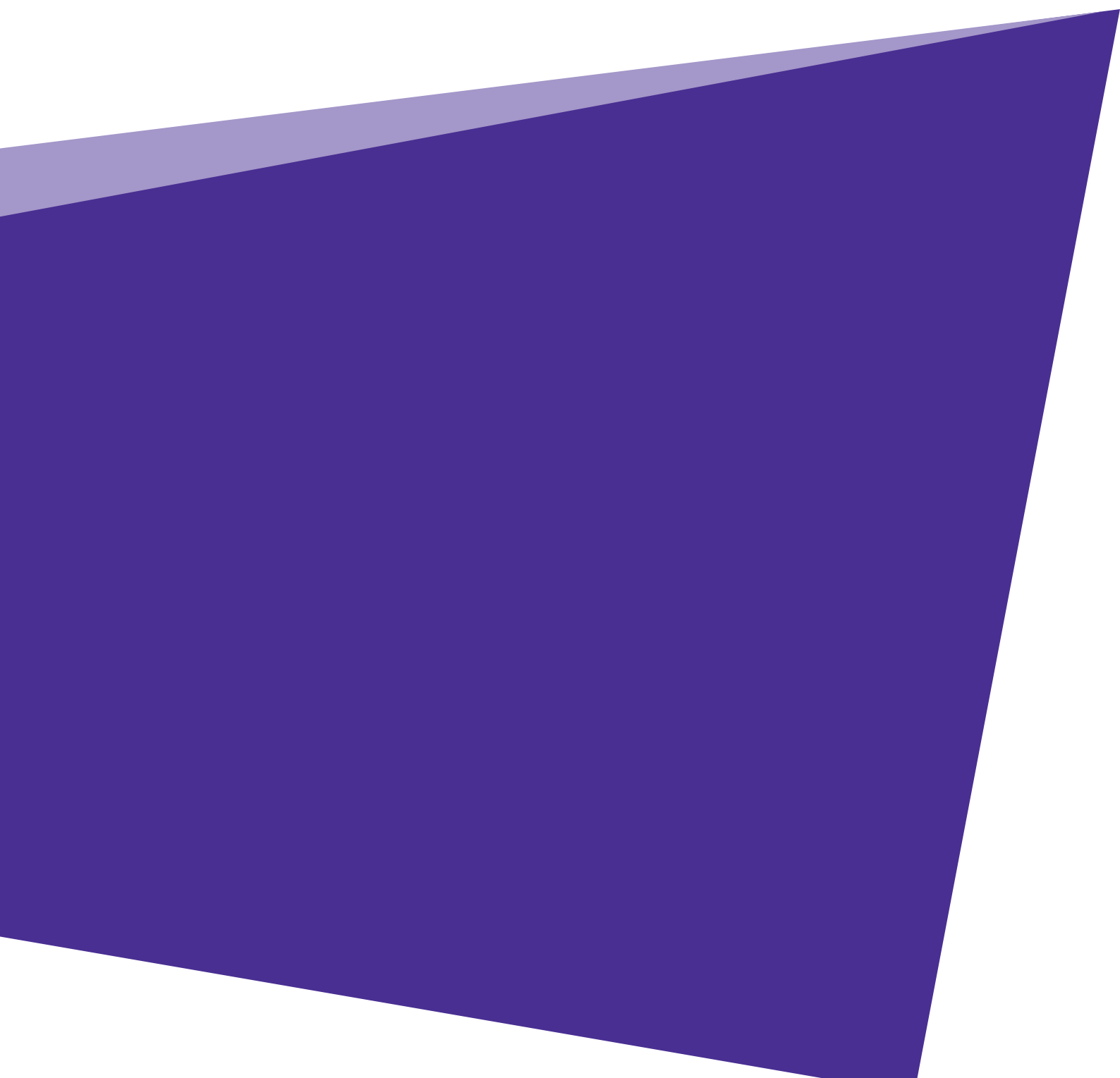


# Annual Report and Accounts

## 2010–2011



Independent Parliamentary  
Standards Authority  
Annual Report and Accounts 2010–2011

Presented to Parliament pursuant to Schedule 1 of the Parliamentary Standards Act 2009.  
Ordered by the House of Commons to be printed on 6 July 2011.

**© Crown Copyright 2011**

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit: [www.nationalarchives.gov.uk/doc/open-government-licence/](http://www.nationalarchives.gov.uk/doc/open-government-licence/) or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: [info@parliamentarystandards.gsi.gov.uk](mailto:info@parliamentarystandards.gsi.gov.uk)

This publication is also available for download at: [www.official-documents.gov.uk](http://www.official-documents.gov.uk), and is also available from our website at: [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk)

ISBN: 9780102972108

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 2431792 07/11

Printed on paper containing 75% recycled fibre content minimum.

# Contents

IPSA in numbers	5
Chairman's introduction	6

## PART I: Annual Report

1 Chief Executive's report	9
A Summary	9
B Regulatory responsibilities	9
C IPSA's services	11
D Communications and engagement	12
E Funding	12
F People	12
G Looking ahead	13
2 IPSA – who we are and what we do	14
A Statutory framework	14
B Vision and Values	14
C IPSA's strategic objectives	15
D IPSA's Board	15
E IPSA senior management	16
F The Compliance Officer for IPSA	17

## PART II: Annual Accounts

3 Statement of Accounts	19
A Introduction	19
B Management Commentary	19
C Remuneration Report	23
D Statement of Accounting Officer's Responsibilities	28
E Statement on Internal Control	29
F Certificate of the Comptroller and Auditor General	34
G 2010–11 Accounts	36
4 Accounts Direction	55

## PART III: Annual Report from the Compliance Officer

5 Compliance Officer for IPSA	57
A Introduction	57
B Relationship with IPSA	57
C Development of procedures	58
D Publication of MPs' expenses	60
E Looking ahead	60



# IPSA in numbers

In 2010–11 we:

- 1 handled **125,000** expense claims, of which between October and March:  
we accurately validated **98.36%** correctly - exceeding our target of 98%  
we processed **96%** of reimbursable claims within the target of 12 working days
- 2 reimbursed claims to the value of **£19m** for MPs and their staff
- 3 received over **500** phone calls each week, answering nearly 16,000 calls between October and March
- 4 handled around **17,000** written enquiries from MPs and their staff – and from October to March responded to nearly 91% of correspondence within 5 days
- 5 published details of some **100,000** claims
- 6 processed an average monthly payroll run of **3,150** MPs and their members of staff, including 1,593 new starters and 808 leavers
- 7 provided one-to-one systems training sessions for over **450** MPs and their members of staff and held training events for over 1,150 members of staff
- 8 carried out four public consultations, receiving 358 written responses, and 1,498 responses to an online survey
- 9 answered over **180** Freedom of Information requests as well as a further 180 Parliamentary Questions from MPs
- 10 achieved **99.8%** up-time for the online expenses system

# Chairman's Introduction



As Chairman of IPSA, I am pleased, on behalf of the Board, to introduce our second Annual Report.

IPSA has been carrying out its statutory responsibilities for just over a year. When we first introduced our Scheme for MPs' Expenses, we made it clear that it represented a clear and clean break with the past and that we believed it would play a part in restoring public confidence in the way in which MPs were recompensed for expenses incurred in carrying out their parliamentary duties. The Report which follows describes how we have achieved that clean break. It also outlines the evolutionary approach that we are taking to further development, both of the Scheme and of the services that we provide.

In the past year, we set ourselves the objective of establishing ourselves as a regulator responsible for creating and maintaining an expenses scheme which is fair, workable and transparent.

To achieve a fair scheme, we carried out an interim and a full review of the Scheme. The changes made met our duties both to taxpayers and to MPs. The rules have been adjusted to ensure that MPs are supported effectively to carry out their parliamentary role, while providing assurance to the public that taxpayers' money is spent properly and reasonably.

To achieve a workable scheme, we established a new organisation, rapidly got its key services up and running and worked hard to make our processes robust by listening and responding to feedback from a variety of sources, not least from MPs and their staff who use the services that we provide. Our performance indicators track and confirm the significant progress that we have made throughout the year.

To achieve a transparent scheme, we publish details of MPs' expenses claims on a regular cycle, allowing anyone to see what expenses MPs have claimed. We believe this to be a powerful mechanism for ensuring probity and accountability.

The Board is confident that, taken together, these measures will play a part in helping to restore public confidence in Parliament, support MPs in carrying out their parliamentary duties, and make IPSA an increasingly cost-effective organisation.

The Scheme and the way in which we operate it has evolved through the year. It will continue to do so over the coming year.

As a regulator, we are concerned with risk: the risk to the taxpayer that funds may not be used as contemplated by the Scheme, and the risk to MPs and their staff that they may not be enabled properly to do their job. As we are able to show that risks in many areas are slight, so we will concentrate in a more focused manner on areas of greater risk. Our aim is progressively to reduce the number of rules

governing MPs' expenses, leaving MPs increasingly free to make (and be responsible for making) their own judgments about particular items of expenditure, in the knowledge that the details of their expenditure will be published. The speed of change, however, must be in step with levels of public confidence.

As a provider of a service, our focus will be on continuous improvement: improving both the experience of those using the service and the cost-effectiveness of our systems. Responsiveness, highlighted in this report, will continue to be the hallmark of our approach.

We will also be taking on responsibility for determining MPs' pay, as provided for by Parliament in the Constitutional Reform and Governance Act 2010. This is a natural extension of our remit and the experience that we have gained in our first year of operation will be of great benefit as we exercise this new responsibility.

I conclude by thanking all those who have assisted us during IPSA's first year of operation. MPs, members of the public and others have generously engaged with us, providing invaluable insights. My colleagues on the Board have brought to the organisation wisdom, passion and professionalism and I thank them most warmly. Above all, my thanks go to IPSA's staff. The results set out in this document reflect their outstanding dedication and skill.

Professor Sir Ian Kennedy,  
Chairman, IPSA



1

# Annual Report

# 1. Chief Executive's report

1 Scott Woolveridge, IPSA's Director of Operations, was appointed Acting Chief Executive during the absence of IPSA's Chief Executive and Accounting Officer, Andrew McDonald while he recovered from prostate surgery. From 13 June 2011, Scott Woolveridge was appointed as Temporary Acting Accounting Officer with the consent of the Speaker of the House of Commons.

## A Summary

2 This report covers activities undertaken by IPSA during the financial year 2010–11. IPSA is both a regulator and provider of services, and the report's structure reflects this. In the first part of the year, the majority of our staff were focused on establishing the organisation and assuring the delivery of services. As service delivery stabilised, we were progressively able to focus on other issues.

3 IPSA became operational on 7 May 2010, the day after the General Election. The first months following the launch were challenging. It very soon became clear that we were not delivering an acceptable level of service to MPs. We listened to feedback and monitored our own performance, and took swift action to improve significantly our service delivery.

4 Over the course of the year we have continued to make a range of service improvements to the point where we are now regularly paying over 95% of reimbursable claims within 12 working days, and dealing with over 90% of correspondence within five working days. We also pay salaries to MPs and their 2,500 members of staff with a monthly error rate of under 0.2%.

5 As a regulator, in the second part of the year we conducted our first comprehensive review of the MPs'

Expenses Scheme. At the end of this review, we made a number of changes to address a range of issues identified in the first six months of operating the Scheme. In December 2010 we published details of MPs' expense claims for the first time, a key part of our work in assuring the public that MPs are being reimbursed legitimate costs and helping contribute to the restoration of public trust in Parliament.

6 Now, at the end of our first year of operation, we have a Scheme which supports MPs in carrying out their parliamentary functions, and the public is getting the assurance it needs that public funds are being spent properly. Our processes are robust and we are continuing to improve our services.

7 In the year to come we will work systematically to improve service-users' experience and our own cost-effectiveness. In our role as regulator, we are open to further reform of the Scheme, consistent with maintaining appropriate levels of assurance and public confidence. We are also taking on a number of new responsibilities, including setting MPs' pay.

## B Regulatory responsibilities

### Reviewing the Scheme

8 IPSA is required by law to review the Scheme regularly and we announced that we would do so annually, to ensure there is sufficient opportunity to make any changes required, but without causing confusion with frequent changes.

9 However, early in the Scheme's operation it was clear that some changes were urgently required to reflect technical changes flowing from the Constitutional Reform and Governance Act 2010, as well as to allow claims for expenses for

interns and volunteers, to provide MPs with cashflow assistance and to address a number of unintended consequences and anomalies. To this end, IPSA held a short public consultation and issued the Second Edition of the MPs' Expenses Scheme in July 2010.

- 10 During the Autumn, we began to gather data to inform the first Annual Review of the Scheme through visits to MPs and their offices, a public opinion survey conducted by YouGov and analysis of the use of the online expenses system. We were keen to make sure that this first Annual Review was firmly grounded in the experience of the first few months of operation and reflected the views of the public and other key stakeholders and so conducted a public consultation in early January on both the Scheme itself and the impact it might have had on equality and diversity.
- 11 New rules were drawn up to come into effect on 1 April 2011. These included extending the definition of caring responsibilities to provide more support to MPs with dependent children and changing the definition of the London Area. The Scheme was also simplified in a number of areas, providing MPs with greater discretion in making claims in areas like office expenditure. The changes made are fair to both MPs and the public alike: they focus on making sure the Scheme allows MPs to do their job while continuing to provide assurance and transparency to the public. Full details of the Scheme changes, the report on the consultation and the Equality Impact Assessment can be found at [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk).

### Publication and transparency

- 12 In summer 2010, consultation began on the procedures for publishing information on MPs' expenses. The first set of expenses claims (covering the period May to August 2010) was published in December. We now publish, every other

month, details of individual claims made by MPs, both those paid and those not paid. We publish what the claim was for, how much it was for, when the cost was incurred and a short description. In each bi-monthly publication cycle, we publish the details of around 25,000 claims.

- 13 The introduction, for the first time, of regular and routine publication of MPs' expenses meets one of our key objectives of transparency, providing a clear overview of how public funds are being disbursed and to whom, and providing the public with an assurance that MPs are claiming expenses appropriately.
- 14 In line with IPSA's commitment to the principles of openness and accountability, during the year we attached a high priority to responding to Freedom of Information (FOI) requests and Parliamentary Questions (PQs) in full and on time. Between October 2010 and March 2011, 83 out of 89 (93%) of FOI requests were answered within 20 working days, and we answered over 180 PQs between July and March. We also consulted on, and put in place, a publication scheme, as required by section 19 of the Freedom of Information Act 2000, which sets out the range of material we will publish routinely to provide insight into our costs, operations and decision-making processes.

### Assurance and review

- 15 The Assurance and Review team provides assurance to the Chief Executive over IPSA's main operations with special regard to the propriety and regularity of expense and salary payments, the fair and honest treatment of MPs, the efficient, effective and economic use of resources, and the proportionality and appropriateness of compliance measures.
- 16 The team was established in summer 2010. It focused initially on devising and embedding a programme of monitoring

expenses payments, which was then extended to cover payroll and the provision of advice by telephone. The team also regularly reviewed 'not paid' claims (ie. those claims not passed for payment, for example, because they are outside the terms of the Scheme or lack supporting evidence etc.) and carried out a review of the control arrangements for paying MPs' staff. Assurance findings confirm that error rates are low and very few claims are being paid when they should not have been.

## Compliance

17 The Parliamentary Standards Act 2009 provides for the establishment of an independent compliance function to investigate claims that an MP may have been paid an expense to which he or she was not entitled. We consulted on draft procedures to be followed by the Compliance Officer and passed the final version to the Interim Compliance Officer for adoption. Where the Compliance Officer carried out preliminary investigations, we provided his office with the information requested. The Compliance Officer's report is at Part III of this document.

## C IPSA's services

18 When IPSA became operational in May 2010, our initial focus was on getting the systems for paying expenses and salaries up and running. We registered the 650 MPs with the new Scheme and introduced them and their staff to the online system. In early June, we started to reimburse MPs for expenses they had incurred under the Scheme. By the end of June, we had taken over from the House of Commons responsibility for paying all MPs and their staff (over 3,000 people in all). We also established a range of model contracts for the roles carried out by MPs' staff and benchmarked them to establish appropriate pay ranges. We subsequently managed a process to ensure MPs had a

standardised contract in place for each of their members of staff and to address those few instances where this was lacking.

- 19 We faced some challenges during this period. Within a few weeks of launch it became apparent that MPs were seeking far more individual advice on the rules than had been expected and that some of our services required improvement. Greater help was needed to ease the cash-flow problems that some MPs were experiencing. Board members and staff engaged closely with MPs and their staff and we made a number of changes quickly to enhance levels of support and improve service-delivery. We also made advances of up to £4,000 on allowable expenses, in addition to the planned advances for expensive items, such as IT equipment and office furniture.
- 20 We also made a number of changes during the second half of the year to deliver our core services more efficiently and effectively and to simplify the process of claiming expenses for MPs. These included the introduction of direct payments by IPSA to landlords and suppliers on behalf of MPs, and the introduction (and subsequent extension) of the use of payment cards to pay for a range of goods and services. In March 2011, we announced a series of further improvements and simplifications that will come on stream during 2011-12. These changes and many others have been supported by continuous review and improvement of our IT systems.
- 21 We started to measure our performance in August 2010 using a range of Key Performance Indicators and achieved or exceeded the majority of our annual targets for 2010-11. Detailed monthly and annual data on our operational performance can be found on our website at: [www.parliamentarystandards.org.uk/transparency](http://www.parliamentarystandards.org.uk/transparency)

## D Communications and engagement

- 22 As an independent organisation charged with rebuilding confidence in how MPs are recompensed, we have a duty to communicate what we do and how we do it. We communicate regularly with the hundreds of MPs, the thousands of people who work in their offices and the millions who pay for it all. As set out in this report, we do this through a variety of channels, including public consultations, publication of expenses, publication of organisational information about IPSA and the Scheme, and provision of information lines for MPs and one-to-one training on the system.
- 23 We also communicate directly with parliamentary committees, the media, interest groups, trades unions, professional bodies and others who have an interest in our work. We have regular formal and informal meetings with the Speaker's Committee for IPSA and the MPs' Liaison Group, which is a forum for consultation on the rules and on IPSA's services.
- 24 The IPSA website supports a number of the processes outlined above. Towards the end of the year, we carried out a review of the site and at the start of 2011–12 significantly improved its user-friendliness and functionality.

## E Funding

- 25 IPSA was established by the Parliamentary Standards Act 2009, and is independent of Parliament, Government and political parties. However, IPSA is funded from the Consolidated Fund through the process of Parliamentary Supply and in all but exceptional circumstances it is expected to comply with the requirements of the Government Financial Reporting Manual.

- 26 IPSA's Estimate is scrutinised by the Speaker's Committee for IPSA which is required to review IPSA's annual estimate of the resources it needs, before the Estimate is laid before Parliament. Its aim in doing so is to ensure the Estimate is consistent with the efficient and cost-effective discharge of IPSA's functions.
- 27 IPSA is still relatively new but in its first year has established itself as an effective organisation and one committed to improving its efficiency and effectiveness. We recognise the need to provide and demonstrate value for money (VFM) and welcome the VFM audit which the National Audit Office is carrying out at the start of 2011–12. This will establish a valuable baseline for future work to improve our efficiency and effectiveness.
- 28 Overall, the MPs' Expenses Scheme in its first year of operation has cost the public purse £75.139m.

## F People

- 29 During our start-up period, we recruited a number of permanent and temporary staff, including 29 staff who transferred from the House of Commons. Staff numbers during the initial set-up phase averaged around 80 people. In autumn 2010, we carried out an organisational review which developed a 'steady state' structure requiring 60–65 staff and by April 2011 staff numbers had fallen to 63.
- 30 There were no pay increases during our initial year of operation and in 2011–12 there will be a pay freeze, in line with arrangements applying elsewhere in the public sector.

- 31 During the year we developed an Employee Handbook and introduced a performance management system, linked to the delivery of the organisation's objectives and Key Performance Indicators. We also published our health and safety policy and initiated independent health and safety audits.
- 32 All new staff attended an induction course covering IPSA's values, behaviour and team working, the MPs' Expenses Scheme, data assurance and protection, and operational functions. Identifying training needs and putting in place arrangements to meet them is a central part of our approach to performance management. We used a variety of approaches to engage with employees, and in December 2010 we ran our first staff survey to monitor levels of satisfaction and engagement. We will repeat this every six months.
- 33 At IPSA we believe that diversity improves our performance and the services we provide. This makes attracting and retaining the best staff from the whole community essential. As at 31 March 2011, 45% of staff were male and 55% female, and 24% of employees were from an ethnic minority background. We will continue to monitor the background of our staff by reference to the 'Protected Characteristics' set out in the Equality Act 2010, to allow us to look at representation within different areas and levels of the organisation and take action as necessary. More broadly, we aim consciously to create an inclusive culture, where people feel valued and can be themselves, regardless of differences.

## G Looking ahead

- 34 During the year to come, we will support the Board to determine a medium-term strategy for IPSA. In the meantime, our priorities remain to continue to provide a fair, workable, and transparent scheme, to consider further reform of the system and to improve services to MPs in a manner consistent with providing value for money to the public purse.
- 35 In the second half of 2011–12, we will conduct a further review of the Scheme. Increased simplicity over time is important and we remain open-minded as to how we achieve this; but any system must retain public confidence.
- 36 Our service delivery team will be focusing on improving efficiency, reducing the time an MP spends claiming expenses and reducing the extent to which MPs' costs are initially met from their own bank accounts. A series of improvements will be delivered in a rolling programme throughout the year. These changes and others will be supported by further reviews and improvement of our IT systems.
- 37 In May 2011 we assume responsibility for determining MPs' pay. We will also be looking in more detail at MPs' staffing requirements (which account for around 75% of the MPs' expenses budget).

## 2. IPSA – who we are and what we do

### A Statutory framework

- 1 The Independent Parliamentary Standards Authority (IPSA) is a statutory body, independent from Parliament, Government and political parties. It was established by the Parliamentary Standards Act, which passed into law on 21 July 2009. Parliament legislated to establish IPSA following the public outcry after details of MPs' expenses claims were made public, first in the press and subsequently by the House of Commons. The Act was introduced by the previous Government, but also received the support of the two largest parties then in opposition. Between introduction and Royal Assent, the Act passed through both Houses of Parliament in only a matter of weeks.
- 2 IPSA's primary functions as set out in the Act were:
  - setting a regime of expenses for MPs;
  - administration of that regime; and
  - payment of salaries of MPs and their staff.
- 3 Following a series of recommendations from the Committee on Standards in Public Life (CSPL), the then Government, with the support of the two parties that now form the current administration, agreed to make early revisions to the Parliamentary Standards Act. Those revisions were made through the Constitutional Reform and Governance Act 2010, which received Royal Assent on 8 April 2010. The principal additional function passed to IPSA by that Act was responsibility to determine MPs' salaries and pension arrangements.

### B Vision and Values

- 4 IPSA's vision and values are as follows:

#### Vision

IPSA will have realised its goal when there is sustained public confidence in the way in which MPs are funded from the public purse.

#### Mission

Develop a settlement for MPs' expenses, pay and pensions which properly supports them in their parliamentary duties and serves the interests of the public.

Build an independent organisation which sets itself the highest standards in public service. IPSA will be consultative and open in its approach, but will exercise its own judgement as to what is right.

#### Values

All that we do in IPSA – setting standards, delivering services or running our own organisation – will be shaped by five values:

- Independence: we will maintain our independence and stand firm on what we judge to be right;
- Honesty: we will demand high standards of propriety and honesty of ourselves and all those with whom we do business;
- Openness: we will work in the open, listening to others and sharing our expertise and information, while observing our obligations to those whose personal data we hold;

- Accountability: we expect to be held accountable for our actions and, equally, we expect MPs to be held to account for the funds they receive; and
- Fairness: we expect the same qualities of honesty, openness and accountability from ourselves and from those to whom we provide services.

## C IPSA's strategic objectives

- 5 Building on the vision and the values set out above, IPSA has defined its strategic objectives. These are to deliver a fair, workable and transparent Scheme, with an engaged and motivated workforce.

## D IPSA's Board

- 6 Schedule 1, Part 1 of the Parliamentary Standards Act 2009 stipulates the constitution of the IPSA Board membership as follows:
  - 1 The IPSA is to consist of the following members –
    - (a) one member who is to chair it ('the chair') appointed in accordance with paragraph 2, and
    - (b) four other members (referred to in this Schedule as 'ordinary members') appointed in accordance with that paragraph.
  - 2 At least one of the members of the IPSA must be a person who has held (but no longer holds) high judicial office (within the meaning of Part 3 of the Constitutional Reform Act 2005 (c. 4)).
  - 3 At least one of the members of the IPSA must be a person who is qualified under Schedule 3 to the National Audit Act 1983 (c. 44) to be an auditor for the National Audit Office.

- 4 One of the members of the IPSA ('the Parliamentary member') must be a person who has been (but is no longer) a member of the House of Commons.
- 5 Apart from the Parliamentary member, a person who has been a member of the House of Commons at any time within the last five years may not be a member of the IPSA.

- 7 The Chairman and Board members were appointed following an open recruitment process, conducted by an independent panel. Members are as follows:

### Chairman: Professor Sir Ian Kennedy

Professor Sir Ian Kennedy LLD is a lawyer who, for the past few decades, has lectured and written on the law and the ethics of healthcare. He is Emeritus Professor of Health Law, Ethics and Policy at the School of Public Policy, University College of London and Visiting Professor at the London School of Economics. He has earned a reputation for safeguarding the interests of members of the public in healthcare and is, perhaps, best known as the leader of the public inquiry into the deaths in children's heart surgery at the Bristol Royal Infirmary (1998–2001). In 2010, he produced a review of Children's Services in the National Health Service.

### Former holder of high judicial office: The Rt Hon. Sir Scott Baker

Sir Scott Baker was called to the Bar in 1961. He was appointed as a Recorder in 1976 and remained one until he was appointed as a High Court Judge in the Family Division in 1988. In 1992, he transferred to the Queen's Bench Division. In 1978 he was appointed as a Queen's Counsel. He became a Lord Justice of Appeal in 2002. He was a member of the Government Committee of Inquiry into Human Fertilisation (the Warnock Committee) 1982–84. He sat as coroner for the inquests into the deaths



of Diana, Princess of Wales and Dodi Fayed in 2007 and 2008. He was made an Honorary Fellow of Brasenose College, Oxford in 2003.

#### **Auditor: Professor Isobel Sharp CBE**

Isobel Sharp is a partner at Deloitte LLP where she specialises in financial reporting, company law and corporate governance. She is a Visiting Professor at the University of Edinburgh Business School and was President of The Institute of Chartered Accountants of Scotland for 2007–08. Isobel has served on the UK's Accounting Standards Board and the Financial Reporting Review Panel. In 2009, she was awarded a CBE for services to the accountancy profession. She was a member of the Independent Review of Parliamentary Allowances group which reported in 2008 on the Reimbursement of Expenses for Members of the Scottish Parliament.

#### **Former Member of Parliament: Jackie Ballard**

Jackie Ballard has worked in the public and the voluntary sector. In her early career she was a social worker and then an FE lecturer. She has been elected to four tiers of government – Town, District and County Council and was the Member of Parliament for Taunton from 1997–2001. In Parliament, she was spokesperson on Women's Issues and on Local Government from 1997–99 and from 1999–2001 was Deputy Home Affairs Spokesman with responsibility for the voluntary sector. Between 2002 and 2007 she was Director General of the RSPCA and in October 2007 she was appointed Chief Executive of RNID (now Action on Hearing Loss).

#### **Ken Olisa OBE**

Ken Olisa is a British businessman, whose career has centred on the IT industry and on public service. After working for IBM and Wang, he founded Interregnum plc which listed on the

AIM exchange in 2000. Today he leads boutique technology merchant bank, Restoration Partners. He is on the board of Thomson Reuters and an advisor to, or Director of, several IT companies. He is Chairman of Thames Reach a charity seeking to end all homelessness in London by 2012, and in 2010 was awarded an OBE for his work in this area. He is Master of the Worshipful Company of Information Technologists and a Vice President of the British Computer Society.

### **The role of the Board**

- 8 IPSA's Board is responsible for deciding the policies that form the scheme governing MPs' expenses. The Board is also responsible for setting IPSA's strategic direction. The Board meets at least once each month. Minutes of Board meetings are published on IPSA's website.

### **E IPSA's senior management**

- 9 IPSA's Senior Leadership Team is led by the Chief Executive who is responsible for delivery in line with the policy direction set by the Board. The executive Directors of IPSA are as follows:

Andrew McDonald, Chief Executive, joined IPSA in October 2009 on secondment from the Ministry of Justice.

Bob Evans, Director of Finance and Corporate Services, joined IPSA in December 2010, having previously been Finance Director at the Serious Fraud Office.

Anne Power, Director of Communications, joined IPSA in September 2010 from the Foreign and Commonwealth Office.

John Sills, Director of Policy, joined IPSA in February 2010 on a two year secondment from the Ministry of Justice.

Scott Woolveridge, Director of Operations, joined IPSA in October 2010, from the retail financial services sector.

## **F The Compliance Officer for IPSA**

- 10 The Constitutional Reform and Governance Act 2010 created provision for a new statutory office-holder, the Compliance Officer, whose principal function is to investigate claims that an MP may have been paid an expense to which he or she was not entitled.
- 11 Group Captain Alan Lockwood was appointed as Interim Compliance Officer in June 2010. Following an open competition to make a permanent appointment, Luke March took up post in March 2011. He has a background in regulated businesses and was most recently Compliance Director at the Royal Mail.
- 12 The Compliance Officer reports to IPSA's Board and acts wholly independently of IPSA's executive. A separate report from the Compliance Officer is at Part III of this document.

Scott Woolveridge  
Acting Chief Executive

30 June 2011

# 2

## Annual Accounts

## 3. Statement of Accounts

### A Introduction

- 1 The statutory framework governing IPSA's activities is set out in Section 2. The financial statements on pages 36 to 54 cover the full financial year although the figures for MPs' pay and for the Expenses Scheme are based on 11 months of operation since 7th May 2010. The IPSA accounts have been prepared to meet the requirements of the Parliamentary Standards Act 2009 and in accordance with the Government Financial Reporting Manual 2010–11, as specified in the directions issued by HM Treasury.

### B Management Commentary

- 2 The IPSA Estimate consists of three subheads:
  - Subhead A which includes programme funding for MPs' salaries, MPs' staff salaries and MPs' expenses. This subhead was substantially underspent, to the order of 21% of estimate, in 2010–11. This was due to the general election in May 2010 and slow build up of expenditure, particularly by new MPs.
  - Subhead B which contains IPSA's operational costs, including those of the Compliance Officer. This subhead was slightly underspent (1.2%) during 2010–11.
  - Subhead C which contains certain set-up costs originally granted as part of the 2009–10 Estimate and carried over to 2010–11. This includes training costs for MPs, MPs' staff and IPSA staff in the new scheme, contractors and seconded staff who were not part of the IPSA establishment and the costs of transferring staff from the House of Commons and harmonising their

terms and conditions with IPSA. The outstanding Estimate provision was fully spent in 2010–11.

#### Going concern note

- 3 The Statement of Financial Position at 31 March 2011 shows a negative taxpayers' equity. This is a technical accounting position which is due to the need to keep adequate cash reserves to meet claims and does not reflect the underlying financial position which is that expenditure has been less than the Supply Estimate. The future financing of IPSA is met by grants of supply approved annually by Parliament and there is no reason to believe that future approvals will not be forthcoming. Therefore, it is considered appropriate to adopt a going concern basis for the preparation of IPSA's accounts.

#### Investment and funding

- 4 As an independent public body, IPSA is accountable to Parliament for its expenditure. Parliamentary approval for its 2010–11 spending plans was sought through its Supply Estimate (HC 229) presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds to be voted. IPSA drew down voted funds during the year from the Consolidated Fund as required.

#### The Speaker's Committee, Chair and members of IPSA

- 5 The Speaker's Committee for IPSA was established under the Parliamentary Standards Act 2009. Its current members include the Speaker, the Rt. Hon. John Bercow MP, the Rt. Hon. Sir George Young MP, Bob Russell MP, the Rt. Hon. Nicholas Brown MP, Laura Sandys MP, the Rt. Hon.

Hilary Benn MP, Charles Walker MP and the Rt. Hon. Kevin Barron MP. During 2010–11, the Rt. Hon Rosemary Winterton MP was also a member. In addition the Committee has three lay members: Sir Anthony Holland, Elizabeth McMeikin and Dame Janet Gaymer, who were appointed in January 2011.

- 6 The Committee has two key roles:
- a) it considers the candidates proposed by the Speaker for the posts of Chair and Members of IPSA before these candidates are appointed by Her Majesty the Queen on an address of the House of Commons; and,
  - b) it reviews IPSA's annual Estimate of the resources it needs, before the Estimate is laid before Parliament. Its aim in doing so is to ensure the Estimate is consistent with the efficient discharge of IPSA's functions.
- 7 Information about the Chair and members of IPSA is at Section 2.

### **Main activities and objectives**

- 8 The Chief Executive's report at Section 1 contains a commentary on IPSA's main activities and objectives.

### **Governance**

- 9 The Parliamentary Standards Act 2009 appointed the Comptroller and Auditor General, Head of the National Audit Office, as the external auditor for IPSA. As disclosed in the notes a total notional cost of £95,000 was incurred in the financial audit services provided by the Comptroller and Auditor General.
- 10 The Internal Audit service is provided by PricewaterhouseCoopers (PwC), who report to IPSA's Audit and Risk Committee.

- 11 IPSA has established governance procedures in line with Cabinet Office guidelines, which are set out below in the Statement on Internal Control.

### **Policy for payment of suppliers**

- 12 IPSA's policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of goods and services or the presentation of a valid invoice, whichever is the later. During the past year, IPSA paid 84% of its invoices, by value, within the target period.

### **Personal Data**

- 13 Details of IPSA's information security policy and practice can be found in the Statement on Internal Control.

### **Pensions and staff-related issues**

- 14 Permanent employees of IPSA are eligible for membership of a Civil Service pension scheme. These schemes include a choice between a defined benefit scheme and stakeholder pension. Liability will rest with the schemes and not with IPSA.
- 15 Remuneration for the Chair and Board of IPSA and for lay members of the Speaker's Committee is not pensionable. The pension arrangements for Civil Service staff on secondment to IPSA are dealt with by their seconding department.
- 16 Information about our approach to managing staff is contained in the section headed 'People' in Section 1.

### **Events after the Reporting Period**

- 17 There have been no events since the date of the Statement of Financial Position that would affect the financial statements for the year ended 31 March 2011.

## Use of Resources

18 The following table compares the Estimate with the outturn for resource and capital

	Estimate	Outturn	Underspend/ (Overspend)
	£'000	£'000	£'000
<b>MPs Expenses</b>			
Subhead A			
MPs salary	44,911	42,919	1,992
MPs staff salary and pensions	65,272	55,684	9,588
MPs expenses (capped)(1)	24,635	14,616	10,019
MPs expenses (uncapped)(1)	13,820	4,763	9,057
Winding up	-	76	(76)
<b>Subtotal</b>	<b>148,638</b>	<b>118,058</b>	<b>30,580</b>
<b>IPSA Operating costs</b>			
Subhead B (2)			
IPSA Staff	3,848	4,042	(194)
Non Staff Costs (3)	2,051	1,917	134
Non Cash	561	429	132
Compliance recharge	(307)	(307)	0
<b>Subtotal</b>	<b>6,153</b>	<b>6,081</b>	<b>72</b>
<b>Compliance Officer (4)</b>	<b>307</b>	<b>307</b>	<b>0</b>
Subhead C (2)			
One-off set up costs	1,483	1,482	1
<b>IPSA Subtotal</b>	<b>7,943</b>	<b>7,870</b>	<b>73</b>
<b>Total Resources Estimate</b>	<b>156,581</b>	<b>125,928</b>	<b>30,653</b>
<b>Capital</b>	<b>5,051</b>	<b>3,479</b>	<b>1,572</b>
<b>Total Estimate</b>	<b>161,632</b>	<b>129,407</b>	<b>32,225</b>

### Notes

- (1) MPs' expenses are divided into capped budgets (principally accommodation, staffing and office-based costs) and uncapped budgets (travel and subsistence). A detailed breakdown is shown at Note 7 to the accounts.
- (2) IPSA's operating costs are divided into two subheads on the Estimate. Subhead B is the Estimate for 2010-11; subhead C is made up of one-off costs involved in setting up the office which were carried over from 2009-10.
- (3) Non-staff costs are set out in detail in Note 9 of the accounts.
- (4) The Compliance Officer is an independent body reporting to IPSA's Board (see Part III of this document). Support is provided from within the IPSA Estimate but is shown and accounted for separately.

19 On resource, capital and cash the actual requirement was less than that requested. The main cause of this outcome was that the Estimate was based on the assumption that Members of Parliament would claim the maximum possible under the new scheme. In practice, this did not happen and it took time for Members to become familiar with the scheme following its introduction. Take up was therefore slower than anticipated in the first half of the year.

## Set-up

20 IPSA was granted an Estimate of £6.648m in 2009–10 to cover set-up costs, of which £4.448m was resource and £2.2m was capital. £1.483m of resource funding was carried forward into the 2010–11 Estimate as subhead C and £761k of capital. The set-up process was overseen by the Programme Team and the programme was formally closed down in late summer 2010. The set-up costs have now been fully expended as IPSA has moved into the delivery stage. In total, across both years, £4.388m of resource funding was spent on set-up costs and £2.387m of capital.

## Disclosure of audit information to the auditors

21 As far as the Accounting Officer is aware, there is no relevant audit information of which IPSA's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that IPSA's auditors are aware of that information.

Scott Woolveridge  
Temporary Acting Accounting Officer

30 June 2011

## C Remuneration Report

The following information provides details of the remuneration and pension interests of IPSA's Board Members, IPSA's Directors and the Lay Members of the Speaker's Committee for IPSA.

### 1 Chief Executive

The Chief Executive, Andrew McDonald, was selected by a panel chaired by the Speaker of the House of Commons and was appointed to the post by the Speaker. The terms and conditions, including the salary, were approved by the Speaker with the salary being benchmarked against similar public sector roles.

### 2 Chairman and Board Members

Paragraphs 4(1) and 4(2) of Part 1, Schedule 1 of the Parliamentary Standards Act 2009 allows the appointment of a Chair and up to four Board Members, each for a term not exceeding five years, with the option for a single extension of a further maximum of three years (making eight years maximum appointment).

The Speaker determines the daily rate for the members. IPSA procured advice from recruitment consultants, who carried out a benchmarking exercise, of remuneration at comparable organisations. Their report and recommendations formed the basis of the remuneration rates. The remuneration for the Chair and Board Members is non-pensionable.

Chair – £700 per day

The anticipated minimum time commitment from the IPSA Chair is approximately 2 days per week but a greater commitment may be needed at certain times, eg the period of setting up IPSA.

Board Members – £400 per day

The time commitment from the IPSA Board Members is approximately 2 days per month but as for the Chair, a greater commitment may be needed at certain times.

### 3 IPSA Staff

The Parliamentary Standards Act 2009 states that IPSA should have a Chief Executive and other staff necessary to assist in discharging the functions. The Act further provides that the remuneration and other terms and conditions should be broadly kept in line with those applying to persons employed in the Civil Service.

A majority of IPSA's staff are directly employed by IPSA on either permanent or Fixed Term contracts.

IPSA has a performance management system which ensures all employees have annual objectives which are reviewed on a bi-annual basis. In line with the public sector pay freeze IPSA did not issue any pay increases to employees in 2010–11. A Reward Strategy will be introduced in 2011–12.

### 4 Lay Members of the Speaker's Committee for IPSA

In addition to the executive and non-executive members of IPSA, IPSA is also responsible for paying the Lay Members of the Speaker's Committee for IPSA. The Committee considers the candidates proposed by the Speaker for the posts of Chair and Members of IPSA and reviews IPSA's annual Estimate of the resources it needs. The Lay Members are not employees of IPSA and are appointed under the Parliamentary Standards Act 2009, as amended by section 27 of the Constitutional Reform and Governance Act 2010. The Lay Members are paid a rate of £300 per day, but there was no remuneration or expenses paid to them in 2010–11.



The following tables provide details of the remuneration and pension interests of IPSA's Chairman, Board members, and IPSA's Directors. The information in the tables is covered by the audit opinion.

### IPSA Chair and Board Members

Name and Title	Appointed	Notice Period	End Date (when not ongoing)	2009–2010	2010–2011
				Total Remuneration	Total Remuneration
				£'000	£'000
Prof. Sir Ian Kennedy Chief Executive	4 November 2009	n/a	3 November 2014	35–40	65–70
Rt Hon. Sir Scott Baker Board Member	11 January 2010	n/a	10 January 2013	5–10	10–15
Jackie Ballard Board Member	11 January 2010	n/a	10 January 2013	5–10	5–10
Ken Olisa OBE Board Member	11 January 2010	n/a	10 January 2013	0–5	10–15
Prof. Isobel Sharp CBE Board Member	11 January 2010	n/a	10 January 2013	0–5	5–10

No benefits in kind were paid. Board members received the following expenses:

Name	Expenses reimbursed in 2010–2011	
		£
Prof. Sir Ian Kennedy		nil
Rt Hon. Sir Scott Baker		215.20
Jackie Ballard		nil
Ken Olisa OBE		nil
Prof. Isobel Sharp CBE		nil

## IPSA Chief Executive and Directors

Name and Title	Appointed	Notice Period	End Date (when not ongoing)	Total Remuneration (2009-10)	Annual Salary Equivalent (2010-11)	Salary (6) (2010-11)	Bonus (2010-11)	Total Remuneration (2010-11)
					£'000	£'000	£'000	£'000
Andrew McDonald (1) Chief Executive	14 Sep 2009	n/a	n/a	60-65	105-110	105-110	0	105-110
John Sills (2) Director of Policy	1 Feb 2010	n/a	n/a	10-15	85-90	85-90	0	85-90
Philip Lloyd (3) Director of Finance and Corporate Services	1 Mar 2010	n/a	31 Jan 2011	25-30	n/a	195-200 (includes VAT) [3]	n/a	195-200 [4]
Nigel Gooding (3)(5) Interim Director of Operations	14 Dec 2009	n/a	30 Jun 2010	60-65	n/a	55-60 (includes VAT) [3]	n/a	55-60 [4]
Adrian Rickard (3) Director of HR	14 Dec 2009	n/a	29 Oct 2010	55-60	n/a	90-95 (includes VAT) [3]	n/a	100-105 [4]
Kate Mathers (5) Director of Operations	9 Jun 2010	n/a	29 Oct 2010	n/a [5]	70-75	30-35	n/a	30-35
Scott Woolveridge (5) Director of Operations	29 Oct 2010	3 months	24 Oct 2012	n/a	80-85	35-40	n/a	35-40
Anne Power Director of Communications	20 Sep 2010	3 months	19 Sep 2012	n/a	75-80	40-45	n/a	40-45
Bob Evans Director of Finance and Corporate Services	1 Dec 2010	3 months	n/a	n/a	65-70	20-25	n/a	20-25

No benefits in kind were paid. IPSA's Directors received the following expenses:

Name	Expenses reimbursed in 2010-2011
	£
Andrew McDonald	307.17
John Sills	179.00
Philip Lloyd	nil
Nigel Gooding	nil
Adrian Rickard	nil
Kate Mathers	nil
Scott Woolveridge*	2,418.80
Anne Power	nil
Bob Evans	nil

\* Short-term relocation expenses covering hotel accommodation to allow Mr Woolveridge to take up post immediately.

## Notes

- [1] Andrew McDonald is seconded from the Ministry of Justice. His precise salary has been published by IPSA and is currently £108,600.
- [2] John Sills is seconded from the Ministry of Justice.
- [3] During IPSA's set-up period three of the director positions were filled by interims, supplied by external agencies and were engaged on a daily rate basis. The daily rate is paid only for days actually worked by the interims (sickness and annual leave is not remunerated) and the remuneration does not include a pension. As there is no pension, reporting is not required on pension scheme benefits for the interim directors. The amount documented next to each of these individuals is the total payment to the agency which includes the percentage or other mark-up of the agency as well as the VAT, at standard rate, charged by the agency.
- [4] No annual equivalent for interim directors can be estimated as interims are engaged through a contract with a third party and are engaged on different terms to permanent staff as described in note [3] above.
- [5] Nigel Gooding was the Interim Operations director for Q1 of 2010–11. Kate Mathers was appointed as Acting Director of Operations to replace Nigel Gooding when he left at the end of his contract in June 2010, and finished her secondment from the National Audit Office in October 2010. Scott Woolveridge was then appointed via open competition and joined as Operations Director on a two year fixed term contract in October 2010.
- [6] The Accounting Officer is supported by a Senior Leadership Team which includes an Operations Director, a Communications Director, a Policy Director, and a Finance & Corporate Services Director. As at March 2011, one of these directors was seconded from the Civil Service, two were on fixed term contracts and one is a permanent IPSA employee.
- [7] IPSA does not pay bonuses on staff salaries.

**Benefits in kind**

The monetary value of benefits in kind covers any expenditure incurred by IPSA and is treated by HM Revenue and Customs as a taxable emolument.

During the period to 31 March 2011, no benefits in kind have been identified as being given to the Chair, Board members, Chief Executive or Directors.

**Pension liabilities**

Non-seconded employees of IPSA are covered by the provisions of the Principal Civil Service Pension Scheme. The scheme is a defined benefit scheme and liability rests with the Scheme, and not IPSA. Benefits are paid from the Civil Superannuation Vote to which IPSA makes contributions calculated to cover accruing pension entitlement for staff employed. Details of the scheme can be found at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

**Cash Equivalent Transfer Values**

The Cash Equivalent Transfer Value (CETV) is the actuarially capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme, or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the

Civil Service pension arrangements and for which the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in CETV reflects the increase effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### Pension information for Directors

The figures given below have been supplied by 'My Civil Service Pension Scheme', who liaised with the relevant administrator for those who are secondees\*.

There are three individuals named as being IPSA Directors in the table on page 25 who are not detailed below. This is because they were interims and did not have any pension arrangements via IPSA or other government departments. These individuals are Philip Lloyd, Nigel Gooding and Adrian Rickard.

Name	Real increase in pension 2010-11	Real increase in lump sum 2010-11	Pension at end date 31 March 2011	Lump sum at end date 31 March 2010	CETV at start date	CETV at end date	Employee contributions and transfers in (£)	Real increase in CETV as funded by employer
	£'000	£'000	£'000	£'000	£'000	£'000	£	£'000
Andrew McDonald*	0-2.5	5-7.5	35-40	105-110	467	572	1,628	36
John Sills*	(0-2.5)	(0-2.5)	20-25	60-65	336	378	1,276	(6)
Anne Power	2.5-5	12.5-15	10-15	40-45	133	202	642	67
Kate Mathers	0-2.5	0	10-15	0	82	105	1,481	7
Scott Woolveridge (1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bob Evans (2)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

#### Notes

[1] Scott Woolveridge is a member of the partnership scheme. IPSA's contribution to this as employer in 2010-11 totalled £8,194.

[2] Bob Evans is not currently in the IPSA pension scheme.

## **D Statement of Accounting Officer's responsibilities**

Under the Parliamentary Standards Act 2009, HM Treasury has directed the Independent Parliamentary Standards Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction at Section 4. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of IPSA and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

The Acting Chief Executive was appointed as Temporary Acting Accounting Officer of IPSA with the consent of the Speaker of the House of Commons. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding IPSA's assets, are set out in *Managing Public Money*, published by HM Treasury.

## **E Statement on Internal Control 2010–11**

### **Change of Accounting Officer**

Scott Woolveridge, IPSA's Director of Operations, was appointed Acting Chief Executive during the absence of IPSA's Chief Executive and Accounting Officer, Andrew McDonald while he recovered from prostate surgery. From 13 June 2011, Scott Woolveridge was appointed as Temporary Acting Accounting Officer with the consent of the Speaker of the House of Commons.

### **Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Independent Parliamentary Standards Authority's policies, aims and objectives, whilst safeguarding the public funds and authority assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

As provided for by the Parliamentary Standards Act 2009, IPSA is a body corporate, independent of Government and Parliament. As Acting Chief Executive, I am Temporary Acting Accounting Officer for IPSA, appointed with the consent of the Speaker of the House of Commons.

I can confirm that a system of internal control was in place during the year, to the period ended 31 March 2011 and up to the date of approval of the annual report and accounts. The Audit and Risk Committee is a subcommittee of the IPSA Board. It is chaired by Professor Isobel Sharp and its membership is the same as that of the main Board. The Committee is responsible for reviewing internal control issues. PricewaterhouseCoopers (PWC) were appointed as internal auditors for the financial year 2010–11. IPSA's funding is also subject to scrutiny by the Speaker's Committee, which is responsible under the Parliamentary Standards Act 2009 for ensuring that the Estimate is consistent with the efficient and cost-effective discharge by IPSA of its functions.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. IPSA has developed its own system of internal control in accordance with Treasury guidance.

### **The risk and control framework**

Within IPSA, risk matters are handled primarily through the Risk and Assurance Working Group (RAWG). This is chaired by the Director of Finance and Corporate Services, who provides regular reports on risk matters to the Audit and Risk Committee. IPSA has a risk appetite policy, which has been approved by IPSA's Board, which is used in determining its risk management strategy. Risk appetite is ranked on a five point scale from zero, through low, modest, moderate to high. At present, IPSA judges that it will tolerate:

- low risks for financial matters;
- modest risks for reputation and compliance;
- moderate risks for operational and policy delivery.

The risk appetite is reviewed biannually and will be developed gradually to provide a more detailed breakdown of risk categories.

## Fraud prevention

The nature of IPSA's role means that it has to ensure the minimum possible risk of fraud, even compared to the standards normally applied to the management of public money.

For payment of MPs' expenses, this is achieved through a multi-layered assurance process consisting of:

- the underlying claims process which requires every payment to be supported by a receipt or similar documentary evidence;
- second line validation of some claims paid to ensure they comply with the rules of the scheme;
- an entirely separate internal assurance team and review process which considers a sample of payments to check they are accurate; and
- publication of all payments so that the constituents, the media and the wider public can form their own views on the probity of each transaction.

In addition to the IPSA assurance process, the Compliance Officer provides a further independent stage, through his role in reviewing and, if necessary, investigating payments.

This adds up to a rigorous and, we believe, effective, process to minimise the risk of fraudulent claims.

For IPSA's own expenditure, all payments originate within the Finance Team. Payments to suppliers are only made following the sign-off of a purchase order by the Finance Director. All invoices are subject to double signature and checking by either the Finance Director or Financial Controller, as are all payments.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and managers within IPSA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have established the following processes to maintain and review the effectiveness of the system of internal control and risk management:

- A Senior Leadership Team meets weekly to discuss and consider current business issues;
- A daily operations meeting receives and discusses reports on operational metrics and performance, including steps they are taking to manage any risk to service delivery standards;
- The Risk and Assurance Working Group has responsibility for the management of risk and issues across the authority including advising the Audit Committee on an appropriate risk appetite and for ensuring that all staff are aware of and use the risk management processes;
- Internal Audit services are provided by PwC. The Internal Audit service provides regular reports, which meet the Government Internal Audit Standards and deliver an independent opinion on the adequacy and effectiveness of IPSA's risk, control and governance arrangements together with recommendations for improvement;
- The Audit Committee has met regularly, in June, July, October and December 2010 and February 2011 and will continue to meet at least twice a year;

- The IT forum, a monthly meeting of senior team members, discusses and agrees actions on data information and security; and
- A project management structure has been created with a dedicated change manager and a Design Authority to approve and monitor all projects which result in changes to IPSA's operational processes.

I have received assurance statements from the Director of Operations and Finance Director which confirm the adequacy of controls within their areas of responsibility. In addition I have the benefit of reports from the head of the Assurance and Review Team, which is responsible for independently reviewing the operation of the MPs' Expenses Scheme.

The Compliance Officer, who is responsible independently to the IPSA Board for reviewing the regularity of payments under the MPs' Expenses Scheme, has also given confirmation that he is not aware of any issues which would compromise IPSA's internal controls.

An organisational review of IPSA was conducted in November 2010 which led to a number of improvements in the operational processes and management structures. Further changes are planned in the course of 2011–12. The review has improved the efficient delivery of IPSA's functions and tightened the internal control process.

### Contingency Fund

The MPs' Expenses Scheme and IPSA Estimate include provision for operation of a contingency fund for expenditure incurred by an MP, which is related to performance of the MP's parliamentary functions, but is not covered by existing budgets or if the expense will exceed any financial limits which may apply. Under paragraph 12.15 of the second Edition of the Scheme, IPSA has authority to, at its discretion, provide MPs on an

individual basis with such additional financial assistance as it deems necessary to allow the MP to carry out his or her parliamentary functions effectively.

A contingency panel, chaired by the Director of Policy, meets weekly to determine claims submitted to the contingency fund. This process has worked well and has provided important flexibility to ensure that the rules do not impede MPs' ability to carry out their parliamentary duties. During 2010–11, 243 claims totalling £1,124,634 were authorised through the contingency fund.

### 90 Day Rule

Paragraph 2.1(c) of the 2nd edition of the MPs' Expenses Scheme requires MPs to submit claims no later than 90 days after the expenditure in question was incurred. However, in accordance with its powers under the Parliamentary Standards Act 2009 to determine provisions about how a claim is dealt with, IPSA may exercise its discretion to waive the 90 days rule where the MP has:

- made a request, in writing, for an extension to the 90 days rule;
- specified the claim(s) for which he is requesting an extension by reference to individual expenses, expense type(s), budget title(s) or time span; and
- provided an explanation of the reasons why the claim(s) could not be submitted within 90 days of the expenditure in question being incurred.

In considering the request, IPSA will take account of the following factors:

- whether the MP could have foreseen the reasons why the claim(s) could not be submitted within 90 days and whether the MP took all reasonable steps to submit the claim(s) on time;
- whether the reasons are based on factors under the MP's control; and



- the number of previous occasions the MP has requested an extension and the reasons for those requests.

During 2010–11, decisions to waive the 90 days rule were made by the Head of Policy, acting under the delegated authority of the Contingency Panel.

### Internal Audit

During 2010–11, the internal auditors reviewed the following activities:

- Data security
- Risk management and corporate governance
- Operation of the MPs' Expenses, MPs' Payroll and IPSA's Staff Payroll systems
- Key Financial Processes and Controls (including IT General Controls)

Meetings with PwC are held regularly to discuss emerging issues. PwC has recognised the effective maintenance of controls during a short and rapid set-up period and noted that this was achieved through the implementation of additional manual controls. It has recommended that these manual controls are superseded by automatic system controls wherever possible. Management is gradually implementing this recommendation but will not remove the manual checks until I am completely confident in the integrity of the control environment.

In their annual opinion in support of the annual report, PwC have given a moderate assurance on the overall design adequacy and effectiveness of the system of internal control. A moderate assurance indicates that PwC have identified mostly low and medium rated risks in the course of audits of business critical systems but there have been some isolated high risk recommendations.

### Data Security

The Finance and Corporate Services Director is the Senior Information Risk Officer and advises me on the effectiveness with which we manage the risks associated with the information that IPSA handles. Each member of the Senior Leadership Team acts as an Information Asset Owner, responsible for managing the risks associated with their information assets. This accountability ensures appropriate protection is maintained. All IPSA staff have attended a programme of information management security briefings and have completed the on-line training in protecting information provided by the National School of Government. IPSA's staff have also received data protection awareness training. In September 2010 IPSA achieved full accreditation of its information systems under the Risk Management Accreditation Document Set (RMADS) standard in accordance with HMG Information Assurance (IA) Guidance Standard No 2, which informs our data security strategy. This assurance is maintained, in accordance with the risk profile throughout the service life of the information system, by regular post implementation IA reviews, which also constitute best business practice.

### Significant internal control problems

I can confirm that no significant gaps in controls and assurances were identified during the year and therefore no significant risks materialised from controls. IPSA has taken account of the experience of the Fees Office in operating the previous MPs' allowances scheme and has put in place additional controls to ensure the regularity of expenditure. In particular, it will seek to ensure that funds voted to IPSA are used for parliamentary and not political purposes.

From May 2010, IPSA began live operations including the payment of the salaries and expenses of MPs and their staff. Following experience of operating the scheme, IPSA held a short consultation, as required by statute, before amending the Scheme accordingly and issuing a Second Edition on

26 July 2010. IPSA conducted its first annual review in January and February 2011 and issued a Third Edition of the scheme on 25 March 2011, which was implemented from 1 April 2011.

The Assurance and Review team has begun a programme of analysing MPs' expenses data held by IPSA to establish whether and what patterns and trends may emerge in MPs' spending behaviours. This work will provide robust quantitative data to allow more precise statistical monitoring of expenditure. It will also assist in determining the higher-risk areas of expenditure which may benefit from improvements in internal control whilst at the same time identifying potential service delivery improvements.

Under the transitional arrangements for transferring responsibility for MPs' pay and expenses from the House of Commons to IPSA, some costs falling in 2010–11 were met from the House of Commons Members Estimate and subsequently recovered from IPSA. In particular, the House of Commons paid MPs' salary and MPs' staff salary costs up to the end of May 2010. IPSA subsequently repaid a total of £2,750,000 to the House of Commons on account of this expenditure. The repayment is included in the salary totals in these accounts. In addition, the House of Commons met some MPs' expenses during this period, of the order of £37,000. Because of differences between the two expenses schemes and the passage of time it was not deemed cost effective for either party to find evidence to justify a repayment and the House of Commons has borne this cost on its accounts.

Overpayments totalling £29,146 were made to a number of MPs' staff during the year, due to a variety of discrepancies. The individual amounts involved are small in most cases. Recovery action has been taken in all cases but where payments are still outstanding it has been judged uneconomic to take further measures to recover the sums since the cost of doing so would exceed the amounts recovered. These sums have now been written off.

On 14 July, it was reported by two MPs that, when viewing reports and making enquiries of expense claims in the expenses@work system, they were able to access details of the expense claims made by other MPs. IPSA immediately shut down the system and investigated the claim. IPSA conducted a full investigation, informing the Information Commissioner of the potential breach in data security.

The investigation found that a system administrator of an external contractor had, in error, worked on a report in the system making it available simultaneously to users of the system. IPSA contacted all 11 people who accessed the information requesting confirmation that any information obtained had been securely destroyed. The investigation found no evidence to suggest that information contained in the report was inappropriately processed or disclosed.

Following the incident, the Accounting Officer signed an undertaking with the Information Commissioners Office on 2 November 2010. In accordance with the undertaking, IPSA has changed the access and procedures for system administration. It has put processes in place to prevent unrestricted access to IPSA's systems by third-party suppliers; made changes to the system to prevent a reoccurrence due to human error; reviewed and changed access privilege levels for users; instituted a review of the full IT system; installed automatic system reporting; and undertaken refresher training for administrators. There have been no further problems of similar nature but the incident emphasises the need for constant vigilance in the handling of MPs' private data.

Scott Woolveridge  
Temporary Acting Accounting Officer

30 June 2011

## **F Certificate of the Comptroller and Auditor General**

I certify that I have audited the financial statements of the Independent Parliamentary Standards Authority (IPSA) for the year ended 31 March 2011 under the Parliamentary Standards Act 2009. 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of IPSA, the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, IPSA and the Accounting Officer are 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 certify the financial statements in accordance with the Parliamentary Standards Act 2009. 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 IPSA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by IPSA; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report 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 certificate.

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.

### **Opinion on Regularity**

In my opinion, 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 IPSA'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 Parliamentary Standards Act 2009 and directions issued thereunder by HM Treasury.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury guidance; and
- the information given in the Management Commentary 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury guidance.

## Other matter

My report, under Section 6 of the National Audit Act 1983, on IPSA and how it has performed its functions, is due to be published on 7 July 2011 (HC 1273).

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria,  
London,  
SW1W 9SP

5 July 2011

## G. 2010–11 Accounts

### Statement of Parliamentary Supply

SUMMARY OF RESOURCE OUTTURN 2010–2011									
	Note	Estimate 2010–2011			Outturn 2010–2011			2010–2011	Outturn 2009–2010
		Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total	Net total outturn compared with Estimate: saving/(excess)	Net Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RfR1:	2	156,581	0	156,581	125,928	0	125,928	30,653	1,543
<b>Total Resources</b>		156,581	0	156,581	125,928	0	125,928	30,653	1,543
Non-operating Cost A-in-A		0	0	0	0	0	0	0	0

RfR1: Establishment, operation and administration of the Independent Parliamentary Standards Authority and all activities connected to its purpose.

Determination and administration of an expenses scheme for Members of Parliament: payment of salaries and expenses of Members of Parliament and their staff. Conducting investigations carried out under the auspices of the Office of the Compliance Officer.

NET CASH REQUIREMENT 2010–2011				2010–2011	2009–2010
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)	Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	4	161,071	123,363	37,708	3,210

### Summary of income payable to the Consolidated Fund

There was no income payable to the Consolidated Fund

	Note	2010–2011 Forecast			2009–2010 Forecast	
		£'000	£'000	£'000	£'000	£'000
		Income	Receipts	Income	Receipts	
	5	0	0	0	0	

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary. The notes on pages 41 to 54 form part of these accounts.



## Statement of Financial Position

AS AT 31 MARCH 2011					
		As at 31 March 2011		As at 31 March 2010	
	Note	£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant & equipment	10	3,477		1,568	
Intangible assets	11	86		58	
<b>Total non-current assets:</b>			<b>3,563</b>	<b>1,626</b>	
<b>Current assets:</b>					
Trade and other receivables	12	1,732		49	
Cash and cash equivalents	13	3,525		2,210	
<b>Total current assets</b>			<b>5,257</b>	<b>2,259</b>	
<b>Total assets</b>			<b>8,820</b>	<b>3,885</b>	
<b>Current liabilities:</b>					
Trade and other payables	14	7,044		1,069	
Other liabilities	14	3,525		2,210	
<b>Total current liabilities</b>			<b>(10,569)</b>	<b>(3,279)</b>	
<b>Total assets less current liabilities</b>			<b>(1,749)</b>	<b>606</b>	
<b>Non current liabilities:</b>					
Provisions	15	225		110	
<b>Total non current liabilities</b>			<b>(225)</b>	<b>(110)</b>	
<b>Assets less liabilities</b>			<b>(1,974)</b>	<b>(496)</b>	
<b>Taxpayers' equity:</b>					
General fund			(1,974)	496	
Revaluation reserve			0	0	
<b>Total taxpayers' equity</b>			<b>(1,974)</b>	<b>496</b>	

The notes on pages 41 to 54 form part of these accounts.

Scott Woolveridge  
 Temporary Acting Accounting Officer  
 30 June 2011

## Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2011			
		2010-2011	2009-2010
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating cost		(125,928)	(2,905)
Adjustment for non-cash transactions			
Depreciation	9	326	0
Impairments	9	8	0
External Audit	9	95	40
Increase in provision	15	115	110
(Increase)/Decrease in trade and other receivables	12	(475)	(49)
Increase/(Decrease) in trade & other payables	14	5,975	1,069
Less movement in payables relating to items not passing through the OCS	14	279	(279)
<b>Net cash outflow from operating activities</b>		<b>(119,605)</b>	<b>(2,014)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(2,510)	(1,568)
Add non cash purchase of PPE	14	0	279
Purchase of intangible assets	11	(40)	(58)
Payment of MP property deposits and advances on expenses	12	(1,208)	0
<b>Net cash outflow from investing activities</b>		<b>(3,758)</b>	<b>(1,347)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		124,678	5,571
<b>Net financing</b>		<b>124,678</b>	<b>5,571</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period before and after adjustment for receipts and payments to the Consolidated Fund</b>			
		1,315	2,210
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,210</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>3,525</b>	<b>2,210</b>

The notes on pages 41 to 54 form part of these accounts.



## Statement of Changes in Taxpayers' Equity

FOR THE YEAR ENDED 31 MARCH 2011

		General Fund	Total Reserves
	Note	£'000	£'000
<b>Balance at 1 April 2009</b>		0	0
Changes in Taxpayers' Equity for 2009-10			
Total Comprehensive Expenditure		(2,905)	(2,905)
Non-cash charges – auditor's remuneration	9	40	40
Total recognised income and expenditure for 2009-10		(2,865)	(2,865)
Net Parliamentary Funding – drawn down		5,571	5,571
Supply payable adjustment	14	(2,210)	(2,210)
<b>Balance at 31 March 2010</b>		496	496
Changes in Taxpayers' Equity for 2010-11			
Total Comprehensive Expenditure		(125,928)	(125,928)
Non-cash charges – auditor's remuneration	9	95	95
Net Parliamentary Funding – drawn down		124,678	124,678
Net Parliamentary Funding – deemed		2,210	2,210
Supply payable adjustment	14	(3,525)	(3,525)
<b>Balance at 31 March 2011</b>		(1,974)	(1,974)

The notes on pages 41 to 54 form part of these accounts.

## Notes to the Accounts

### 1. Statement of accounting policies

These financial statements have been prepared to account for the receipt of Parliamentary Supply through the Supply Estimate (HC 229). They have been prepared in accordance with the 2010–11 Government Financial Reporting Manual (FReM) issued by Her Majesty's Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of IPSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by IPSA are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires IPSA to prepare an additional primary statement:

- The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

#### 1.1 Prior-year adjustments

The FReM requires a notional cost of capital charge to be levied on accounts up to 2009–10. The requirement to make this charge has now been removed. IPSA did not incur any capital charges in 2009–10 (see Note 1.8 below) and there has been no need therefore to restate the prior year financial statements.

#### 1.2 Accounting convention

These accounts have been prepared under the historical cost convention. There has been no revaluation of property, plant and equipment and intangibles which are considered short life assets.

#### 1.3 Financing and Going Concern

IPSA is resourced by funds approved by the Speaker's Committee for IPSA through the annual Appropriation Act. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund. Any income that IPSA may use in support of its activities (known as Appropriations in Aid) is also approved by the House of Commons in the Appropriation Act. There is no reason to believe that future funding will not be forthcoming. The Accounts have therefore been prepared on a going concern basis.

#### 1.4 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out by HMT. During 2009–10 IPSA had no programme expenditure. For 2010–11, MPs' salaries, MPs' staff salaries and MPs' expenses are deemed to be programme expenditure and IPSA operational expenditure and set-up costs are deemed to be administration costs. For 2011–12, HMT advised that since the proportion of administration cost within the total estimate is minimal, all expenditure will be reclassified as programme.

IPSA operating costs are divided between two estimate subheads, B and C. Subhead C represents set-up costs originally granted as part of the 2009–10 IPSA estimate and carried forward into 2010–11. Subhead B also includes operational expenditure on delivery of the MPs' expenses scheme.

## 1.5 Pensions

IPSA is admitted to Section 1 of the Principal Civil Service Pension Scheme (PCSPS) and past and present staff are covered by the provisions of the PCSPS schemes. The pension arrangements for civil service staff on secondment to IPSA are dealt with by their seconding Department. The defined benefit schemes are unfunded and are non contributory, except in respect of dependants' benefits. IPSA recognises the expected cost of these schemes on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for future benefits is a charge on the PCSPS. In respect of defined contribution schemes, IPSA recognises the contributions payable for the year.

## 1.6 Property, plant and equipment

Expenditure on property, plant and equipment of £5,000 or more is capitalised. All assets which are of a similar nature and function (including the recognition on purchase of the component parts) whose value, when grouped together in a singular purchase/contract, exceeds the £5,000 threshold are capitalised as a grouped asset. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended.

On initial recognition, assets are measured at cost including any costs such as installation directly attributable to bringing them into working condition. All tangible assets are deemed to be short-life or low value assets

and are, therefore, valued on the basis of depreciated historic cost as an approximation of fair value. Tangible assets are reviewed annually for impairment.

In line with IAS 37 Provisions, contingent liabilities and contingent assets, any capital provision made for the cost of restoring IPSA's leasehold property to its original state at the end of the lease will be recognised as part of the leasehold improvements asset and will be depreciated prospectively over the remaining lease term.

## 1.7 Intangible assets

Expenditure on intangible assets, which are software licenses and the associated costs of implementation, is capitalised where the cost is £5,000 or more. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended. Intangible assets are reviewed annually for impairment, and are stated at amortised historic cost. Software licences are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life of the asset.

## 1.8 Depreciation/Amortisation

Property, plant and equipment are depreciated at rates calculated to write them down to the estimated residual value on a straight-line basis over their estimated useful lives. No depreciation/amortisation is charged in the year of acquisition but full year of depreciation/amortisation is applied in the year of disposal. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended.

The residual values of assets are reviewed on an annual basis. Intangible assets are amortised in conjunction with the IT system that they are connected with.

Asset lives are assigned as follows:

Leasehold improvements	5 years or remaining life of lease
IT and computers	5 years
Other equipment	5 years
Furniture, fixtures and fittings	5 years
Intangible Assets	5 years

### 1.9 Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that IPSA will not be able to collect all amounts due according to the original terms of the receivables.

### 1.10 Operating leases

The total cost of operating leases is expensed in equal instalments over the life of the lease.

### 1.11 Provisions

IPSA provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate.

### 1.12 Value Added Tax

IPSA is not registered for VAT and, as such, all income excludes any VAT content and all expenditure is stated inclusive of VAT.

### 1.13 Staff costs

Under IAS19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them.

### 1.14 Accounting Estimates

MPs may submit a claim up to 90 days after incurring the expenditure and claims may therefore be outstanding after the date at which the accounts are finalised. An estimate of the outstanding balance of claims for MPs' expenses arising out of 2010–11 has been made by IPSA in preparing these accounts.

### 1.15 Recognition of MPs' claims

For the purpose of determining the timing of MPs' expenses claims for year end, individual claim lines are recognised according to transaction date, not the date at which the claim is submitted. Claims against invoices for which payment has not yet been made are recognised at the invoice date. Advance rental payments and other large items of expenditure made by MPs that involve an element of prepayment have been accrued for the period in question. Rental and other payments which are made direct by IPSA on the MP's behalf and which are for longer than one month in advance are accrued over the requisite period.

MPs' claims are treated as a resource expense against the IPSA Estimate and are recognised once payment has been approved, at which point a constructive obligation is established. IPSA is not responsible for the management of MPs' expenditure once the claim has been paid and does not for example, distinguish between expenditure on capital assets as opposed to consumable items. These are a matter for the MP concerned.

### 1.16 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, IPSA discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament. There were no contingent liabilities in this period.

### **1.17 Segmental Reporting**

IPSA's operating segments correspond with the Subhead detail of the 2010–11 IPSA Request for Resources. These activities were evaluated regularly by the Accounting Officer and Management Board when allocating resources and assessing performance. Segment results are reported for expenditure only. The reporting structure of IPSA during the year was as follows:

Subhead A:  
MP and MP staff pay and expenses

Subhead B:  
IPSA Administration costs (including IPSA Compliance Officer function)

Subhead C:  
Residual IPSA One-Off Set Up Costs Budget brought forward from 2009–10

Net resource outturn for the year by operating segment corresponds with Net Resource outturn by section set out in Note 2.

### **1.18 Impending application of newly issued accounting standards not yet effective**

IPSA provides disclosure that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that the initial application of the new standard will have on IPSA's financial statements. There were no new standards issued for 2010–11 and not applied, which would materially affect IPSA's financial statements. IPSA has also not adopted any standards early.

## 2. Analysis of net resource outturn by section

	2010–2011 Outturn			2010–2011 Estimate		2009–2010
	Gross Resource Expenditure	A in A	Net Total	Net Total Estimate	Net total outturn compared with Estimate excess/(deficit)	Prior Year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000
Rfr1: Establishment, operation and administration of the Independent Parliamentary Standards Authority and all activities connected to its purpose						
1A MPs' pay, staffing and expenses	118,058	0	118,058	148,638	30,580	0
1B IPSA Administration	6,388	0	6,388	6,460	72	1,543
1C Residual Set Up costs	1,482	0	1,482	1,483	1	0
<b>Resource Outturn</b>	<b>125,928</b>	<b>0</b>	<b>125,928</b>	<b>156,581</b>	<b>30,653</b>	<b>1,543</b>

For the purposes of these accounts Subhead C includes residual set-up expenditure solely within the categories of expenditure set out in the 2010–11 Estimates Memorandum: contracted and seconded staff in the IPSA Programme Team who were not part of the permanent establishment, harmonisation of terms of conditions for staff transferring to IPSA from the House of Commons and other set-up commitments, including the resource costs of remaining IT set-up, professional fees and accommodation for the Programme Team.

## 3. Reconciliation of net resource outturn to net operating cost

	Note	2010–2011			2009–2010
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
		£'000	£'000	£'000	£'000
Net Resource Outturn	2	125,928	156,581	30,653	1,543
Non-supply income (CFERs)		0	0	0	0
<b>Net operating cost</b>		<b>125,928</b>	<b>156,581</b>	<b>30,653</b>	<b>1,543</b>
Net Capital Outturn					
1A MPS' pay, staffing and expenses		1,208	2,600	1,392	
1B IPSA Administration		1,510	1,690	180	
1C Residual Set Up costs		761	761	0	
<b>Total</b>		<b>3,479</b>	<b>5,051</b>	<b>1,572</b>	<b>574</b>
<b>Total Net Outturn</b>		<b>129,407</b>	<b>161,632</b>	<b>32,225</b>	<b>2,117</b>

IPSA accounts for its capital estimate as a single block. Some items of capital investment, in particular advances to MPs and loans to MPs for property deposits (£1.208m), fall naturally within the ambit of Subhead A. Capital spend in establishing the initial IT investment has been attributed to Subhead C in the first instance and, once fully expended, remaining costs have been charged to Subhead B. The estimate total has therefore been attributed across the subheads.

#### 4. Reconciliation of net resource outturn to net cash requirement

	Note	2010-2011		
		Estimate	Outturn	Net total outturn compared with Estimate: Saving/ (excess)
		£'000	£'000	£'000
Net Resource Outturn	2	156,581	125,928	30,653
<b>Capital:</b>				
Acquisition of property, plant and equipment	10	2,451	2,231	220
Purchase of intangible assets	11	0	40	(40)
Property deposits and advances on expenses for MPs	12	2,600	1,208	1,392
<b>Net Outturn</b>	<b>3</b>	<b>161,632</b>	<b>129,407</b>	<b>32,225</b>
<b>Accruals adjustments:</b>				
Non-cash items				
Depreciation	9	(411)	(326)	(85)
Impairments	9	0	(8)	8
Auditors remuneration	9	(150)	(95)	(55)
Changes in working capital other than cash	12,14	0	(5,500)	5,500
Changes in provision for liabilities and charges	15	0	(115)	115
<b>Net cash requirement</b>		<b>161,071</b>	<b>123,363</b>	<b>37,708</b>

#### 5. Analysis of income payable to the Consolidated Fund

There was no income payable to the Consolidated Fund during the year ended 31 March 2011.

#### 6. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

No reconciliation is required as there was no income payable to the Consolidated Fund during the year ended 31 March 2011.

## 7. Programme costs

	2010-2011		
	Note	£'000	£'000
<b>MP and MP Staff Pay and Expenses:</b>			
MP Salary cost		39,157	
MP Staff Salary cost		46,861	
Employers National Insurance		8,132	
MP Staff Superannuation		4,453	
MP Winding Up Costs		76	
			<b>98,679</b>
<b>Capped Budgets</b>			
<b>Accommodation Expenses and Constituency Office Rental:</b>			
Property rent		6,258	
Mortgage interest		455	
Utility costs		429	
Council Tax		339	
Service Charges		230	
Rates		229	
Other premises costs		235	
Insurance		147	
			<b>8,322</b>
<b>General Administrative Expenditure:</b>			
Professional services		1,202	
Stationery and other office supplies		1,171	
Telephone and internet		968	
Pooled services		763	
Computers		721	
Office Furniture		283	
Photocopiers and televisions		244	
Publicity, advertising and communications		199	
Website design and hosting		170	
<b>Other</b>		<b>573</b>	
			<b>6,294</b>
<b>Total Capped Expenditure</b>			<b>14,616</b>
<b>MP and MP Staff pay costs and capped expenses carried forward</b>			<b>113,295</b>

(continued on next page)



<b>Uncapped Budgets Travel:</b>		
Rail	1,407	
Car	1,118	
Air	718	
Taxi	56	
Other	126	
<b>Other uncapped Budgets:</b>		
Hotels	522	
Training	483	
Parking	104	
Food and drink	74	
Other	155	
<b>Total Uncapped Expenditure</b>		<b>4,763</b>
<b>Total Programme Expenditure</b>		<b>118,058</b>

## 8. Staff numbers and related costs

8.1 Staff costs comprise:	2010–2011					2009–2010
	£'000	£'000	£'000	£'000	£'000	£'000
	Total	Permanent Staff	Seconded Staff	Agency Staff	Chairman & IPSA Board	Total
Wages & salaries	2,392	1,544	741	0	107	595
Social security costs	198	136	51	0	11	51
Other pension costs	378	235	143	0	0	101
Seconded staff – VAT	49	0	49	0	0	4
<b>Sub-total</b>	<b>3,017</b>	<b>1,915</b>	<b>984</b>	<b>0</b>	<b>118</b>	<b>751</b>
Agency staff	2,220	0	0	2,220	0	795
<b>Total net costs</b>	<b>5,237</b>	<b>1,915</b>	<b>984</b>	<b>2,220</b>	<b>118</b>	<b>1,546</b>
2009–10	1,546	0	689	795	62	–

Full details of the remuneration of the Board and senior managers is provided in the Remuneration Report.

### 8.2 Superannuation

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but IPSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2010–11, employers' contributions of £ 223,510 were payable to the PCSPS (2009–10 £0) at one of four rates in the range 16.7 to 24.3 per cent (2009–10: 16.7 to 24.3 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2009–10 and will remain unchanged until 2012–13. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £11,042 (2009–10 £0) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2009–10: n/a) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £747 (0.8 per cent; 2009–10: n/a) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £1,630.

### 8.3 Average number of persons employed

The average number of whole-time equivalent persons employed or seconded to IPSA during the period was as follows. These figures include all those working in the IPSA Programme Team in addition to those employed directly by IPSA. The average was calculated as the average of people in post by month over the 12 months to 31 March 2011.

Number	2010-2011				
	Total	Permanent Staff	Seconded Staff	Agency Staff	Chairman & IPSA Board
IPSA administration	88	39	9	35	5
<b>Total</b>					
2009-10	41	0	21	15	5

IPSA are required to report on any exit packages agreed with staff during the financial year. In 2010-11, there were no redundancy or other departure costs paid to staff members.

## 9. Other administration costs

	2010-2011	2009-2010
	£'000	£'000
Rent, rates and service charges	768	279
Other property costs	119	45
IT services and telephony	517	249
Legal	212	95
Internal audit services	106	0
Recruitment and advertising	101	106
Training	80	0
Printing postage and stationery	117	0
Professional services	77	268
Publicity	54	0
Travel & subsistence	28	0
Accommodation search, design and relocation	0	202
Conferences and events	0	47
Non-cash items:		
Depreciation	326	0
Impairment	8	0
External audit	95	40
Other	25	28
<b>Total</b>	<b>2,633</b>	<b>1,359</b>

## 10. Property, plant and equipment

	Building	Information Technology	Furniture and Fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2010	899	402	267	1,568
Additions	145	2,086	0	2,231
Disposals	0	0	0	0
Impairments	0	(8)	0	(8)
Revaluations	0	0	0	0
<b>At 31 March 2011</b>	<b>1,044</b>	<b>2,480</b>	<b>267</b>	<b>3,791</b>
<b>Depreciation</b>				
At 1 April 2010	0	0	0	0
Charged in year	180	80	54	314
Disposals	0	0	0	0
Impairments	0	0	0	0
Revaluations	0	0	0	0
<b>At 31 March 2011</b>	<b>180</b>	<b>80</b>	<b>54</b>	<b>314</b>
<b>Net book value at 31 March 2011</b>	<b>864</b>	<b>2,400</b>	<b>213</b>	<b>3,477</b>
<b>Net book value at 31 March 2010</b>	<b>899</b>	<b>402</b>	<b>267</b>	<b>1,568</b>

All assets are owned and there are no finance leases.

Building assets relate to leasehold improvements and a capital provision for the future costs of returning the leasehold property to its original condition at the end of the lease in 2015.

	Building	Information Technology	Furniture and Fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2009	0	0	0	0
Additions	899	402	267	1,568
Disposals	0	0	0	0
Impairments	0	0	0	0
Revaluations	0	0	0	0
<b>At 31 March 2010</b>	<b>899</b>	<b>402</b>	<b>267</b>	<b>1,568</b>
<b>Depreciation</b>				
At 1 April 2009	0	0	0	0
Charged in year	0	0	0	0
Disposals	0	0	0	0
Impairments	0	0	0	0
Revaluations	0	0	0	0
<b>At 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2010</b>	<b>899</b>	<b>402</b>	<b>267</b>	<b>1,568</b>
<b>Net book value at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 11. Intangible assets

Intangible assets comprise the software licences for the Enterprise IT solutions and BACS payment system	Total
	£'000
<b>Cost or valuation</b>	
At 1 April 2010	58
Additions	40
Disposals	0
Revaluation	0
<b>At 31 March 2011</b>	<b>98</b>
<b>Amortisation</b>	
At 1 April 2010	0
Charged in year	12
Disposals	0
Revaluation	0
<b>At 31 March 2011</b>	<b>12</b>
<b>Net book value at 31 March 2011</b>	<b>86</b>
<b>Net book value at 31 March 2010</b>	<b>58</b>
<b>2009–10</b>	
<b>Cost or valuation</b>	
At 1 April 2009	0
Additions	58
Disposals	0
Revaluation	0
<b>At 31 March 2010</b>	<b>58</b>
<b>Amortisation</b>	
At 1 April 2009	0
Charged in year	0
Disposals	0
Revaluation	0
<b>At 31 March 2010</b>	<b>0</b>
<b>Net book value at 31 March 2010</b>	<b>58</b>
<b>Net book value at 1 April 2009</b>	<b>0</b>

IPSA does not have any intangible assets under a finance lease.

## 12. Trade receivables and other current assets

	2010-2011	2009-2010
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade receivables	22	22
MP property deposits and advances on expenses	1,208	0
Other receivables	502	27
<b>Total</b>	<b>1,732</b>	<b>49</b>

Property deposits of £352k are provided to MPs to secure rented accommodation and are repayable when the accommodation is vacated. Expenses advances of £856k were provided to MPs to assist with initial cashflow requirements. MPs are required to repay these in full by the end of the current Parliament.

## 13. Cash and cash equivalents

	2010-2011	2009-2010
	£'000	£'000
Balance at 1 April	2,210	0
Net changes in cash and cash equivalent balances	1,315	2,210
<b>Balance at 31 March</b>	<b>3,525</b>	<b>2,210</b>
<b>The following balances were held at:</b>		
Government Banking Service	3,525	0
Office of HM Paymaster General	0	2,210
<b>Balance at 31 March</b>	<b>3,525</b>	<b>2,210</b>

The Government Banking Service replaced the Office of Paymaster General. The Office of Paymaster General account was closed October 2010.

## 14. Trade payables and other current liabilities

	2010-2011	2009-2010
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	2,958	19
Trade payables	338	16
Other payables	916	0
Accrual for Member and Member staff expenses	2,150	0
Other accruals and deferred income	682	755
Non current asset accruals	0	279
<b>Sub-total</b>	<b>7,044</b>	<b>1,069</b>
<b>Amounts issued from the Consolidated Fund for Supply but not spent at year end</b>	<b>3,525</b>	<b>2,210</b>
<b>Total</b>	<b>10,569</b>	<b>3,279</b>

There are no amounts falling due after more than one year.

## 15. Provisions for liabilities and charges

	Dilapidations	Other	Total
	£'000	£'000	£'000
Balance at 1 April 2010	110	0	110
Provided in the year	81	34	115
Balance at 31 March 2011	191	34	225

Provisions and liabilities relate mainly to the restoration of IPSA's leasehold property to its original state at the end of the lease in March 2015.

## 16. Capital commitments

	2010-2011	2009-2010
	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant and equipment	0	108
Intangible assets	0	145
There were no capital commitments as at 31 March 2011		

## 17. Commitments under leases

17.1 Operating leases	2010-2011	2009-2010
	£'000	£'000
Total future minimum lease payments under operating leases are given in the table below for each of the following periods		
Obligations under operating leases for the following periods comprise:		
<b>Buildings</b>		
Not later than one year	352	348
Later than one year and not later than five years	1,056	1,392
Later than five years	0	0
	<b>1,408</b>	<b>1,740</b>

Lease commitments include IPSA's rental property and are stated inclusive of VAT. The total rental expenditure recognised in 2010-11 is 503k out of the £768k disclosed in note 9. £352k relates to the rental of the building held under an operating lease, the remaining £151k relates to rental payments to the Ministry of Justice.

### 17.2 Finance leases

IPSA does not hold any finance leases

## 18. Other financial commitments

IPSA has not entered into any non-cancellable contracts or entered into any quantifiable guarantees, indemnities or provided any letters of comfort.

## 19. Financial instruments

IPSA's resources are met from Parliament through the Estimates process and, more specifically through the Speaker's Committee. IPSA has no powers to borrow money or to invest surplus funds. Other than any financial assets which may be generated by day-to-day operational activities, IPSA holds no financial instruments.

### Liquidity Risk

IPSA's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. IPSA is not, therefore, exposed to material liquidity risks.

### Credit Risk

Given the nature of IPSA's activities, the client base of MPs and their staff and the powers inherent to IPSA to recover any monies owing, IPSA believes that it is not exposed to any material credit risk.

## 20. Contingent liabilities disclosed under IAS 37

There are no contingent liabilities that require disclosure under IAS 37.

## 21. Losses and special payments

Overpayments of £29,146 were made to MP staff due to late notification of changes in pay detail and other reasons, as set out in the Statement of Internal Control. These amounts could not be recovered and have been written off.

## 22. Related-party transactions

IPSA still considers the Ministry of Justice (MoJ) to have been a related party in the year ended 31 March 2011. MoJ staff contributed to the production of IPSA Financial Statements in the first quarter of the year and formed part of the Programme Team. Transactions were no longer processed using MoJ accounting systems but IPSA did rent office space from MoJ until 31 August 2010. The cost of this was £151k which was

paid during the year. During 2010–11, MoJ incurred further expenditure totalling £617k on behalf of IPSA and these transactions are fully included in this set of accounts. MoJ repaid the balance owing to IPSA of £27k which was included as a receivable in the 2009–10 Financial Statements.

IPSA has no direct or indirect sponsorship or agency relationships with any other public body, private body or company, with the exception of Parliament itself.

Details of the remuneration of the Chair, Board Members and Directors are detailed in the Remuneration Report.

## 23. Third-party assets

IPSA does not currently hold any third-party assets as defined in the Financial Reporting Manual.

## 24. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on the C&AG certification date. There are no other significant events after the reporting period.

## 4. Accounts Direction

given by the HM Treasury, in accordance with paragraph 23(2), part 2 of schedule 1 to the Parliamentary Standards Act 2009.

- 1 The Independent Parliamentary Standards Authority shall prepare resource accounts for the financial year ended 31 March 2011 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for the financial year for which the accounts are being prepared.
- 2 The accounts shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs of the Independent Parliamentary Standards Authority at 31 March 2011 and subsequent financial year ends, and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
- 3 Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.
- 4 This direction replaces the direction dated 29 October 2010.

Chris Wobschall  
Head, Assurance and Financial Reporting  
Policy, HM Treasury

16 April 2011



# 3

## Annual Report from the Compliance Officer

This section sets out the Annual Report from the Compliance Officer for IPSA for 2010–2011. It is Presented to IPSA pursuant to Schedule 2 of the Parliamentary Standards Act 2009

## 5. Compliance Officer for IPSA

### A Introduction

#### Constitutional Reform and Governance Act/ IPSA

- 1 The post of the Compliance Officer for the Independent Parliamentary Standards Authority (IPSA) is a statutory office under the Parliamentary Standards Act 2009 (PSA), as amended by the Constitutional Reform and Governance Act 2010 (CRAG). Under the CRAG the Compliance Officer is responsible for carrying out two separate functions, which are to:
  - (a) review a determination by IPSA to refuse an MP's expense claim in whole or in part; and
  - (b) conduct an investigation if he or she has reason to believe that a member of the House of Commons may have been paid an amount under the expenses scheme that should not have been allowed.
- 2 The period covered by this report sets out the establishment of the Compliance Officer's role within IPSA and includes the development of policy, the development of investigatory procedures, the recruitment of staff and the training undertaken to ensure the office would be fit for its purpose.
- 3 The appointment of the interim Compliance Officer, Alan Lockwood, on 10 May 2010 began the process. The primary task for the interim Compliance Officer was to focus on the setting up of the Compliance Office and the development and implementation of relevant policies and procedures. Part of this involved expanding on the guidance issued by IPSA on the Compliance Officer's investigatory procedures; much credit is due to the IPSA Policy team for the work carried out during the process of development and consultation.

### B Relationship with IPSA

- 4 The Compliance Officer is appointed by and directly reports to the IPSA Board. However, whilst being appointed by IPSA, the Compliance Officer is an independent office holder and not part of IPSA's executive branch. The Compliance Officer sits neutrally, separate from MPs and IPSA.
- 5 In respect of the status of the Compliance Officer's staff, they are considered to be employees of IPSA and are afforded the same rights as other IPSA personnel. In accordance with the PSA, IPSA is required to provide the Compliance Officer with adequate resources and staff, in order to discharge his or her functions. The staff act solely on the instruction of the Compliance Officer, and their functions are entirely separate from those of the executive branch of IPSA.
- 6 However, in implementing the legislation governing the Compliance Officer there has been a need to develop a dialogue with the executive branch of IPSA. Such communication has been essential for establishing the internal procedures which will operate during the process of review. In conducting this dialogue, the need to ensure the transparency and independence of the Compliance Office has been crucial. Therefore, protocols regarding sharing information have been agreed, through discussions with the IPSA Policy and the IPSA Assurance and Review teams.

## C Development of Procedures

### Compliance Officer: Consultation

- 7 In accordance with the PSA, IPSA is responsible for providing the Compliance Officer with guidance on investigatory procedures. Under the legislation, IPSA is required to consult the Compliance Officer, the Speaker of the House of Commons, the Leader of the House of Commons, the Standards and Privileges Committee and any other person IPSA considers appropriate.
- 8 Between 16 June and 7 July 2010, IPSA carried out a public consultation regarding the Compliance Officer, and notified all MPs at the beginning of the process. Following the consultation, the 'Guidance to the Compliance Officer' was published on 26 July 2010.
- 9 The 'Guidance to the Compliance Officer' established a two stage procedure for investigations, namely the Preliminary stage and the Substantive stage. The guidance also provides for procedures for the recovery of overpayments, penalty notices and a scheme for the calculation of costs charged to MPs.

### Development of the Investigatory Procedure

- 10 Following the publication of the 'Guidance to the Compliance Officer' and the recruitment of two members of staff during the months of July and August, the period between September and December 2010 was concerned with the implementation of the Compliance Office.
- 11 In order to implement the procedures issued by IPSA, it was necessary to establish internal processes, whilst taking account of the practical application of the rules and the legality of the investigatory process itself. During the development of the internal processes, several areas were focussed on, such as the IT systems, the administrative procedures and training.
- 12 An analysis of the IT systems established a need for a website which incorporated a complaints procedure, whereby members of the public could submit complaints regarding MPs' expense claims. It was also recognised that, as part of the overarching ethos of transparency, both MPs and the public should have access to the investigative procedures, as well as the publication of investigations which reached the Substantive stage; the latter being a requirement of the PSA.
- 13 It was also recognised that a secure and auditable recording system, for information gathered during the investigatory process, had to be developed. This was established through the installation of an online case management system, which is completely separate from the system used by IPSA's executive branch.
- 14 In developing the administration procedures, it was essential to ensure that all procedures involved were subject to a clear and concise audit trail, and met legal and statutory requirements with minimum bureaucracy. Other considerations taken into account included reasonableness, proportionality and ensuring that IPSA staff fully understood the role of the Compliance Office – the last of these leading to the development of a training package for staff.

- 15 The Compliance team met officials in statutory and non-statutory bodies regarding the administration procedures and took legal advice. When these processes were complete, the investigative process was able to be implemented.
- 16 As part of the administrative setup, procurement exercises were completed in respect of both equipment and legal costs.

### Development of the Review Process

- 17 In accordance with the PSA, whilst IPSA must determine the circumstances in which the Compliance Officer is required to publish Review Statements, the Compliance Officer is solely responsible for devising procedures in respect of the Review process. However, whilst developing these procedures, it was essential to liaise with IPSA's Assurance and Review Team in order to establish a fair and consistent approach.
- 18 Therefore, in assessing what was required, it was agreed by IPSA's Assurance and Review team and the Compliance team that claims refused by IPSA would be assessed using the following approach:
  - IPSA will be notified formally in writing when a review has been requested.
  - IPSA will assist and support the Compliance Officer with the process of review and supply relevant information when requested.
  - The Compliance Officer will complete the review and assess the 'reasonableness' of the validation process, so as to avoid the adoption of different interpretations leading to possible conflict when assessing the decision made by IPSA to refuse or partially refuse an MP's expense claim.

### Joint Statements

- 19 One of the requirements of the PSA 2009 is that the Compliance Officer and IPSA must prepare a joint statement in respect of the Parliamentary Commissioner for Standards, the Director of Public Prosecutions and the Metropolitan Police Commissioner, setting out how they will work with the different bodies.
- 20 Following discussions with the IPSA Policy team and the Parliamentary Commissioner for Standards, the Director of Public Prosecutions and the Metropolitan Police Commissioner, it was agreed that separate statements would be approved in respect of each individual body. The reason was that it would be more practical than one all-encompassing statement, due to the differing interactions IPSA and the Compliance Officer would have with each.
- 21 Throughout this process, IPSA's Policy team has been instrumental in assisting the Compliance Officer in developing the relationships with the different bodies in respect of the statements, and responding to any issues, in order to achieve a suitable outcome for all concerned.
- 22 As of 31 March 2011, all the statements had been drafted but were awaiting final completion.

## D Publication of MPs' Expenses

- 23 On 2 December 2010 IPSA published the first set of MPs' expenses claims: details of some 22,000 claims made by 576 MPs were published.
- 24 The publication of the MPs' expenses resulted in the official commencement of the Compliance Officer's public role, with responses from the media and the general public increasing the numbers of enquiries to the Compliance Office. Since this date, there has been a regular flow of queries and complaints, with the total number received between 2 December 2010 and 31 March 2011 amounting to 64; during which period there have been two rounds of publications.

### Investigations

- 25 Following the first set of publications, all enquiries received concerning MPs' expense claims were analysed and assessed for accuracy, scope and proportionality by the Compliance Officer.
- 26 With the appointment of the new Compliance Officer on 31 March 2011, all potential investigations were re-assessed. Subsequently some 38 enquiries were authorised for preliminary investigation, to be commenced in the new financial year 2011–2012.

### Reviews

- 27 At the end of 31 March 2011, there were two reviews which had been submitted by MPs waiting to be taken forward.

## E Looking ahead

- 28 The commencement of this new financial year coincides with the appointment of the new Compliance Officer Luke March, previously Compliance Director of Royal Mail Group, who took office on 31 March 2011. This marks a new phase for the Compliance Office, providing an opportunity to build on the progress already achieved during the implementation process, and to commence the practical application of the investigatory and review procedures.
- 29 Throughout the year, there will also be other projects for the Compliance team to initiate, such as the potential re-design of the website, whilst maintaining the distinctions between both bodies and emphasising the independence of the Compliance Officer from the executive branch. Further, the new site will provide greater accessibility to both the public and MPs, enabling them to use the Compliance Office more effectively.
- 30 Finally, during the new financial year, a consultation process is expected to take place regarding the 'Guidance to the Compliance Officer'. In response to the appointment of a new Compliance Officer and the practical application of the guidance commencing in the new financial year, a consultation will provide an excellent opportunity to review the procedures and assess their impact on the investigatory role. The objective of this will be to ensure that the guidance reflects the most efficient and beneficial system for IPSA, members of the public, MPs and for the Compliance Officer.

Luke March  
Compliance Officer

30 June 2011



Published by TSO (The Stationery Office)  
and available from:

**Online**  
[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**  
TSO, PO Box 29, Norwich, NR3 1GN  
Telephone orders / General enquiries: 0870 600 5522  
Order through the Parliamentary Hotline  
Lo-call: 0845 7 023474  
Fax orders: 0870 600 5533  
E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)  
Textphone: 0870 240 3701

**The Parliamentary Bookshop**  
12 Bridge Street, Parliament Square,  
London SW1A 2JX  
Telephone orders / General enquiries: 020 7219 3890  
Fax orders: 020 7219 3866  
Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)  
Internet: [www.bookshop.parliament.uk](http://www.bookshop.parliament.uk)

**TSO@Blackwell and other Accredited Agents**

Customers can also order publications from  
TSO Ireland  
16 Arthur Street, Belfast BT1 4GD  
Phone: 028 9023 8451  
Fax orders: 028 9023 5401

