

Report by the Comptroller and Auditor General on the 2010-11

House of Commons Members Resource Accounts

Independent Auditor's Report to the House of Commons

I have audited the financial statements of the House of Commons: Members for the year ended 31 March 2011. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity 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 House's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the House; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword, the Statement of Accounting Officer's Responsibilities and the Statement on Internal Control 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of regularity qualification due to withholding of information requested by the auditor

The financial statements include payments to Members for reimbursement of expenses. Reimbursement is made when expenses meet certain eligibility criteria. During the year the expense claims of a number of Members were referred to the police for further investigation. In order to conclude on the level of irregular payments within this account I requested access to this information, which was withheld by the Clerk of the House. As a result I have been unable to conclude on the level of irregular expenditure in these financial statements. However from the evidence available to me from other sources I am content that, whilst the value of irregular payments may be materially different from that represented to me it is not of such magnitude as to cause me to disclaim my opinion on regularity.

Further details are set out in my report on pages 22 to 23.

Qualified Opinion on Regularity

In my opinion, except for any alternative conclusions I may have reached had the Clerk made available the evidence I requested relating to the Members who are under investigation by the police, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 House's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the House of Commons Financial Reporting Manual.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

In respect solely of the information relating to cases under police investigation described above:

- I have not received all of the information and explanations I require for my audit.

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 returns; or
- the Statement on Internal Control does not reflect House of Commons application of best practice guidance, including HM Treasury's guidance.

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Comptroller and Auditor General
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Date: 27 September 2011

Report on the 2010-11 Members' Accounts

The purpose of my report

1. This report explains why I have qualified my regularity opinion on the 2010-11 Members' Accounts. It also follows up on the issues that gave rise to my qualification of the 2009-10 Members' Accounts.

My obligations as auditor

2. I am required under International Standards on Auditing (UK and Ireland) to obtain evidence to give reasonable assurance that the financial statements are free from material misstatement. I am also required to satisfy myself that, in all material respects, the expenditure and income shown in the financial statements have been applied to the purposes intended by Parliament (regularity).
3. In forming my opinion, I consider whether I have obtained all the information and explanations which I consider necessary for the purposes of my audit.

Responsibilities of the Accounting Officer

4. The Accounting Officer, the Clerk of the House, is responsible for making available for audit all accounting records and all other relevant records and related information, including access to documents held by third parties. I am also entitled to require from House staff such other information and explanations that I consider necessary for the performance of my duties as auditor.

Prior year qualified opinion

5. I limited the scope of my regularity opinion on the 2009-10 Members' Account because the evidence available to me was incomplete, and so not sufficient to support an unqualified opinion, in three respects:
 - where evidence had not been obtained by the House authorities in accordance with the framework of rules governing the administration of Members' Expenses;
 - where evidence with regard to certain Members' expenses was held by the police for investigation and was not, therefore, available for audit purposes; and
 - where the evidence obtained by the House authorities, although in accordance with the framework of rules governing the administration of Members' Expenses, was not sufficient to confirm the expenditure had been incurred for Parliamentary purposes.

Action following the General Election

6. The most significant development to have taken place in 2010-11 has been that, since 7 May 2010, following the General Election, responsibility for the regulation and payment of Members' salaries and expenses was successfully transferred to the Independent Parliamentary Standards Authority (IPSA) as determined by the House of Commons. IPSA's first accounts were published on 6 July 2011 (HC 1249) with an unqualified opinion.
7. The three issues that gave rise to my prior year qualification are, however, also relevant to the 2010-11 Members' Accounts as for a short period prior to the prorogation of Parliament and the General Election the House of Commons continued to be responsible for payments of Members' salaries and expenses. As part of my audit, I have therefore estimated the level of unsupported spend reported in the 2010-11 Members' Accounts. Whilst errors remain for 2010-11, the amounts involved are significantly lower, mainly because the Accounts only include expenditure on Members' salaries and expenses for the period to 6 May 2010. Details are shown in the Statement of Internal Control.

Missing documentation or where documentation has not been required under the Green Book rules

8. I have concluded that my opinion on the 2010-11 Members' Accounts should not be qualified for two of the issues that gave rise to my prior year qualification, on the grounds that:
- despite some error persisting until the transfer of responsibility for Members' salaries and expenses to IPSA, I do not consider the level of error, whilst still significant, to be material to the financial statements as a whole; and
 - the landscape for the payment and claiming of Members' salaries and expenses has changed radically, not least through publication of all expense claims and the transfer of responsibilities to IPSA.

Members under investigation by the police

9. On the third issue, as part of my audit of the 2010-11 Members' Accounts, I requested the Accounting Officer provide information on claims made by Members (past or present) subject to ongoing investigation by the police. Similar information had been provided to me in respect of my 2009-10 audit. While some anonymised information was provided, the Clerk felt unable to provide further details on the grounds that, prior to a final decision on a referral to the Crown Prosecution Service, this would be inappropriate. This is disappointing as I have processes in place which ensure that national security-classified and sensitive information is appropriately handled and remains confidential. However, in this case the Accounting Officer was unwilling to make the necessary information available to me. I am not therefore able to conclude on the amounts, completeness and nature of the information for Members under police investigation and the effect it may have on my regularity opinion. As a result of this imposed limitation on the scope of my work, I have qualified my regularity opinion because I am unable to conclude on the level of irregular expenditure in these financial statements.

IPSA

10. Further information on the establishment of IPSA and how it has performed its functions is provided in my report IPSA: the payment of MPs' expenses (HC 1273, dated 7 July 2011).

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