

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

**Annual Accounts &
Audit Committee Annual Report**

2015-16

(for the year ended 31 March 2016)

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 18 July 2016

Published by Authority of the House of Commons

HC 481

© Parliamentary Copyright House of Commons 2016

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 2015-16:	
Foreword to the Accounts	5
Statement of Accounting Officer's Responsibilities	12
Annual Governance Statement	13
Independent Auditor's Report to the Members of the House of Commons	16
Parliamentary Supply	
- Statement of Parliamentary Supply	18
- Reconciliations and other supporting notes	19
Primary Financial Statements	
- Statement of Comprehensive Net Expenditure	22
- Statement of Financial Position	23
- Statement of Cash Flows	24
- Statement of Changes in Taxpayers' Equity	25
Notes to the Accounts	26
Members Estimate Audit Committee:	
Annual Report for 2015-16	33

House of Commons: Members

Annual Accounts

2015-16

(for the year ended 31 March 2016)

Foreword to the Accounts

As at 31 March 2016

Scope of the Estimate

This Estimate covers the Exchequer contribution towards the cost of pensions for Members of Parliament, payroll costs of Members appointed to specific parliamentary duties, provision of ICT equipment to Members, Members' stationery and postage expenditure, financial assistance to Opposition parties to support them in the discharge of their parliamentary or representative functions, an Exchequer contribution to the Members' Fund, provision of training for Members and their staff, payment for insurance, Members' residual pay and allowances relating to earlier financial years, other general costs and non-cash items. Prior to 2015-16 it also included the provision for accrued pension liabilities arising from the Parliamentary Contributory Pension Fund, however this is no longer required within the Estimate from 1 April 2016 (further details can be found on page 7).

The cost of running House services and the Parliamentary Estate is borne by the House of Commons Administration Estimate.

Strategic Report

Oversight of the 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; and
- 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 16 March 15 (HC 1132)

Membership of the MEC at the start of the year was:

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

The Rt Hon William Hague MP: Leader of the House of Commons (by virtue of office)

Angela Eagle MP: Shadow Leader of the House of Commons

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

Sir Paul Beresford MP

Frank Doran MP

After the General Election that was held on 7 May 2015 and following recommendations from the House of Commons Governance Committee (HC692), the membership of the MEC at the end of the year was:

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

The Rt Hon Chris Grayling: Leader of the House of Commons (by virtue of office)

Chris Bryant MP: Shadow Leader of the House of Commons

Sir Paul Beresford MP: Chairman of the Administration Committee

The Rt Hon Nick Brown MP: Chairman of the Finance Committee

The Rt Hon Tom Brake MP

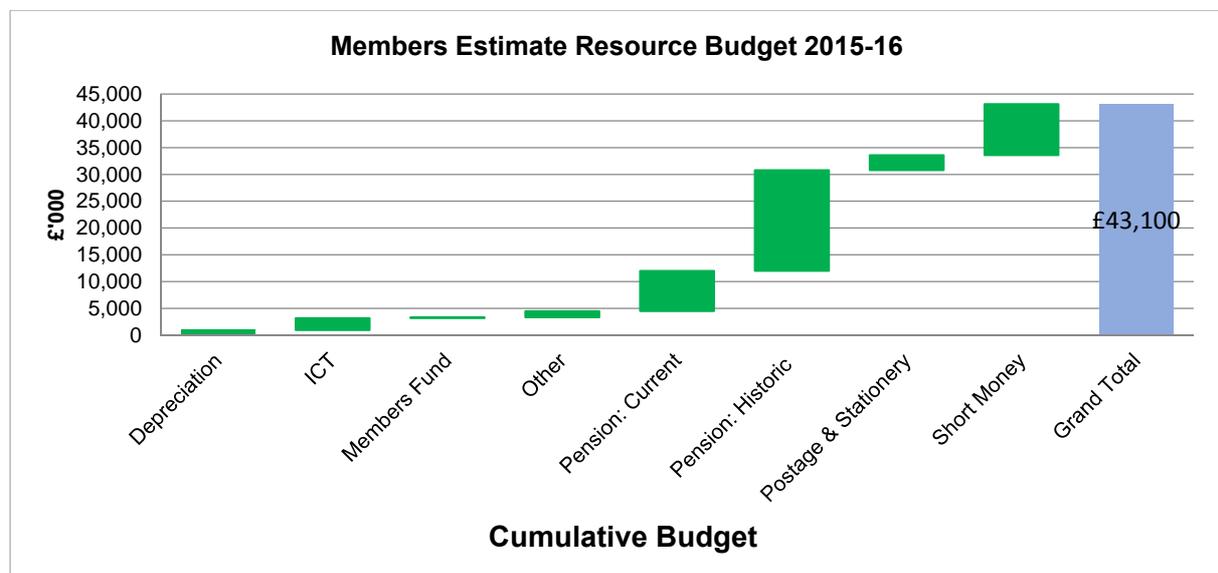
Stewart Hosie MP

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

2015-16 Supply Estimate

The Estimate was prepared with the knowledge that the House would be in dissolution at the opening of the year, with the General Election being held on 7 May 2015, and that much of the work during the early part of the year would be to provide services and advice to Members who were not returned to the House and to support the newly elected Members to set up offices and support services.

An Estimate consisting of £35.1 million resource and £3.9 million capital was agreed by the Members Estimate Committee and published as part of Central Government Supply Estimates 2015-16 (HC215). The Members Estimate Committee subsequently agreed additional resources of £8 million to manage pension interest risks in the event of that the pension liability would continue to be recognised within these accounts pending the Parliamentary Contributory Pension Fund change in its accounting framework to incorporate these liabilities. Revised expenditure limits of £43.1 million resource (£39.8 million FY 2014-15) and £3.9 million capital (£0.7 million FY 2014-15) were published as part of Central Government Supplementary Supply Estimates 2015-16 (HC747).



Parliamentary Contributory Pension Fund

The Parliamentary Contributory Pension Fund (PCPF) is a pension scheme for MPs and Ministers which is funded by the Exchequer via contributions voted annually via the House of Commons: Members Estimate.

In 2014-15 the House reviewed the accounting arrangements for the PCPF and in particular considered that it would be more appropriate to align its accounting arrangements with other public sector pension schemes, which recognise the scheme liabilities as well as the scheme assets. The House sought the approval of the Members' Estimate Committee and the Trustees of the PCPF, who agreed the proposal. The Comptroller and Auditor General (C&AG) is responsible under legislation for setting the Accounts Direction for the PCPF and, after due consideration, updated the 2015-16 direction to facilitate the proposal put forward by the House. The revised Accounts Direction was applicable from 1 April 2015.

The House of Commons: Members Estimate Accounts have historically recognised the net deficit on the scheme as if the House were the employer: valued and disclosed in accordance with IAS 19. However since MPs are not technically employed by any entity, the House is not the employer of the Scheme members. This treatment was always analogous and was adopted to ensure full reporting and transparency of the liability. Since the liability is, from 1 April 2015, being accounted for in the accounts of the PCPF, it is no longer necessary for the liability to be recognised in the House of Commons: Members Accounts. The impact on the accounts is:

- A credit of £231.7 million to the Statement of Comprehensive Net Expenditure in respect of Annually Managed Expenditure as at 1 April 2015.
- Contributions will continue to flow through the Estimate to the PCPF – these were £6.6 million in 2015-16.

The accounts of the PCPF are expected to be available in autumn 2016 and will be made available here <https://mypcpfpension.co.uk/>

House of Commons Members' Fund

The House of Commons Members' Fund (HCMF) 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 and can be viewed on the parliamentary website.

(<http://www.parliament.uk/business/publications/commons/house-of-commons-members-fund>)

The last full valuation of the Fund 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.

In November 2015, the House of Commons (Members' Fund) Bill was introduced as a Private Member's Bill. Passage through the House of Commons was completed on 4 March 2016 when it received its third reading. The bill then passed through the House of Lords and received Royal Assent on 12 May 2016. The Bill made provision to restructure the legal position of the Fund and return excess monies to the Consolidated Fund. It also removed the requirement under existing primary legislation for Members to make monthly contributions, but also enabled the Trustees to recommend resumption of contributions if needed.

The Trustees have continued to operate the Fund in line with the existing legislation while reducing the Exchequer contribution. Since 1 October 2012, the Trustees have drawn down an ever reducing Treasury contribution to cover the payment of the annual grants only. In 2015-16 no contribution was drawn down from the Exchequer. The amounts shown in these accounts relate to the financial year rather than the year commencing 1 October.

Short Money

Financial assistance to Opposition parties (Short Money and Representative money) is available to help Opposition parties to carry out their parliamentary or representative business. This was budgeted at £9.5 million which, together with the pension scheme costs, made up 83% of the total funding made available through the Estimate. The increase in Short Money (from £7.5 million) was made to provide for any impact the General Election could have had on the budget.

ICT equipment

Members are provided with a budget to purchase ICT equipment from this Estimate for use in the performance of their parliamentary or representative duties. There was a major refresh of ICT equipment following the General Election. Members of Parliament are provided with ICT for their offices during the life of a Parliament.

Supply Estimate for 2016-17

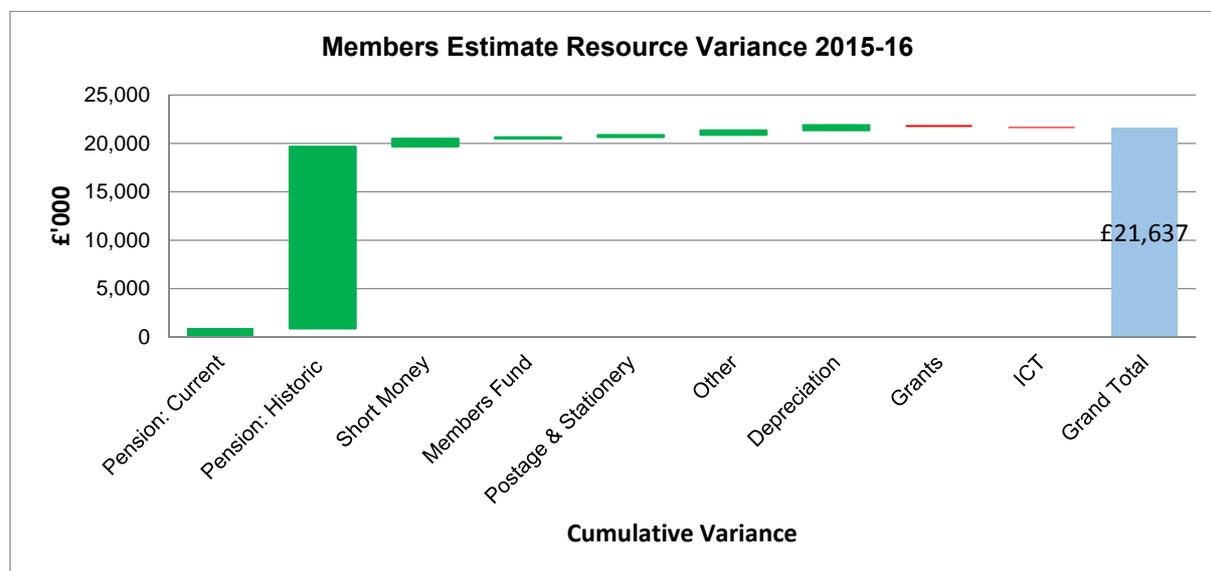
The Members Estimate Committee has agreed an Estimate for 2016-17 with a net resource requirement of £21.6 million and capital provision of £0.2 million (HC 999).

Management Commentary

Resources

The Statement of Parliamentary Supply shows an outturn of (£210.1) million against an Estimate of £43.1 million which represents an underspend of £253.2 million. This underspend has been caused primarily by the new accounting treatment of the PCPF which established that the liabilities associated to that scheme be recognised within the Fund, rather than against this Estimate. At an operating level, the outturn of £21.6 million against an Estimate of £43.1 million represents an underspend of £21.5 million (49.9%). This was divided between the underspend on the Departmental Expenditure Limit (DEL) of £2.6 million (6.0%) and the historic pension liabilities under the Annually Managed Expenditure Limit (AME) of £18.8 million (43.6%).

Allowance	Planned £000s	Outturn £000s	Variance £000s
PCPF Exchequer Contribution ('Pension: Current')	7,500	6,577	923
PCPF Net charge from historic liability ('Pension: Historic')	18,800	0	18,800
Short Money	9,500	8,565	935
Members Fund (HCMF)	140	0	140
Postage and Stationery	2,800	2,565	235
Other	1,155	745	410
ICT Depreciation	965	423	542
Grants	0	200	(200)
ICT	2,240	2,562	(322)
Operating Subtotal	43,100	21,637	21,463
Pension Transfer		(231,764)	231,764
Total	43,100	(210,127)	253,227



Pensions

Proposed changes to the accounting treatment of the PCPF liability made planning for the outturn difficult to forecast. The level of uncertainty around completing this new direction led to the supplementary estimate to increase the AME Estimate to £18.8 million, which was then not required. The new pension scheme for Members, following the General Election, sees a reduction in the Exchequer contribution. The outcome of the General Election, in terms of the returned demography, had an impact on the Estimate provision and subsequent outturn.

Short Money

Payments received by Opposition parties through Short Money are fixed by Resolution of the House of Commons and therefore easier to manage during a Parliament. The provision made in the budget was made on a risk based approach due to the General Election outcome being the driving force behind these costs. The budget provision proved an accurate forecast for the possible financial outlay for the year; however, eligible parties did not utilise their full allocation in year, leading to an underspend. A new resolution has been passed for future requirements, meaning it will be easier to manage as the provision is now fixed for the remainder of the parliament.

ICT and ICT Depreciation

Resource maintenance costs and costs incurred for General Election preparations and post-election ICT roll-out were incurred during the year. The £2.2 million budget included the staff costs associated with the ICT roll out, although they are accounted for under 'Other'. These costs were slightly overspent by £0.3 million but this was off-set by ICT maintenance and software running costs which were underspent by £0.5 million.

The usual depreciation cycle of ICT equipment is four years (three years for ipads). As this Parliament began part way through the accounting year, with many ICT purchases carried out later in the year as Member equipped their offices and the Digital Service rolled out necessary connections, the depreciation charge is lower than expected and was underspent by £0.5 million (56%).

Postage and Stationery

Postage and stationery were both below the budget and previous year's outturn. With the year beginning with a General Election, spend was £0.2m (8%) lower than expected.

Capital***ICT Equipment***

An outturn of £2.9 million arose against the Estimate provision of £3.9 million giving rise to an underspend of £1.0 million (25%). This budget had been based on the full allocation of ICT equipment from the 2015 General Election; however, actual take-up of ICT has been slower than expected.

Cash

A net cash outturn of £24.6 million arose against the Estimate of £27.2 million. This represents an underspend of £2.6 million (9.7%) which primarily reflects the lower than expected capital outturn (£1.0 million), lower contributions to the PCPF (£0.9 million) and a lower requirement on Short Money (£0.8 million).

Net assets

The Statement of Financial Position shows an overall balance of £1.2 million, which has increased by £234.7 million from (£233.5) million. This position is a consequence of the PCPF pension liabilities no longer being recognised against this Estimate, but by the PCPF Trust.

Members' ICT equipment is normally replaced at the time of a General Election and much work has been conducted to refresh the ICT allocation. The majority of this equipment has been provided to Members in this reporting year and is recognised in the accounts accordingly.

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

In previous years, a comment regarding the going concern of this Estimate was made in relation to the significant impact the pension liability had on the financial position. There is no longer a requirement to report on this basis now that the liability and long term provision for the fund is provided for elsewhere.

David Natzler
Accounting Officer

8 July 2016

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 annual 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 annual 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 Financial Reporting Manual (as applied by the House), 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 include:

- 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, as set out in Managing Public Money published by HM Treasury.
- confirming that as far as he is aware there is no relevant audit information of which the auditors are unaware and that he has taken all the steps he ought to have taken to make himself aware of any relevant audit information, and to establish that the auditors are aware of that information.
- confirm that the Annual Accounts are fair, balanced and understandable and that he takes personal responsibility for the Annual Accounts and the judgements required therein.

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 Government of the day.

Two Estimates cover the direct expenditure of the House of Commons: the Administration Estimate and the Members Estimate. 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), ICT equipment provided to assist Members in their duties, Members' pre-paid envelopes and stationery, 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.

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. The MEC is responsible for agreeing the Members Estimate (and any Supplementary Estimates) each year, on the basis of advice from the Finance Committee. Membership of the MEC is the same as that of the House of Commons Commission who have responsibility for the Administration Estimate. As Clerk of the House and in my role as Accounting Officer I have responsibility for ensuring that 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 Commission members and an external expert. The Chair is currently one of the non-executive external members of the Commission.

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 Executive Committee, and the Parliament (Joint Departments) Act 2007 in respect of the Parliamentary Digital Service. A detailed account of the governance of the House of Commons Administration, the work of the Executive Committee of the House Administration and the operation of the system of risk management is given in the annual governance statement that accompanies the Administration Estimate Accounts.¹

Responsibilities attached to specific areas of expenditure

Parliamentary Contributory Pension Fund (PCPF)

On 24 October 2011 the power to establish a scheme making provision for pensions of 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. 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 rules applied up to 18 December 2014 when further

¹ <http://www.parliament.uk/business/publications/commons/resource-accounts/>

amendments were made, which enabled a new scheme for Members of Parliament and Ministerial pensions to come into force on 8 May 2015, following the General Election.

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 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.

Historically, this Estimate provided for funding of the Exchequer contribution towards current service costs and accounting for the historic liabilities associated with the PCPF. From 1 April 2015, the liability is now recognised within the PCPF accounts. The Estimate will cover only the Exchequer contribution to the scheme, where the rate payable is agreed in advance.

House of Commons Members' Fund

This Fund was established by the House of Commons Members' Fund Act 1939 as amended by subsequent Acts between 1948 and 1991. Responsibility for managing the Fund rests with an independent body of Managing Trustees although the Secretariat which supports them is drawn from the Department of Finance.

Work continued during the year to find a suitable legislative vehicle to restructure the Funds' governing legislation and this was achieved, with a private Members Bill (the House of Commons (Members' Fund) Bill) receiving royal assent on 12 May 2016. Commencement of this act is from August 2016.

Short Money

The controls for financial assistance to Opposition parties (Short Money) which accounts for a little over 20% of the Members Estimate, differs from those for 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. Parties in receipt of financial assistance are required to submit audit certificates, signed by registered auditors, at the end of each financial year certifying that the money paid to the party has been expended exclusively on parliamentary or representative business.

ICT equipment

The provision and maintenance of equipment and the supporting infrastructure is undertaken by the Parliamentary Digital Service. During the year, a major refresh of equipment was carried out following the General Election as new and returned members equipped their offices for the new Parliament.

Review of effectiveness

(i) The evidence base

I have obtained evidence of the organisation's effectiveness, as it relates to expenditure covered by the Members Estimate, through a variety of means. The most important are: the annual letter of assurance from the Director of Finance; the Head of Internal Audit's annual report and opinion; advice and reports from the Members Estimate Audit Committee; and external audit undertaken by the National Audit Office.

The Director of Internal Audit concluded in his annual report and opinion that whilst he felt that the governance, risk management and control arrangements in place were generally adequate for the purposes of the House, there were significant weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective. Action will be taken in the coming year to address the issues identified.

(ii) Findings on effectiveness

The Department of Finance (now the Corporate Service Team) has taken a number of actions during the year to improve the effectiveness of both financial management. The Parliamentary Procurement and Commercial Service has undertaken similar work in relation to procurement management. Most of this activity is focused on the Administration rather than the Members Estimate. Further details can be found in the House of Commons Administration Annual Accounts.

Conclusion

I believe that that adequate controls have been maintained for expenditure incurred through the Members Estimate, although the majority of funding has governance arrangements outside my own area of responsibility. The adequacy of controls on the Member Estimate will continue to be reviewed and if necessary further refined to ensure transactions are properly controlled and risks managed.

David Natzler
Accounting Officer

8 July 2016

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 2016. 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 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 of Commons 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 2016 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 2016 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Financial Reporting Manual as applied by the House of Commons.

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 statements are not in agreement with the accounting records; 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.

Sir Amyas C E Morse KCB
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

Date: 15 July 2016

Statement of Parliamentary Supply

In addition to the primary financial statements the Financial Reporting Manual (FRM) requires the House to prepare an additional primary statement, the *Statement of Parliamentary Supply* with supporting Notes, to show outturn against the Supply Estimate in terms of the net resource, net capital and the net cash requirement. It further compares the outturn performance against the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) expenditure control limits set by the Estimate. The areas outlined in bold show voted totals or other totals subject to Parliamentary control. All expenditure is classified as Programme expenditure.

Summary of Resource Outturn and Capital Outturn 2015-16

	Estimate			Outturn			2015-16 Voted Outturn compared with Estimate ³	2014-15 Outturn
	Voted	Non- Voted	Total	Voted	Non- Voted	Total		
	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit								
-Resource	24,300	-	24,300	21,637	-	21,637	2,663	25,226
-Capital	3,900	-	3,900	2,927	-	2,927	973	55
Annually Managed Expenditure								
-Resource	18,800	-	18,800	-	-	-	18,800	10,706
-Pension derecognition	-	-	-	(231,764)	-	(231,764)	231,764	-
Total	47,000	-	47,000	(207,200)	-	(207,200)	254,200	35,987
Resource	43,100	-	43,100	(210,127)	-	(210,127)	253,227	35,932
Total Capital	3,900	-	3,900	2,927	-	2,927	973	55
Total	47,000	-	47,000	(207,200)	-	(207,200)	254,200	35,987

³ An explanation of the variances is provided in the Management Commentary in the Foreword.

Net Cash Requirement 2015-16

	2015-16			2014-15
	Estimate	Outturn	Outturn compared with Estimate: saving/(excess) ³	Outturn
	£000	£000	£000	£000
Net cash requirement	27,185	24,542	2,643	24,897

Reconciliations and other supporting notes to the Statement of Parliamentary Supply (SoPS)

SoPS1 Financial policies adopted

SoPS 1.1 Accounting policies and conventions

These are in line with those used in the preparation of the Primary Financial Statements. Further details can be found in Note 1 (see page 26).

SoPS 1.2 Budgeting policies

The budgeting policies adopted are consistent with the HM Treasury 2015-16 Consolidated Budgeting Guidance and Supply Estimate Guidance Manual where appropriate to the requirements of the House of Commons.

SoPS2 Net outturn

SoPS 2.1 Analysis of net programme resource outturn

	Estimate			Outturn			2015-16	2014-15
	Gross	Income	Net	Gross	Income	Net	Net Total compared to Estimate	Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit								
Members' pensions and other costs	24,300	-	24,300	21,637	-	21,637	2,663	25,226
Annually Managed Expenditure								
Provisions	18,800	-	18,800	-	-	-	18,800	10,706
Pension derecognition	-	-	-	(231,764)	-	(231,764)	231,764	-
Total	43,100	-	43,100	(210,127)	-	(210,127)	253,227	35,932

SoPS 2.2 Analysis of net capital outturn

	Estimate			Outturn			2015-16	2014-15
	Gross	Income	Net	Gross	Income	Net	Net Total compared to Estimate	Outturn Total
	£000	£000	£000	£000	£000	£000		
Departmental Expenditure Limit								
Members' related expenditure	3,900	-	3,900	2,927	-	2,927	973	55
Total	3,900	-	3,900	2,927	-	2,927	973	55

There are no virements within the Members Estimate.

SoPS3 Reconciliation of resource outturn to net operating cost

	2015-16	2014-15
	£000	£000
	Outturn	Outturn
Total Resource Outturn in Statement of Parliamentary Supply		
Operating activities	21,637	35,932
Pension derecognition	(231,764)	-
Net Operating costs in Statement of Comprehensive Net Expenditure	(210,127)	35,932

SoPS4 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		43,100	(210,127)	253,227
Capital outturn		3,900	2,927	973
Accruals to Cash adjustments:				
Depreciation	3	(965)	(423)	(542)
Adjustments to previous provision	3	(18,800)	-	(18,800)
Pension Provision write back		-	231,764	(231,764)
Other non-cash items	3	(50)	(35)	(15)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in trade receivables	6	-	565	(565)
(Increase)/decrease in payables	7	-	(129)	129
Net Cash requirement		27,185	24,542	2,643

SoPS5 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 2015-16		Outturn 2014-15	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Non-operating income and receipts	(48)	<i>(48)</i>	(22)	<i>(22)</i>
Total income payable to the Consolidated Fund	(48)	<i>(48)</i>	(22)	<i>(22)</i>

The non-operating receipts include recoveries from former Members on Additional Cost Allowances payments and income received from hire of IT equipment during the dissolution period. Consolidated Fund income is not accounted for through the Statement of Comprehensive Net Expenditure.

Primary Financial Statements

Statement of Comprehensive Net Expenditure

For the Year ended 31 March 2016

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2015-16 £000	2014-15 £000
Programme Costs			
Members' costs	2	123	123
General Election Staff costs	2	986	196
Members' pensions: Exchequer contribution	2, 8.1	6,577	13,595
Interest cost		-	10,706
Members' stationery and postage	3	2,565	2,602
Grants	3	8,805	7,491
Other costs	3	2,581	1,219
Pension derecognition	3	(231,764)	-
Net Operating (Credit)/Costs for the year ended 31 March 2016		(210,127)	35,932
Other Comprehensive Net Expenditure			
Net (gain)/loss:			
Pension liabilities due to changes in actuarial assumptions		-	45,100
Total Comprehensive (Income)/Expenditure for the year ended 31 March 2016		(210,127)	81,032

Statement of Financial Position**At 31 March 2016**

This statement presents the financial position of the House. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

			31 Mar 2016		31 Mar 2015
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	4	2,611		107	
Total non-current assets			2,611		107
Current assets:					
Trade and other receivables	6	576		124	
Cash and cash equivalents	5	61		(91)	
Total current assets			637		33
Total assets			3,248		140
Current liabilities					
Trade and other payables	7	(2,090)		(1,922)	
Total current liabilities			(2,090)		(1,922)
Total assets less current liabilities			1,158		(1,782)
Non-current liabilities					
Provisions	8.2(i)	-		(231,764)	
Total non-current liabilities			-		(231,764)
Total Assets less liabilities			1,158		(233,546)
Taxpayers' equity and other reserves:					
General fund		(1,158)		(233,546)	
Total equity			1,158		(233,546)

David Natzler
Accounting Officer

8 July 2016

Statement of Cash Flows

For the year ended 31 March 2016

The Statement of Cash Flows shows the changes in cash and cash equivalents of the House during the reporting period. The statement shows how the House generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the House. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Houses' future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Net operating cost		210,127	(35,932)
Adjustments for non-cash transactions	3	(231,306)	11,004
(Increase)/Decrease in trade and other receivables	6	(452)	(26)
Less movements in receivables relating to items not passing through the SCNE		(113)	113
Increase/(Decrease) in trade payables	7	168	(109)
<i>Less movements in payables not passing through the SCNE</i>		(39)	108
Net cash outflow from operating activities		(21,615)	(24,842)
Cash flows from investing activities			
Purchase of equipment	4	(2,927)	(55)
Proceeds of disposal of equipment		-	-
Net cash outflow from investing activities		(2,927)	(55)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		24,555	24,783
From Consolidated Fund (Supply) – prior year		113	(126)
Net Financing		24,668	24,657
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		126	(240)
Receipts due to the Consolidated Fund	5	48	22
Payments of amounts due to the Consolidated Fund	5	(22)	(3)
		26	19
Net increase/(decrease) in cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		152	(221)
Cash and cash equivalents at the beginning of the period		(91)	130
Cash and cash equivalents at the end of the period		61	(91)

Statement of Changes in Taxpayers' Equity**For the year ended 31 March 2016**

This statement shows the movement in the year on the different reserves held by the House, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	<u>Note</u>	<u>General Fund</u> <u>£000</u>
Balance at 31 March 2014		(177,451)
Net Parliamentary Funding – drawn down		24,657
Net Parliamentary Funding – deemed		127
Supply (payable)/receivable adjustment	5	113
Net Operating Cost		(35,932)
Non-Cash Adjustments		
Non-cash charges – auditor's remuneration	3	40
Movement in Reserves		
Recognised in Statement of Comprehensive Net Expenditure		(45,100)
Balance at 31 March 2015		(233,546)
Net Parliamentary Funding – drawn down		24,555
Net Parliamentary Funding – deemed		-
Supply (payable)/receivable adjustment	6	(13)
Net Operating Cost		210,127
Non-Cash Adjustments		
Non-cash charges – auditor's remuneration	3	35
Movement in Reserves		
Recognised in Statement of Comprehensive Net Expenditure		-
Balance at 31 March 2016		1,158

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2015-16 *Financial Reporting Manual* (FReM) as adapted or interpreted for the House of Commons context which applies International Financial Reporting Standards (IFRS). Where the FReM permits a choice of accounting policy then the policy which is judged to be the 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.

1.1 Accounting convention

These accounts have been prepared under the historic cost convention rather than modified historic cost convention (MHCA) used to reflect assets at current values. This policy has been adopted given the asset values mainly comprise ICT equipment which has 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 has been charged against the House of Commons Administration Estimate. Direct costs for providing services to Members in relation to the General Election have been charged to the Members 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 IT equipment, are surrendered to the Consolidated Fund.

1.4 Members' 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 3 years.

1.5 Members' pensions

Prior to 2015-16, the Parliamentary Contributory Pension Fund's (PCPF) liabilities were recognised in the Members Estimate. From 1 April 2015, these liabilities are now recognised in the PCPF annual accounts.

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 (VAT)

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

The Members Estimate is expected to continue to receive annual funds voted by Parliament and is therefore considered a going concern.

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. Members' and related costs

	Note	2015-16	2014-15
		£000	£000
Members' salaries		114	114
Social security costs		9	9
		123	123
General Election Staff Salaries		968	193
General Election Staff Social security costs		18	3
		986	196
Other pension costs	8.1	6,577	13,595
Total net costs		7,686	13,914

During 2014-15 a Member's salary was £67,060. This increased to £74,000 after the General Election. The remuneration of a Member is determined by the IPSA. However, changes to the pension scheme and contributions have led to an overall lower charge in pension costs.

Additional salaries for the Chairman of Ways and Means (£41,370 pro rata) and the two Deputy Chairmen of Ways and Means (£36,360 each pro rata) are paid from the Members Estimate rather than by IPSA. The Speaker also receives an additional salary which is paid directly by the Cabinet Office.

Additional costs were incurred in 2014-15 in planning for the General Election. These costs continued during 2015-16 as services were rolled out to Members and their offices after the General Election.

3. Other costs

	Note	2015-16		2014-15	
		£000	£000	£000	£000
Cash Items					
Members' stationery & postage		2,565		2,602	
ICT related		1,576		425	
Training		211		140	
Central management		151		114	
Insurance		185		242	
			4,688		3,523
Grants to other bodies					
Financial assistance to Opposition parties:					
Labour Party		6,065		6,676	
Scottish National Party		1,057		185	
Democratic Unionist Party		172		161	
Sinn Fein		99		112	
Plaid Cymru		74		80	
Social Democratic and Labour Party		68		69	
Green Party		196		64	
Ulster Unionist Party		50		-	
Liberal Democrat Party		487		-	
United Kingdom Independence Party		297		-	
Members' Fund		-		104	
Speakers Placement Scheme		200		-	
Other		40		40	
Subtotal			8,805		7,491
Non-cash items					
Depreciation of fixed assets:					
Members ICT equipment	4	423		258	
(Gain)/Loss on disposal of fixed assets				-	
Pension liability provision		-		10,706	
Pension Provision write back		(231,764)		-	
Audit fee ⁵		35		40	
Subtotal			(231,306)		11,004
Grand Total			(217,813)		22,018

⁵ No remuneration was paid to auditors for non-audit work.

4. Members ICT equipment

	2015-16	2014-15
	£000	£000
Cost or valuation		
At 1 April	3,749	3,694
Additions	2,927	55
Disposals	(576)	-
At 31 March	6,100	3,749
Depreciation		
At 1 April	3,642	3,384
Charge in year	423	258
Disposals	(576)	-
At 31 March	3,489	3,642
Carrying amount at 31 March	2,611	107

5. Cash and cash equivalents

	2015-16	2014-15
	£000	£000
Balance at 1 April	(91)	130
Net change in cash and cash equivalents	152	(221)
Balance at 31 March	61	(91)
The following balances at 31 March were held at:		
Government Banking Service	61	(91)
Balance at 31 March	61	(91)
Amounts issued from the Consolidated Fund but not spent at year end	13	(113)
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	48	22
	61	(91)

6. Trade receivables, financial and other assets

	As at 31 March 2016	As at 31 March 2015
	£000	£000
Amounts falling due within one year:		
Members ⁶	5	7
Prepayments	455	-
Other receivables	116	4
	576	11
Amounts due from the Consolidated Fund in respect of supply	-	113
	576	124

7. Trade payables and other current liabilities

	As at 31 March 2016	As at 31 March 2015
	£000	£000
Amounts falling due within one year		
Other taxation and social security	10	5
Other payables	77	279
Accruals and deferred income	1,942	1,616
	2,029	1,900
Amounts issued from the Consolidated Fund for supply but not spent at year end	13	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
- Received	48	22
	2,090	1,922

⁶ A single Member repayment contract remains with a balance of £5,314.50 (£6,514.50 at 31 March 2015). No balances arising from Standards and Privileges Committee reports were outstanding at 31 March 2016 (£nil at March 15).

8. Provision for Pension Liability

8.1 Overview

The Parliamentary Contributory Pension Fund (PCPF) is a funded pension scheme with a net liability previously recognised on the Statement of Financial Position. The liability is no longer recognised in these accounts but the details of this liability can now be found in the accounts of the PCPF. Additional information can be found on page 7.

From 2015-16 the employer's cost of providing benefits earned during the current year will be fixed in advance and shown as a cash payment to the PCPF (Exchequer Contribution). The contribution rate agreed for 2015-16 was 12.9%, leading to a charge of £6.6 million (2014-15: £13.6 million).

8.2 Movement in pension liabilities

(i) Movement in deficit during the year

	2015-16	2014-15
	£ million	£ million
Deficit brought forward from previous year	(231.7)	(175.9)
Future benefits funded by the House	-	(16.5)
Exchequer contribution to the scheme	-	13.6
Finance cost ¹⁰	-	(7.8)
Actuarial loss ¹¹	-	(45.1)
Reversal of pension provision	231.7	-
Deficit in scheme at end of year	(0)	(231.7)

8.3 Historical pension costs shown against the Members Estimate

The historic costs and breakdown of the liability can be found in the 2014-15 Members Annual Accounts HC 275

8.4 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.

The 2015-16 PCPF Accounts are expected to be published in the autumn 2016.

9. Capital commitments

There were no capital commitments as at 31 March 2016 (none as at 31 March 2015).

10. Contingent liabilities and contingent assets

There were no contingent liabilities at 31 March 2016 (none as at 31 March 2015).

¹⁰ Difference between expected return on scheme assets (£22.9 million) and interest cost of funding scheme liabilities (£30.7 million).

¹¹ Figure represents the experience gain arising on pension liabilities (£30.7 million) plus actual return on assets exceeding the interest on the assets (£43.2 million) less changes in assumptions adopted (£119.1 million).

11. Losses and special payments

	<u>2015-16</u>	<u>2014-15</u>
	<u>£000</u>	<u>£000</u>
Losses	-	8

There were no losses as at 31 March 2016 (£8,182.90 as at 31 March 2015).

12. 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 Digital Service (PDS) (formerly Parliamentary Information and Communications Technology (PICT)). PDS was formally vested (as PICT) 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 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.

Members who sit and form the Members Estimate Committee are considered related parties due to their potential influence on the activities of the Members Estimate and that they could potential benefit from these provisions (e.g. the provision of IT equipment).

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.

From October 2015 Andrew Walker, Director General of Human Resources and Change and Penny Young, Librarian, were both founding Trustees of the Speaker's Parliamentary Placement Scheme.

13. 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. I confirm there are none.

**House of Commons:
Members Estimate**

**Members Estimate Audit Committee
Annual Report 2015-16**

Members Estimate Audit Committee Annual Report 2015-16

Introduction

1. This is the eleventh 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.
2. This report outlines the MEAC's conclusions in relation to the Members Estimate for the financial year 2015/16. 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 2015/16

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 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. 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 consider this matter.

The work of the internal audit service

8. No specific internal audit reports were carried out on the Members Estimate for the reason set out in paragraphs 8-9 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

9. We have reviewed the findings set out in the NAO's Audit Completion Report and noted the outcome of the audit is the recommendation of an unqualified audit opinion. We are satisfied that the unadjusted misstatements reported therein do not require adjustment. These errors, together with the recommendations contained within the audit completion report do not highlight any substantive weakness in financial or internal control.

10. We have noted the contents of the letter of representation, which was standard, including the required disclosures relating to fraud and regularity. We confirmed the letter was consistent with our understanding of the Members Estimate.

11. From our review of the work of the NAO during the year, and the findings reported, we are satisfied that the work of the NAO has been sufficient to provide material assurance that the financial statements meet the financial reporting requirements, and this work supports the Committee's recommendations concerning their approval.

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

12. No other matters were referred to the Committee by the Accounting Officer or the Members Estimate Committee in 2015-16.

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:

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 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 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 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, 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 on 2 February 2016, and is also a member of the House of Commons Commission. The MP members of the Committee at the start of the financial year were Angela Eagle MP, Sir Alan Haselhurst MP and John Thurso MP. Following the 2015 General Election, Angela Eagle MP and Sir Alan Haselhurst MP were re-elected and continued as members of the Committee. The House of Commons Commission appointed a new Committee on 13 July 2015. The MP members of the Committee for the remainder of the financial year were Sir Paul Beresford MP, Tom Brake MP and Rt Hon Nick Brown MP. Membership of the MEAC is the same as that of the AEAC.

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 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 four times in the financial year 2015/16: on 7 and 16 July, and 21 October 2015 and 27 January 2016. Attendance is shown in the table below.

Member	Total number of meetings attended
Dame Janet Gaymer DBE (Chair)	4/4
Sir Paul Beresford MP	3/3
Tom Brake MP	2/3
Stephen Brooker	4/4
Rt Hon Nick Brown MP	2/3
Angela Eagle MP	0/1
Sir Alan Haselhurst MP	1/1
Jane McCall	0/0
Barbara Scott	3/3

6. In addition it held an informal joint seminar with the House of Lords Audit Committee to consider audit best practice on 15 March 2016.

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 2016.

Internal Audit

8. 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, 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 2015/16.

9. Given the size and scope of the Members Estimate for 2015/16, 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

10. In January 2016 the Committee discussed the NAO's planned approach to auditing the Members Estimate Accounts 2015/16. 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 2016 to discuss the draft House of Commons: Members Estimate accounts for 2015/16. Following this the accounts were discussed by the full Committee on 6 July 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/>.