

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

**Annual Accounts &
Audit Committee Annual Report**

2016-17

(for the year ended 31 March 2017)

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 19 July 2017

Published by Authority of the House of Commons

HC 227

© Parliamentary Copyright House of Commons 2017

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 2016-17:	
Foreword to the Accounts	5
Statement of Accounting Officer's Responsibilities	11
Annual Governance Statement	12
Certificate and Report of the Comptroller and Auditor General to 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 2016-17	33

House of Commons: Members

Annual Accounts

2016-17

(for the year ended 31 March 2017)

Foreword to the Accounts

As at 31 March 2017

Scope of the Estimate

This Estimate covers expenditure arising from the Exchequer contribution to the Parliamentary Contribution Fund (PCPF); 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, grants and grants-in-aid to organisations who promote the House of Commons' objectives, other general costs and non-cash items.

The cost of running House services and the Parliamentary Estate is borne by the House of Commons Administration Estimate. From 2017-18, the scope of this Estimate will be reduced, with services transferred to the House of Commons Administration Estimate. This Estimate will cover expenditure arising from the Exchequer contribution to the Parliamentary Contribution Fund (PCPF); payroll costs of Members appointed to specific parliamentary duties, financial assistance to Opposition parties to support them in the discharge of their Parliamentary or representative functions, an Exchequer contribution to the Members' Fund, payment for insurance, grants and grants-in-aid to organisations who promote the House of Commons' objectives, other general costs and non-cash items.

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). The functions of the Committee are:

- agreeing the size of the Members Estimate before it is laid before the House by the Treasury
- to codify and keep under review the provisions of the Resolutions of the House relating to expenditure charged to the Members Estimate
- 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 21 July 2016 (HC 591).

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 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

During the year there were changes to the membership of the committee. In July 2016, The Rt Hon Chris Grayling was replaced as Leader of the House of Commons by The Rt Hon David Lidington, In October 2016, The Rt Hon Nick Brown was replaced as Chairman of the Finance Committee by the Rt Hon Dame Rosie Winterton and Chris Bryant MP was replaced by Valerie Vaz MP as the Shadow Leader of the House of Commons. At the end of the year the membership of the MEC was:

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

The Rt Hon David Lidington MP: Leader of the House of Commons (by virtue of office)

Valerie Vaz MP: Shadow Leader of the House of Commons

Sir Paul Beresford MP: Chairman of the Administration Committee

The Rt Hon Dame Rosie Winterton MP: Chairman of the Finance Committee

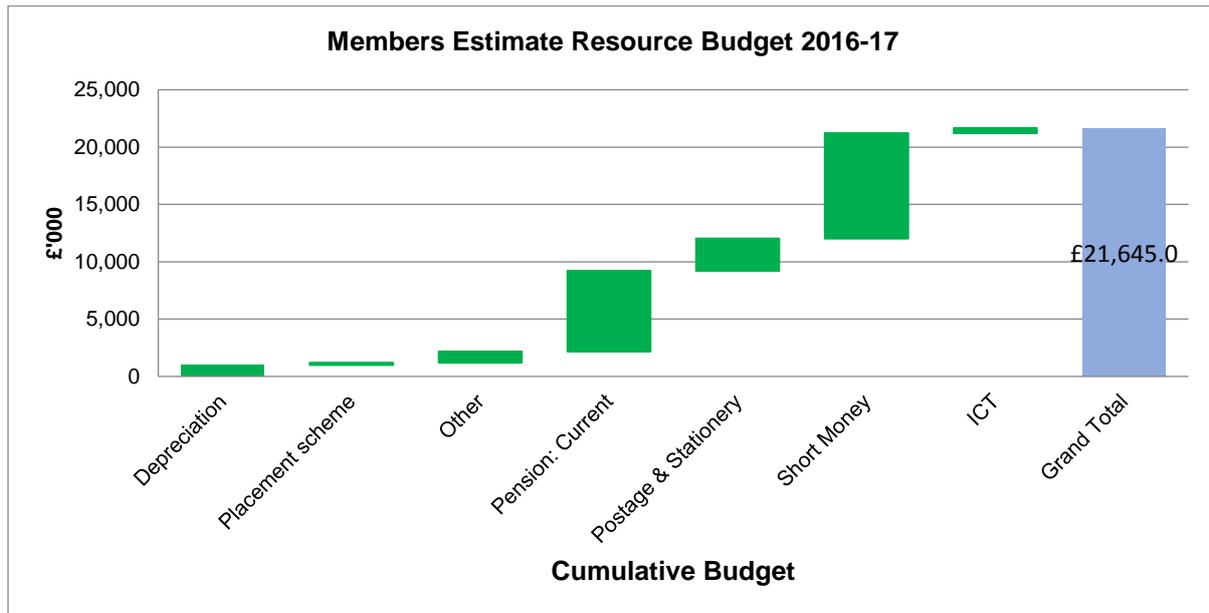
The Rt Hon Tom Brake MP

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.

2016-17 Supply Estimate

An Estimate consisting of £21.6 million resource and £0.2million capital was agreed by the Members Estimate Committee and published as an additional part of Central Government Supply Estimates 2016-17 (HC 999) in May 2016. This represented a reduction of £21.5 million in resource and £3.7 million in capital when compared to the prior year: however, the prior year contained a budget of £18.8 million for the historic pension liability, which transferred during that year to the Parliamentary Contributory Pension Fund and a significant capital allowance as new and returning Members acquired IT equipment to set up their offices.



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 the last financial year, the historic liability for this scheme was removed from this Estimate as it is now accounted for in the accounts of the PCPF. Contributions to the scheme still flow from this Estimate. The 2016-17 budget for this contribution was £7.05 million (£7.5 million in 2015-16).

The accounts of the PCPF are expected to be available in autumn 2017 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 historically funded 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 House of Commons (Members' Fund) Bill received Royal Assent on 12 May 2016 and was enacted in August 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 contributions from this Estimate also ceased. The last payment made from this Estimate to the fund was in October 2014.

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 £9.2 million (£9.5 million for 2015-16) which, together with the pension scheme costs, made up 75% of the total funding made available through the Estimate.

ICT equipment

Members are provided with a budget to cover ICT equipment purchases for the duration of the Parliament from this Estimate for use in the performance of their parliamentary or representative duties. The equipment is loaned to them through this Estimate and is returned when they cease being Members of Parliament.

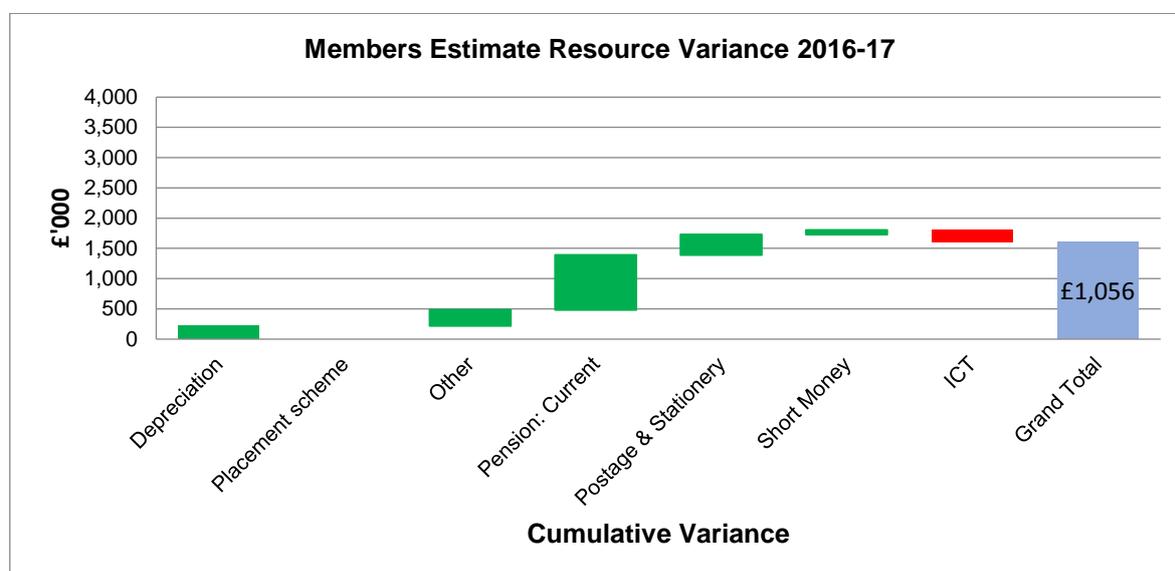
Supply Estimate for 2017-18

The Members Estimate Committee has agreed an Estimate for 2017-18 with a net resource requirement of £16.8 million, with no capital provision required (HC 1127). There have been changes to the Members Estimate, with costs associated to services provided to Members, like IT equipment and stationery provisions, moving to the House of Commons Administration Estimate. The forward Members Estimate will account for contributions to the pension scheme, short money, grants to organisations supporting House objectives and payroll costs of Members appointed to specific parliamentary roles.

Management Commentary**Resources**

The Statement of Parliamentary Supply shows an outturn of £20.5 million against an Estimate of £21.6 million, representing an underspend of £1.1 million. This underspend has been predominately caused by a lower than budgeted contribution to the pension scheme (£0.4 million), a lower demand for postage and stationery (£0.3 million) and a lower than budgeted depreciation charge (£0.2 million). Lower other costs including short money accounted for a further £0.3 million, although this was partially offset by an overspend of £0.2 million for ICT services.

Allowance	Planned £000s	Outturn £000s	Variance £000s
PCPF Exchequer Contribution ('Pension: Current')	7,050	6,698	352
Short Money	9,200	9,119	81
Postage and Stationery	2,800	2,462	338
Other	975	711	264
ICT Depreciation	1,000	782	218
Grants	200	200	0
ICT	420	617	(197)
Operating Subtotal	21,645	20,589	1,056



Pensions

With the prior year seeing changes to the accounting treatment to the PCPF, which saw the need for an AME Estimate removed from the annual estimate, management of the budget was somewhat simpler as the contribution to the scheme is pre-determined. However, there was a slight underspend due to movements in the membership of the scheme.

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 than the year following a General Election. The Resolutions changed the mechanism in calculating the assistance payments to Opposition parties, which led to a slight underspend against the budget.

ICT and ICT Depreciation

Members have the ability to purchase equipment from an ICT allowance which spreads across the life of a Parliament. This meant that the expected demand for new equipment after the 2015-16 General Election was not as significant as expected and why the underspend in 2015-16 was £1m. This led to lower maintenance costs in 2015-16 and depreciation costs in 2016-17 (£0.2 million underspend) as the asset base was lower as the usual depreciation cycle of ICT equipment is four years (three for iPads). However, this had led to additional purchases during 2016-17, which has driven additional support and maintenance costs. This has led to an overspend for £0.2m this year and will lead to additional depreciation charges in future years.

Postage and Stationery

Postage and stationery were both below the budget and previous year's outturn, with a downward trend in spend continuing, with Members looking to new technologies to communicate with their constituents. The underspend of £0.3 million (12%) was recorded this year.

Capital***ICT Equipment***

The ICT capital equipment budget was set on the understanding that most Members would have fully equipped their offices during 2015-16 and that only a low level of replacement equipment would be required during 2016-17. This budget, which was a control total, was exceeded during the year. The contributing factors to this overspend were; additional demands being placed on the budget due to unexpected by-elections; slower take up of equipment after the General Election meaning more equipment was required this year; and an under-recognition of spend in 2015-16 due to disputes with the supplier over delivery to site, which led to an under-accrual in 2015-16. The small budget of £0.2 million was exceeded by £54,984. Responsibility for managing this budget is within the Parliamentary Digital Service, with the finance function in the Corporate Services Team providing oversight and monthly reports to management. Due to how the finance system is configured for the Members Estimate, monthly management information reports are not generated, so the process of managing the expenditure against the budget is by manual intervention. Staff at the operational level were not aware of this budget or of the impact of exceeding the budget. Furthermore, the overspend was not forecast, which did not enable the House to lay a Supplementary Estimate to cover these unforeseen additional costs.

A number of actions that were already planned prior to the end of 2016-17 will mitigate against an overspend recurring. These comprise: changes to the procurement and accounting processes; changes to the handling of provisioning and recording of assets; and the Estimate process. From 2017-18, Members Loan equipment, support and broadband services have been transferred from the House of Commons Members Estimate to the House of Commons Administration Estimate. This will ensure purchase orders and commitments are recorded on the House Administration Information System (HAIS), goods receipting and monthly accruals can be recorded, standard reporting will be available and this budget and costs will be included in the regular re-forecasting exercise.

A review of the processes had been undertaken in March 2016, following the conclusion of the majority of the General Election 2015 purchases and the processes have been revised and the team has been restructured. It had been planned to implement these changes mid-parliament in order for them to be effective to support the next planned General Election in 2020, but as a result of the decision to hold the election earlier, this has necessitated bringing in processes to support Commons Members earlier.

It should be noted that no Member has exceeded their individual budget for equipment purchases and that this Estimate has not exceeded its total planned expenditure over the Parliament and that this is an issue in profiling the requirement over the life of the Parliament.

Cash

A net cash outturn of £20.7 million arose against the Estimate of £20.8 million. This represents an underspend of £0.05 million (0.2%). Whilst there was an underspend on the resource budget, there was significant movement in the trade payables (£0.7 million), which utilised the underspent cash (£1.1 million) from the underspent resource budget. A significant amount of the trade payable sum was related to ICT equipment rather than repeating items, so had a larger impact on the cash control total than usually expected. Whilst the control total here was not breached, there may not have been sufficient understanding of the how close the outturn would be against the estimate. The removal of many of the variable costs in the 2017-18 Estimate should ensure that this control total is more easily managed,

Net assets

The Statement of Financial Position shows an overall balance of £1.3 million, which has increased by £0.1 million from £1.2 million.

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.

David Natzler

Accounting Officer

11 July 2017

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 House of Commons (Members' Fund) Act 2016 ended the Exchequer contribution to the Members' Fund. From 2017-18 onwards expenditure on ICT equipment and Members' pre-paid envelopes and stationery will be transferred to the Administration Estimate.

The House of Commons Members Estimate Committee (MEC) was established by a Standing Order of the House in 2004 to have responsibility for oversight of the expenditure under the Members Estimate, which at that time included 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 comprises the parliamentary members 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 and Risk 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

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

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 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 Corporate Services Team. 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 Corporate Services Team.

The private Member's Bill (the House of Commons (Members' Fund) Bill) which sought to restructure the governing legislation received royal assent on 12 May 2016 and was enacted in August 2016. It 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 up to a maximum of 0.2% of a Member's salary. It also allowed for any surpluses to be returned to the Treasury and the contributions from this Estimate ceased.

Short Money

The controls for financial assistance to Opposition parties (Short Money) which accounts for a little over 40% 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. 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. Further provisions agreed by the House in 2016 set out additional reporting requirements, particularly in relation to the numbers and pay of staff employed using Short Money. As these changes were announced during the reporting year, there were difficulties in adopting the requirements the MEC had agreed. Subsequently, the transparency reports received from some parties did not reach the expectation of the MEC's resolutions. Whilst I am assured that Short Money has been used as intended, further work will be done during 2017-18 to embed the MEC's requirements for transparency reporting.

ICT equipment

The provision and maintenance of equipment and the supporting infrastructure is undertaken by the Parliamentary Digital Service. This Estimate provides solely for the provision of loan ICT equipment to House of Commons Members. Each Member is allocated a capped allowance of £5,945 against which equipment of his/her choice could be selected from a centrally managed catalogue. The allowance lasts for the life of a Parliament and Members can draw down against the allowance during that period. The House sets the capital budget amount for a General Election year as being based on the full cost of the allowance multiplied by the number of Members. For the years after the election the budget is based

on a nominal amount to cover the ordering of equipment against allowances not yet used by Members, knowledge of any likely changes in year, and including provision for possible replacement of equipment not covered by warranties. No specific allowances were included for by-elections

The House had an excess expenditure of £54,978 against the capital budget of £200,000, for which we have identified two main reasons; capital expenditure of £63,000 which should have been recognised in 2015-16 as it related to ICT equipment ordered and received in that year, but which the House did not identify until late in 2016-17 and additional capital expenditure of £32,000, relating to spend on ICT equipment for Members elected in the ten by-elections since the 2015 General Election, which was not incorporated into the budget and estimate process for 2016-17. The overall capital overspend was not appropriately forecast in 2016-17 meaning the House of Commons did not identify the need to lay a Supplementary Estimate to cover these additional capital costs. It should be noted that no individual Member has exceeded their individual allowance.

A number of already planned actions will take effect from 2017-18 which should mitigate against this excess expenditure happening again, this includes the changes to the procurement and accounting processes; changes to the handling of provisioning and recording of assets; and the Estimate process, where this service will be delivered under the House of Commons Administration Estimate.

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 Managing Director of Corporate Services (as the Director of Finance); the Director 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 Corporate Service Team has taken a number of actions during the year to improve the effectiveness of 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 Report and Accounts.

Conclusion

The adequacy of the controls of the Members Estimate were reviewed during the year with the aim of ensuring that transactions were properly controlled and that risks were managed. It was determined that some of the costs incurred against this budget be transferred to the Administration Estimate to provide better clarity of purpose for both Estimates and to simplify and allow for consistent governance structures and better reporting. The excess expenditure on the capital control total shows that the controls have not be adequately enforced this year and this will lead to a qualification of the accounts in the opinion on regularity. Action has been taken to ascertain how this excess expenditure occurred and a management plan has been drafted to address these issues.

David Natzler
Accounting Officer

11 July 2017

Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the House of Commons Members Accounts for the year ended 31 March 2017. 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, Statement of Accounting Officer's Responsibilities and Annual Governance Statement 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.

Basis for Qualified Opinion on regularity

Parliament authorised a Capital Departmental Expenditure limit for the House of Commons Members Account of £200,000. Against this limit, the House of Commons Members Account incurred actual expenditure of £254,978 breaching the authorised limit by £54,978 as shown in the Statement of Parliamentary Supply.

The Capital Departmental Expenditure limit on the House of Commons Members Account Estimate is solely for the provision of loan Information and Communication Technologies (ICT) equipment to Members of the House of Commons. During 2016-17 the House failed to apply its normal level of budgetary control on this specific ICT expenditure, as this sat outside the normal purchase order process applicable to other areas of expenditure. Furthermore, it failed to anticipate, in considering its Supplementary Estimate, the impact of the high level of new Members resulting from by-elections during the period; and the delay in recognising capital expenditure on ICT received in the previous year. Each of these circumstances were significant contributors to this overspend, which was not detected by

management until the end of the financial year. The House has fully disclosed the circumstances and its mitigating actions in more detail on pages 13 and 14 of its Governance Statement.

Qualified Opinion on Regularity

In my opinion, except for the excess described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 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 2017 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, Statement of Accounting Officer's Responsibilities and Annual Governance Statement 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 returns adequate for my audit have not been received from branches not visited by my staff; 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 the House of Commons's application of best practice, including HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse KCB
Comptroller and Auditor General

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

Date: 14 July 2017

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 2016-17

	Estimate			Outturn			2016-17 Voted Outturn compared with Estimate: ³ Saving/(excess)	2015-16 Outturn
	Voted	Non- Voted	Total	Voted	Non- Voted	Total		
	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit								
-Resource	21,645	-	21,645	20,589	-	20,589	1,056	21,637
-Capital	200	-	200	255	-	255	(55)	2,927
Annually Managed Expenditure								
-Resource	-	-	-	-	-	-	-	-
-Pension derecognition	-	-	-	-	-	-	-	(231,764)
Total	21,845	-	21,845	20,844	-	20,844	1,001	(207,200)
Resource	21,645	-	21,645	20,589	-	20,589	1,056	(210,127)
Total Capital	200	-	200	255	-	255	(55)	2,927
Total	21,845	-	21,845	20,844	-	20,844	1,001	(207,200)

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

Net Cash Requirement 2016-17

	2016-17			2015-16
	Estimate	Outturn	Outturn compared with Estimate: saving/(excess) ³	Outturn
	£000	£000	£000	£000
Net cash requirement	20,795	20,745	50	24,542

The Department has incurred an Excess of £54,948 because of unexpected by-elections and slower take-up after the General Election. The Department will seek Parliamentary approval by way of an Excess Vote in the next Supply and Appropriation Act.

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

	2016-17						2015-16	
	Estimate			Outturn			Outturn	
	Gross	Income	Net	Gross	Income	Net	Net Total compared to Estimate	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Departmental Expenditure Limit								
Members' pensions and other costs	21,645	-	21,645	20,589	-	20,589	1,056	21,637
Annually Managed Expenditure								
Pension derecognition ²	-	-	-	-	-	-	-	(231,764)
Total	21,645	-	21,645	20,589	-	20,589	1,056	(210,127)

² Figure relates to the pension derecognition in 2015-16.

SoPS 2.2 Analysis of net capital outturn

	Estimate			Outturn			2016-17	2015-16
	Gross	Income	Net	Gross	Income	Net	Net Total compared to Estimate	Outturn
	£000	£000	£000	£000	£000	£000		£000
Departmental Expenditure Limit								
Members' related expenditure	200	-	200	255	-	255	(55)	2,927
Total	200	-	200	255	-	255	(55)	2,927

There are no virements within the Members Estimate.

SoPS3. Reconciliation of resource outturn to net operating cost

	2016-17	2015-16
	£000	£000
	Outturn	Outturn
Total Resource Outturn in Statement of Parliamentary Supply		
Operating activities	20,589	21,637
Pension derecognition	-	(231,764)
Net Operating costs in Statement of Comprehensive Net Expenditure	20,589	(210,127)

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		21,645	20,589	1,056
Capital outturn		200	255	(55)
Accruals to Cash adjustments:				
Depreciation	3	(1,000)	(782)	(218)
Adjustments to previous provision	3	-	-	-
Pension Provision write back		-	-	-
Other non-cash items	3	(50)	(27)	(23)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in trade receivables	6	-	(15)	15
(Increase)/decrease in payables	7	-	725	(725)
Net Cash requirement		20,795	20,745	50

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 2016-17		Outturn 2015-16	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Non-operating income and receipts	(1)	<i>(1)</i>	(48)	<i>(48)</i>
Total income payable to the Consolidated Fund	(1)	<i>(1)</i>	(48)	<i>(48)</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 2017

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	2016-17 £000	2015-16 £000
Programme Costs			
Members' costs	2	127	123
General Election Staff costs	2	-	986
Members' pensions: Exchequer contribution	2, 8.1	6,698	6,577
Interest cost		-	-
Members' stationery and postage	3	2,462	2,565
Grants	3	9,359	8,805
Other costs	3	1,943	2,581
Pension derecognition	3	-	(231,764)
Net Operating (Credit)/Costs for the year ended 31 March 2017		20,589	(210,127)
Other Comprehensive Net Expenditure		-	-
Total Comprehensive (Income)/Expenditure for the year ended 31 March 2017		20,589	(210,127)

Statement of Financial Position**At 31 March 2017**

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 2017		31 Mar 2016
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	4	2,084		2,611	
Total non-current assets			2,084		2,611
Current assets:					
Trade and other receivables	6	561		576	
Cash and cash equivalents	5	20		61	
Total current assets			581		637
Total assets			2,665		3,248
Current liabilities					
Trade and other payables	7	(1,324)		(2,090)	
Total current liabilities			(1,324)		(2,090)
Total assets less current liabilities			1,341		1,158
Taxpayers' equity and other reserves:					
General fund		1,341		(1,158)	
Total equity			1,341		1,158

David Natzler
Accounting Officer

11 July 2017

Statement of Cash Flows

For the year ended 31 March 2017

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 House's future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Note	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net operating cost		(20,589)	210,127
Adjustments for non-cash transactions	3	809	(231,306)
(Increase)/Decrease in trade and other receivables	6	15	(452)
Less movements in receivables relating to items not passing through the SCNE		-	(113)
Increase/(Decrease) in trade payables	7	(766)	168
<i>Less movements in payables not passing through the SCNE</i>		41	(39)
Net cash outflow from operating activities		(20,490)	(21,615)
Cash flows from investing activities			
Purchase of equipment	4	(255)	(2,927)
Proceeds of disposal of equipment		-	-
Net cash outflow from investing activities		(255)	(2,927)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		20,751	24,555
From Consolidated Fund (Supply) – prior year		-	113
Net Financing		20,751	24,668
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		6	126
Receipts due to the Consolidated Fund	5	1	48
Payments of amounts due to the Consolidated Fund	5	(48)	(22)
		(47)	26
Net increase/(decrease) in cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(41)	152
Cash and cash equivalents at the beginning of the period		61	(91)
Cash and cash equivalents at the end of the period		20	61

Statement of Changes in Taxpayers' Equity**For the year ended 31 March 2017**

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 on their use.

	<u>Note</u>	<u>General Fund</u> <u>£000</u>
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
Net Parliamentary Funding – drawn down		20,751
Net Parliamentary Funding – deemed		13
Supply (payable)/receivable adjustment	5	(19)
Net Operating Cost		(20,589)
Non-Cash Adjustments		
Non-cash charges – auditor's remuneration	3	27
Movement in Reserves		
Recognised in Statement of Comprehensive Net Expenditure		-
Balance at 31 March 2017		1,341

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2016-17 *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 is 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 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 Speaker's Parliamentary Placement Scheme. 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	2016-17	2015-16
		£000	£000
Members' salaries		115	114
Social security costs		12	9
		127	123
General Election Staff Salaries		-	968
General Election Staff Social security costs		-	18
		-	986
Other pension costs	8.1	6,698	6,577
Total net costs		6,825	7,686

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.

3. Other costs

	Note	2016-17		2015-16	
		£000	£000	£000	£000
Cash Items					
Members' stationery & postage		2,462		2,565	
ICT related		577		1,576	
Training		225		211	
Central management		33		151	
Insurance		299		185	
			3,596		4,688
Grants to other bodies					
Financial assistance to Opposition parties:					
Labour Party		6,434		6,065	
Scottish National Party		1,222		1,057	
Democratic Unionist Party		164		172	
Sinn Fein		98		99	
Plaid Cymru		88		74	
Social Democratic and Labour Party		71		68	
Green Party		207		196	
Ulster Unionist Party		73		50	
Liberal Democrat Party		547		487	
United Kingdom Independence Party		215		297	
Members' Fund		-		-	
Speaker's Placement Scheme		200		200	
Other		40		40	
Subtotal			9,359		8,805
Non-cash items					
Depreciation of fixed assets:					
Members ICT equipment	4	782		423	
(Gain)/Loss on disposal of fixed assets				-	
Pension Provision write back		-		(231,764)	
Audit fee ⁵		27		35	
Subtotal			809		(231,306)
Grand Total			13,764		(217,813)

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

4. Members ICT equipment

	2016-17	2015-16
	£000	£000
Cost or valuation		
At 1 April	6,100	3,749
Additions	255	2,927
Disposals	-	(576)
At 31 March	6,355	6,100
Depreciation		
At 1 April	3,489	3,642
Charge in year	782	423
Disposals	-	(576)
At 31 March	4,271	3,489
Carrying amount at 31 March	2,084	2,611

5. Cash and cash equivalents

	2016-17	2015-16
	£000	£000
Balance at 1 April	61	(91)
Net change in cash and cash equivalents	(41)	152
Balance at 31 March	20	61
The following balances at 31 March were held at:		
Government Banking Service	20	61
Balance at 31 March	20	61
Amounts issued from the Consolidated Fund but not spent at year end	19	13
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	1	48
	20	61

6. Trade receivables, financial and other assets

	2016-17	2015-16
	£000	£000
Amounts falling due within one year:		
Members ⁶	4	5
Prepayments	541	455
Other receivables	16	116
	561	576
Amounts due from the Consolidated Fund in respect of supply	-	-
	561	576

7. Trade payables and other current liabilities

	2016-17	2015-16
	£000	£000
Amounts falling due within one year		
Other taxation and social security	14	10
Other payables	7	77
Accruals and deferred income	1,283	1,942
	1,304	2,029
Amounts issued from the Consolidated Fund for supply but not spent at year end	19	13
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
- Received	1	48
	1,324	2,090

⁶ A single Member repayment contract remains with a balance of £4,114.50 (5,314.50 at 31 March 2016). No balances arising from Standards and Privileges Committee reports were outstanding at 31 March 2017 (£nil at March 16).

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 remains at 12.9% and is only revised after a revaluation, which is conducted every three years, with the next revaluation due in 2017-18, leading to a charge of £6.8 million (2015-16: £6.6 million).

8.2 Movement in pension liabilities

(i) Movement in deficit during the year

	2016-17	2015-16
	£ million	£ million
Deficit brought forward from previous year	-	(231.7)
Future benefits funded by the House	-	-
Exchequer contribution to the scheme	-	-
Finance cost	-	-
Actuarial loss	-	-
Reversal of pension provision	-	231.7
Deficit in scheme at end of year	(0)	(0)

8.3 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 2016-17 PCPF Accounts are expected to be published in the autumn 2017.

9. Capital commitments

There were no capital commitments as at 31 March 2017 (none as at 31 March 2016).

10. Contingent liabilities and contingent assets

There were no contingent liabilities at 31 March 2017 (none as at 31 March 2016).

11. Losses and special payments

	2016-17	2015-16
	£000	£000
Losses	-	-

There were no losses as at 31 March 2017 (none as at 31 March 2016).

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 on 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. Andrew Walker was replaced as a Trustee when he left the House service in October 2016 by another member of the House staff. This staff member does not have Management Board responsibilities.

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 by the Accounting Office. This is 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 2016-17**

Members Estimate Audit Committee Annual Report 2016-17**Introduction**

1. This is the twelfth annual report of the House of Commons Members Estimate Audit Committee (MEAC), which was established by the House of Commons Members Estimate Committee (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 2016-17. The Committee's findings are set out by reference to the key areas on which it is required to provide assurance to the Accounting Officer under its terms of reference.
3. Details of the MEAC's terms of reference, membership and activity during the year are provided in the Appendix to this report.

Conclusion for the financial year 2016-17

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

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

The integrity of the Annual Accounts

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

The work of the internal audit service

9. Given the relatively small size and scope of the Members estimate, the Internal Audit plan contained only two audits directly relating to expenditure under the Members estimate. Other reports did however have findings related to both Estimates. The two audits undertaken related to expenditure on Members' stationery and Members' ICT equipment. Both audits were able to provide assurance that controls were working effectively in these areas. The scope of the audit on digital expenditure looked at controls relating

to individual Member expenditure and did not review the controls that led to qualification of the Members Estimate.

The external audit by the external auditor

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

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

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

Appendix: Terms of reference, membership and activity of the MEA&RAC**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 reviewing governance, risk management and internal control (“the system of internal control”). This reviewing will include:

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

Annual Accounts

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

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

Internal Audit

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

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

External Audit

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

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

RELATIONSHIP WITH THE ADMINISTRATION ESTIMATE AUDIT AND RISK ASSURANCE COMMITTEE

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

Membership

2. The Committee is chaired by an external member, Dame Janet Gaymer DBE, who is also an external member of the House of Commons Commission. Barbara Scott and Stephen Brooker were the other two external members of the Committee at the start of the financial year. Barbara Scott's term of office ended on 31 December 2016; Jane McCall was appointed to the Committee, and is also a member of the House of Commons Commission. Stephen Brooker's term of office ended on 31 July 2016. Robert Scruton was appointed to the Committee with effect from 1 August 2016. The MP members of the Committee until 31 October 2016 were Sir Paul Beresford MP, Tom Brake MP and Rt Hon Nick Brown MP. Thereafter, the Rt Hon Nick Brown was succeeded by the Rt Hon Dame Rosie Winterton, The Membership of the MEAC is the same as that of the AEARAC.
3. The Clerk of the House, the Director General of the House of Commons, the Director of Finance, the Director of Internal Audit and officials from the National Audit Office also attend the Committee's meetings. These officials may withdraw for specific items at the Committee's, or their own, request.
4. The Committee's Secretary is the Private Secretary to the Clerk of the House. The Committee is also supported by a Committee Assistant.

Meetings

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

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

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

Internal Audit

8. As set out in the terms of reference above, MEAC relies upon the work of the Administration Estimate Audit Committee (AEARAC) on matters that relate to the overall governance, risk management and internal control of the House of Commons Administration, and concentrates its own work on those parts of its responsibilities that specifically relate to matters under the Members Estimate. Areas of overlap between the Audit Committees, for example in relation to the regular report on the work of Internal Audit (IA), are usually discussed in AEARAC meetings and have therefore not been set out in this report. They are available in the annual report of the AEARAC.
9. Given the relatively small size and scope of the Members estimate, the Internal Audit plan contained only two audits directly relating to expenditure under the Members estimate. Other reports did however have findings related to both Estimates. The two audits undertaken related to expenditure on Members' stationery and expenditure Members' ICT equipment. Both audits were able to provide assurance that controls were working effectively in these areas. The scope of the audit on digital expenditure looked at controls relating to individual Member expenditure and did not review the controls that led to qualification of the Members estimate.

External Audit

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

Further information about the Committee

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