	2012-13	2011-12
	£ million	£ million
(iv) Movement in deficit during the year		
Deficit brought forward from previous year	(186.5)	(171.1)
Future benefits funded by the House	(14.0)	(14.5)
Exchequer contribution to the scheme	13.6	13.6
Actuarial adjustment arising from change in pension indexation	-	-
Finance cost ¹	(6.8)	(6.1)
Actuarial loss ²	(8.3)	(8.4)
Deficit in scheme at end of year	(202.0)	(186.5)

The deficit movement (£15.5 million) during the year is charged to the Statement of Comprehensive Net Expenditure (£7.2 million in Note 7) with the balance (£8.3 million) being set against the General Fund in the Statement of Financial Position. The Statement of Comprehensive Net Expenditure charge represents the Current Service Cost funded by the House (£14.0 million) plus the finance cost (£6.8 million) less the Exchequer contribution to the scheme (£13.6 million in Note 6).

Analysis of adjustments trends

An analysis of the pension fund adjustments shows:

	2012-13	2011-12	2010-11	2009-10	2008-09
	£000	£000	£000	£000	£000
Finance costs (return on scheme assets less interest on liabilities):					
Amount	(6,800)	(6,100)	(6,900)	(10,900)	(6,200)
As a percentage of the scheme assets at the Balance Sheet date	3.37%	3.27%	4.04%	4.82%	4.3%
Experienced scheme liabilities gain/(loss):					
Amount	19,700	39,800	600	6,400	5,900
As a percentage of the present value of the scheme liabilities at the Balance Sheet date	(9.77)%	(21.36)%	(0.35)%	2.83%	4.1%
Total actuarial (gain)/loss:					
Amount	(8,300)	(8,400)	-	(75,800)	(39,300)
As a percentage of the present value of the scheme liabilities at the balance sheet date	4.11%	4.51%	-	33.5%	27.5%

¹ Difference between expected return on scheme assets (£23.1 million) and interest cost of funding scheme liabilities (£30.0 million) after rounding.

² Figure represents the experience loss arising on pension liabilities (£19.7 million) less difference between the actual and expected return on scheme assets (£37.3 million) and changes in assumptions adopted (£65.3 million).

PCPF accounts

The Accounts of the PCPF are published separately. Further information about the PCPF or a copy of the Annual Accounts can be obtained from the PCPF Secretariat, Department of Finance, House of Commons, London SW1A 0AA or online at- www.official-documents.gov.uk. Any difference in asset values represents the investment value of additional voluntary contributions (AVCs) purchased by members that are invested separately from the Fund with external providers. In addition, the PCPF accounts only disclose certain liabilities rather than the full liability arising from accrued pension benefits.

14. Capital commitments

There were no capital commitments as at 31 March 2013 (none as at 31 March 2012).

15. Contingent liabilities and contingent assets

There were no contingent liabilities at 31 March 2013 (none as at 31 March 2012).

16. Losses and special payments

	2012-13	2011-12
	£000	£000
Losses	-	6

There were no losses as at 31 March 2013.

17. Related-party transactions

The House of Commons: Administration Estimate is regarded as a related party. The House of Commons Commission provide resources without charge for the following services to Members and their staff: accommodation, utilities, catering, security, communications and administration. Computer equipment provided to both Houses is being managed by the Parliamentary Information and Communications Technology (PICT) service. PICT was formally vested as a Joint Department on 1 April 2008 under the Parliament (Joint Departments) Act 2007. Members of Parliament also act as managing trustees for the Parliamentary Contributory Pension Fund and the House of Commons Members' Fund.

The Register of Members' Interests provides information of any pecuniary interest or other material benefit which a Member receives which might reasonably be thought by others to influence his or her actions, speeches, or votes in Parliament, or actions taken in his or her capacity as a Member of Parliament. The Register is published soon after the beginning of a new Parliament under the authority of the Select Committee on Standards and Privileges, and annually thereafter. Between publications the Register is regularly updated in a loose leaf form and this is available for public inspection in the Committee Office of the House of Commons. Employment agreements deposited with the Registrar are available for personal inspection only.

The Members Estimate provides financial assistance to Opposition parties to carry out their parliamentary or representative functions. The total payable to each party is linked to a formula based on the number of seats won and the votes cast at the previous General Election.

Payroll and other administration services provided to both the Parliamentary Contributory Pension Fund (PCPF) and House of Commons Members' Fund (HCMF) are re-charged to the respective trustees of those Funds.

18. Events after the reporting period

In accordance with the requirements of IAS 10, post Statement of Financial Position events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Independent Auditor's Report to the Members of the House of Commons.

**House of Commons:
Members Estimate**

**Members Estimate Audit Committee
Annual Report 2012-13**

MEMBERS ESTIMATE AUDIT COMMITTEE ANNUAL REPORT 2012-13**Introduction**

This is the ninth annual report of the House of Commons Members Estimate Audit Committee (MEAC), which was established by the House of Commons Members Estimate Committee (MEC) on 14 June 2004, following changes to the governance structure for the Members Estimate agreed by the House in January 2004.

This report outlines the MEAC's conclusions in relation to the Members Estimate for the financial year 2012-13. The Committee's findings are set out by the key areas on which it is required to provide assurance to the Accounting Officer under its terms of reference.

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 2012-13*The effectiveness of the system of governance, risk management and internal control (the "system of internal control")*

Since IPSA took over responsibility for Members' allowances in May 2010, the Members' Estimate has become significantly smaller and the scope of our 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 Committee'* for our conclusions on the overall control environment within which the Members Estimate operates.

The opposition parties receive financial assistance known as "Short Money" and "Representative Money" to support them in the conduct of their Parliamentary duties. The parties are then required to submit audit certificates at the end of each financial year. These are statements from external auditors certifying that the money paid to the party has been expended exclusively on parliamentary business. Last year, the finalisation of the Member Estimate Accounts was delayed due to the submission of these audit certificates too near to the deadline for completion of the accounts, which required last minute changes to be made. The NAO requested that in future the letters be sent at an earlier point in the financial cycle. We therefore recommended that the deadline for submitting these letters should be moved to the end of May to prevent this situation recurring. We are pleased to note that the Members Estimate Committee agreed to this change at its meeting in January 2013.

In last year's report we noted that there was no formal requirement on any House body to agree the Members Estimate or any Supplementary Estimate before it was laid, and recommended that this duty should be given to the Members Estimate Committee. On 20 March 2013 the House implemented this recommendation by amending Standing Orders Nos. 144 and 152D to require the Members Estimate Committee to agree the Members Estimate (and any Supplementary Estimates) each year, on the basis of advice from the Finance and Services Committee.

The integrity of the annual Resource Accounts

The Committee have reviewed the annual Resource Accounts. We consider the Accounts acceptable for signature by the Accounting Officer. We are satisfied with the Annual Governance Statement.

The Parliamentary Contributory Pension Fund (PCPF) is the pension scheme for Members of Parliament, Government ministers and other Parliamentary office holders. The assets of the PCPF are shown in the PCPF's own accounts. However, funding of the Exchequer contribution towards current service costs and accounting for the historic liabilities remain with the Members Estimate. Approximately 70% of the Members Estimate relates to the pension scheme.

We have previously recommended that it would be preferable to move to a situation where both the assets and the liabilities of the PCPF were included in the same set of accounts so that management accountability for both the PCPF's assets and its liabilities could be unified under a single body. There is also a case for transferring the Exchequer contribution to IPSA and the Minister for the Civil Service. We will continue to monitor closely any developments on the future of the Members Estimate.

The work of the internal audit service

No specific internal audit reports were carried out on the Members Estimate for the reason set out in paragraphs 10 to 11 of the Appendix. We note that the Director of Internal Audit has therefore not provided a formal opinion on that Estimate. We are satisfied with this position given the circumstances.

The external audit by the external auditor

The Committee is satisfied with the scope and nature of the work of the NAO and believes that the NAO has carried out its external audit work with due independence.

Other matters as were referred to the Committee by either the Accounting Officer or the Commission

No other matters were referred to the Committee by the Accounting Officer or the Member Estimate Committee in 2012-13.

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

1. The Committee has the following terms of reference, which are approved by the Members Estimate Committee (the last changes were agreed in July 2012):

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 & Services Committee
- 3 External Members, appointed by the MEC

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

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 Resource 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

RESPONSIBILITIESGovernance, Risk Management and Internal Control

The Committee is responsible for monitoring governance, risk management and internal control ("the system of internal control"). This monitoring 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 Resource Accounts

The Committee is responsible for reviewing the annual Resource 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 COMMITTEE

The Committee will rely upon the work of the Administration Estimate Audit Committee (AEAC) 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 AEAC's deliberations in drawing conclusions on its own work.

Membership

2. The Committee is chaired by an external member, Alex Jablonowski, who is also an external member of the House of Commons Management Board. Barbara Scott and Stephen Brooker are the other two external members of the Committee. Barbara Scott replaced Mark Clarke as an external member of the Committee in January 2013.
3. The current MP members of the Committee are: Ms Angela Eagle MP, Rt Hon Sir Alan Haselhurst MP and John Thurso MP.
4. The membership of the Administration Estimate Audit Committee also reflects these changes.

5. The Clerk of the House, the Director of Finance and the Director of Internal Audit also attend the Committee's meetings. All three officials may withdraw for specific items at the Committee's, or their own, request.
6. The Committee's Secretary is the Private Secretary to the Clerk of the House. The Committee is also supported by a Committee Assistant.

Meetings

7. The Committee met six times in the financial year 2012-13: on 13 June, 4 and 11 July, 24 October 2012 and 23 January 2013. Attendance is shown in the table below.

Member	Total number of meetings attended
Alex Jablonowski (Chair)	5/5
Ms Angela Eagle MP	0/5
Rt Hon Sir Alan Haselhurst MP	5/5
John Thurso MP	4/5
Stephen Brooker	5/5
Mark Clarke	4/4
Barbara Scott	1/1

In addition it held an informal meeting to review its effectiveness on 7 November 2012, which all Members of the Committee attended.

8. The external members of the Committee held an informal meeting with the House's finance team and the NAO to discuss the draft House of Commons Members Estimate accounts on 20 June 2013.
9. The Committee had two meetings in the current financial year before this report was agreed, on 17 April, and 3 July 2013.

Internal Audit

10. As set out in the terms of reference above, MEAC relies upon the work of the Administration Estimate Audit Committee (AEAC) 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 (IA), are usually discussed in AEAC meetings and have therefore not been set out in this report. They are available in the annual report of the AEAC, published with the House of Commons Commission's Annual Report for 2012-13.
11. Given the size and scope of the Members Estimate for 2012-13, the Internal Audit Plan did not contain any specific audit work directly related to expenditure under the Members Estimate, although many reports did have findings that are related to management systems that cover both Estimates. The Director of Finance and Director of Internal Audit review the scope of the Members Estimate and proposed coverage by the NAO, and determined that there were no significant areas of risk or operation that required specific internal audit coverage.

External Audit

12. In January 2013 the Committee discussed the NAO's planned approach to auditing the Members Estimate Resource Accounts 2012-13. The NAO raised only one significant risk: the existence and use of Members ICT equipment. It also identified two risk factors; "Short Money" assurances, and the assumptions underlying the PCPF liability.

13. The external members of the Committee met with the NAO and Finance staff on 20 June 2013 to discuss the draft House of Commons: Member Estimate accounts for 2012-13. Following this the accounts were discussed by the full Committee on 3 July 2013 prior to being signed off by the Clerk of the House, as Accounting Officer.

Further information about the Committee

14. The Committee publishes annual reports and certain papers (agendas, minutes and actions arising) on its page on the parliamentary website <http://www.parliament.uk/business/committees/committees-a-z/other-committees/members-estimate-audit/role/>
