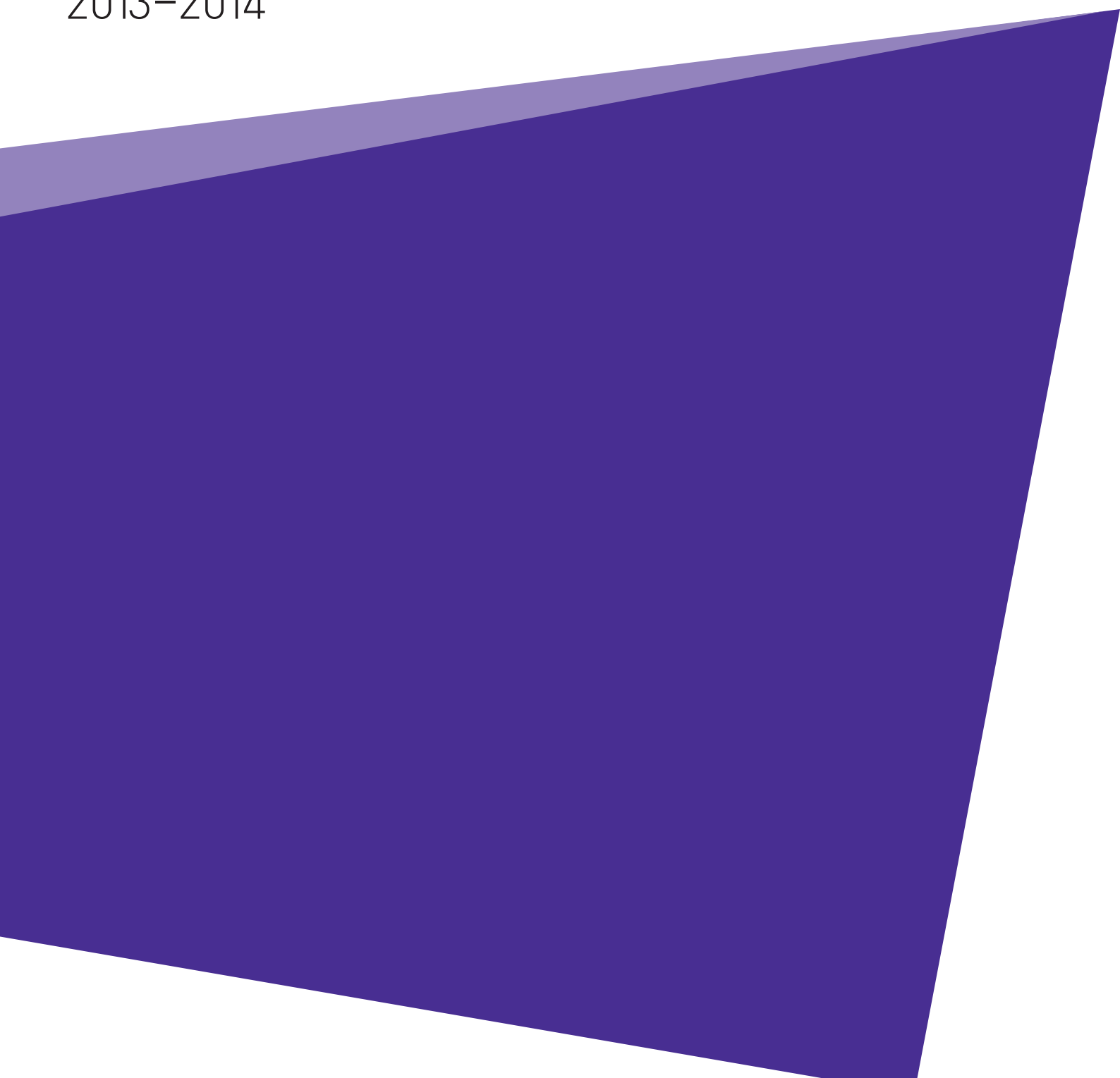


# Independent Parliamentary Standards Authority

## Annual Report and Accounts 2013–2014



Independent Parliamentary  
Standards Authority

Annual Report and Accounts for 2013-14

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# IPSA in numbers

In 2013-14 we:

- 1 Handled **190,000 claims** for office costs and expenses, of which **99% were paid correctly**
- 2 Paid reimbursable claims within an average of **9 working days**
- 3 Paid office costs and expenses to the value of nearly **£26m** to MPs and their staff
- 4 Received, on average, nearly **400 phone calls each week**, answering nearly 21,000 calls over the year
- 5 Handled over **22,000 written enquiries** from MPs and their staff – and responded to 92.9% within 5 working days
- 6 **Published** details of some **212,000 claims**, with an accuracy rate of over **99.9%**
- 7 Processed an average **monthly payroll for 3,800 MPs and their members of staff** including 1,172 new starters and 1,135 leavers, and with an accuracy rate of over **99.9%**
- 8 Ran **4 public consultations** (including two online surveys) to which we received over **4,000 responses**
- 9 Answered **238 requests under the Freedom of Information Act**
- 10 Ensured the online costs and expenses system was available for **100% of the time**

# Chair's Introduction



2013-14 was another significant year for IPSA. We continued our approach of consulting the public and Parliament on our work, of further refining the rules governing MPs' business costs and expenses and the way in which we administer those costs to become more efficient and streamlined. We also, of course, completed our review and announced the fundamental reform of MPs' remuneration, for implementation in the next Parliament. That long overdue reform tackles a problem which has hung over Parliament for centuries.

MPs' remuneration has always been in the box marked 'too difficult'. The setting of pay and conditions had previously always been in the gift of MPs, albeit advised more recently by the Senior Salaries Review Body. The lack of transparency and the emergence of unusual and, sometimes, indefensible measures increasingly raised concerns.

Now, for the first time, MPs' remuneration is being set independently by IPSA. We are doing away with the peculiarities and anomalies of the past and, following a one-off increase, linking MPs' pay to the pay of the rest of the population.

That this issue has finally been grasped and settled in a transparent, fair and sustainable way is further proof of the importance and value of independent regulation of Parliament.

IPSA's heavy programme of work during this year has been delivered at the same time that we have cut our core running costs by more than 5%. Year in, year out we are delivering more with less.

We continue to set ourselves a challenging agenda. This coming year, we will be preparing for the General Election. This will, we believe, provide an opportunity to develop further our processes, to engage with MPs and their staff in an increasingly open way, and to ensure we provide a professional and smooth transition from one Parliament to the next. We are clear that the time is right to build on our achievements to date in a way that provides a strong, new platform for the future.

Finally, I want to reflect on the important change in leadership at the heart of IPSA. Andrew McDonald led IPSA from a start up organisation in September 2009 until April 2014, when, sadly, he had to retire due to ill health following medical advice that he has incurable prostate cancer.

When looking at the job he did in establishing IPSA, the Office of Government Commerce commented that 'the impossible has been delivered'. Without Andrew, the impossible would not have been delivered. His leadership, skill, and judgement are all first class. And his courage is without equal. I speak on behalf of everyone connected with IPSA, when I thank him for all he has done and wish him well.

Prior to the permanent Chief Executive appointment, Paul Hayes was appointed as the Interim Chief Executive and Accounting Officer. In June 2014, Marcial Boo took up his role as IPSA's new Chief Executive and Accounting Officer. Under Marcial's leadership, I am confident that IPSA will continue to grow and meet the challenges it faces and increase the value it offers to MPs and the public.

We have an exciting and challenging year ahead. Everyone at IPSA is focused, determined and ready to meet those challenges. And, we will continue our track record of saving the taxpayer millions of pounds as we do so.

Professor Sir Ian Kennedy,  
Chair, IPSA



1

# Annual Report

# Section 1. Chief Executive's Report

## A. IPSA's Purpose

- 1 IPSA's role is to provide independent regulation of MPs' pay, pensions, business costs and expenses. IPSA sets and regulates the *MPs' Scheme of Business Costs and Expenses* ('the Scheme'); administers the Scheme; determines the salaries and pensions of MPs and pays the salaries of MPs and their staff.

## B. Vision and Values

### Vision

- 2 IPSA's aim and vision is to build public confidence in the way in which MPs are funded from the public purse, ensuring they are properly supported in their parliamentary functions. All that we do in IPSA – as a regulator, administering the Scheme, or running our own organisation – is shaped by five values:

- **Independence:** we maintain our independence and stand firm on what we judge to be right;
- **Honesty:** we demand high standards of propriety and honesty of ourselves and all those with whom we do business;
- **Openness:** we 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 the economic, effective and efficient use of public funds and for our actions and, similarly, 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 for whom we administer the schemes.

## C. Chief Executive's Review of the Year

- 3 This report covers activities undertaken by IPSA during the financial year 2013-14.
- 4 For IPSA, 2013-14 was dominated by the three themes we set out in our Corporate Plan, 2013-17 (available online at: <http://parliamentarystandards.org.uk/transparency/Pages/Corporate-reports-and-publications.aspx>):
  - the future remuneration of MPs;
  - our preparations for the General Election expected in 2015; and
  - the more effective and efficient administration of the *MPs' Scheme of Business Costs and Expenses*.

Each is considered in turn.

## Future Remuneration

- 5 Two principal policy issues lie at the heart of IPSA's responsibilities: those concerning MPs' business costs and expenses and those concerning their remuneration. In our first three years, our focus was on the former, but by our fourth year it was the latter that was at the forefront. After a public consultation, we published our conclusions in December 2013. Our solution to this complex and controversial problem is a package of changes (available online at: <http://parliamentarystandards.org.uk/payandpensions>) to each aspect of the way in which MPs are rewarded and supported in their jobs. Stated briefly, the package is composed of four elements:
- pay: a 9.3% one-off increase to address the historic pay gap, followed by linking MPs' pay to rises and falls in national average annual earnings;
  - pensions: an end to the generous final salary pension and its replacement with a career average scheme in line with those now introduced in the public service;
  - resettlement payments on ceasing to be an MP: the abolition of this provision, which at the 2010 election saw all MPs leaving Parliament receiving a pay-off of up to one year in salary; and
  - a further tightening of the business costs and expenses regime.

- 6 Additionally, we recommended that, in future, MPs should draw up a yearly report to describe the work they have done over the last twelve months while in receipt of public funding. This last measure is a matter for Parliament, but we will work with MPs to agree a suitable formulation. We intend to implement the rest of the package, subject to a short review of the pay component after the General Election, in the course of 2015-16.

## General Election

- 7 The forthcoming General Election was our second priority. We are responsible for helping MPs leaving Parliament to conclude their financial arrangements in good time and for the swift and effective induction of newly-elected MPs. It will be the largest single project we have undertaken since our establishment. With this in mind, we brought forward our move to new, cheaper, accommodation to April 2014 and we extended our principal contracts for IT services by 12 months to April 2016, so that we can focus effectively on preparation for the General Election in 2015.

## Administration and Costs

- 8 Our third focus has been to reduce our costs and to improve the quality and accuracy of our administration of the *MPs' Scheme of Business Costs and Expenses*. To that end we improved the way we hold and access our data to ensure it is accurate and accessible, and started to review and improve our business processes. We did this while achieving all our operational key performance indicators (KPIs) and reducing our core costs by a further 5%, in accordance with our commitment to the Speaker's Committee for the IPSA.

- 9 In addition to these three themes we continued to work on the reform of the Scheme and we did the groundwork for two policy reviews: one on office accommodation for MPs and the other on our publication of information about MPs' and IPSA's expenditure.
- 10 We also continued to challenge the Information Commissioner's ruling that we should release images of receipts as well as the recorded information they contain. The Commissioner's decision, if upheld, would cost the taxpayer an extra £650,000 every year with no meaningful additional information being made available. The issue will now be considered by the Court of Appeal.

#### D. IPSA's Board

- 11 IPSA's Board is responsible for deciding the policies that form the *MPs' Scheme of Business Costs and Expenses* and settle the remuneration of MPs. The Board is also responsible for setting IPSA's strategic direction. The Board meets at least monthly. Attendance records for individual Board members are included in the Governance Statement and minutes of Board meetings are published on IPSA's website, under the 'Transparency' banner on the home page.
- 12 In line with requirements of the Parliamentary Standards Act 2009, the Chair and Members of IPSA are as follows:

**Professor Sir Ian Kennedy**, Chair

**Sir Neil Butterfield**, Former holder of high judicial office

**Anne Whitaker**, Statutory Auditor

**Professor Tony Wright**, Former Member of Parliament

**Elizabeth Padmore**

#### E. IPSA's Senior Management

- 13 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 Directors of IPSA during 2013-14 were as follows:

**Andrew McDonald**, Chief Executive. Retired in April 2014.

**Belinda Brown**, Director of People, Performance and Pay. Appointed June 2013.

**Philip Lloyd**, Director of Finance and Operations.

**John Sills**, Director of Policy and Communications.

**Judith Toland**, Director of Programmes. Appointed February 2014.

**Paul Hayes**, Interim Chief Executive. April – May 2014

**Marcial Boo**, Chief Executive. Appointed June 2014.

#### F. Staffing

- 14 During 2013-14, IPSA employed an average of 54 full-time equivalent staff, including permanent, agency and fixed-term staff, plus five Board Members. As at 31 March 2014, 44% of staff were male and 57% of staff female, and 20% of employees stated that they were from an ethnic minority background. We monitor the background of our staff by reference to each of the "Protected Characteristics" set out in the Equality Act 2010 to improve representation and take action as necessary.

#### G. Sickness Absence

- 15 Over the 2013-14 financial year, sickness absence rates within IPSA (monitored monthly) were an average of 3.11%.

Excluding long-term absence, the sickness absence rate was 2.45%.

## **H. Pensions**

- 16 For details of IPSA's accounting treatment for pension liabilities please refer to Note 1.4 of the Annual Accounts.

## **I. Personal Data related Incidents**

- 17 During the reporting period there were two occasions where there were significant lapses in protective security, both of which were a result of human error. For further details, please refer to page 32 within the Governance Statement.

## **J. The Compliance Officer for IPSA**

- 18 The *Constitutional Reform and Governance Act 2010* created provision for a statutory office-holder, the Compliance Officer, whose principal functions are to investigate claims that an MP may have been paid an expense to which he or she was not entitled and, upon request, to review a determination by IPSA to refuse an MP's expenses claim.
- 19 Peter Davis has held the post since December 2011. He reports to IPSA's Board and acts wholly independently of IPSA's executive. His separate report is at Part III.

Marcial Boo  
Chief Executive and Accounting Officer

7 July 2014

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# 2

## Annual Accounts

## Section 2. Statement of Accounts

### A. Introduction

20 This part provides the statutory framework governing IPSA's accounts and the financial statements covering the financial year ending 31 March 2014. The IPSA accounts have been prepared to meet the requirements of the *Parliamentary Standards Act 2009* (PSA) and in accordance with the *Government Financial Reporting Manual* (FReM), as specified in the direction issued by HM Treasury.

### B. Strategic Report

21 Following scrutiny by the Speaker's Committee for the IPSA (SCIPSA), parliamentary approval for IPSA's 2013-14 spending was sought through its Supply Estimate (HC396) which consists of five subheads:

A. Programme funding for MPs' business costs and expenses comprising:

- capped budgets (accommodation, staffing and office costs);
- uncapped budgets (travel and subsistence); and
- income from capital gains and the Social Mobility Foundation.

A detailed breakdown is shown in Note 3 to the accounts. This subhead had a 3% under-spend, mainly attributable to MPs' staffing expenditure.

B. IPSA's operational costs comprising:

- staff and non-staff costs set out in detail in Notes 4 and 5 to the accounts;

- the cost of the Compliance Officer; and
- income relating to the sub-letting of IPSA's accommodation.

This subhead was under-spent by 4%.

C. Project costs arising from non-recurring expenditure that are separate from core operational costs, including:

- the review of MPs' accommodation;
- policy support for the pay and pensions review;
- preparation for the next General Election;
- the publication policy review; and
- implementation of auto-enrolment into pension schemes.

This subhead was under-spent by 47%, primarily due to a revised scope of work performed on MPs' accommodation in 2013-14 with the majority of the review to be performed in 2014-15. The auto-enrolment project was also re-scheduled for 2014-15.

D. Additional expenditure arising from the *Freedom of Information Act* (FOIA), including:

- an increase in the number and complexity of FOI requests; and
- the Information Commissioner's decision that IPSA should publish redacted receipts.



This subhead was under-spent by 84% as a result of revised scheduling of projected spend, particularly in relation to legal costs and IT projects.

E. Provisions and impairments which carry over across the year end utilised for:

- the shortfall of sub-lease rental income from Portland House following IPSA's move to the Millbank premises on 28 April 2014;
- the potential costs associated with implementing publication of MPs' receipts for office costs and expenses.

This sub-head was under-spent by 20% due to the reversal of half of the make-good provision (£96k) for Portland House that is no longer IPSA's obligation, and lower than estimated FOI publication costs.

22 On resource, capital and cash the actual requirement was less than expected; that is, the outturn was within the control totals. This was largely due to MPs not claiming for the full range of allowable Parliamentary expenditure within their annual budgets as set out in the Fifth Edition of *MPs' Scheme of Business Costs and Expenses* which came into effect in April 2013, and to an 84% under-spend on the capital budget. The table in paragraph 24 provides an analysis of outturn against Estimate.

23 The 2013-14 Main Estimate and Supplementary Estimate can be found in the corporate reports and publications section of our website at [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk).

## Use of Resources

24 The following table compares the 2013-14 Estimate with the outturn for resource, capital and cash:

|   | Estimate       | Outturn        | Underspend/<br>(Overspend) |
|---|----------------|----------------|----------------------------|
|   | £'000          | £'000          | £'000                      |
| <b>MPs' Business costs and expenses</b>   |                |                |                            |
| <b>Subhead A (1)</b>  |                |                |                            |
| MPs' salary   | 49,123         | 49,022         | 101                        |
| MPs' staff salary and pensions  | 78,212         | 78,752         | (540)                      |
| MPs' expenses (capped)  | 22,478         | 19,959         | 2,519                      |
| MPs' expenses (uncapped)  | 8,572          | 6,036          | 2,536                      |
| Programme income  | (233)          | (163)          | (70)                       |
| <b>Subtotal</b>   | <b>158,152</b> | <b>153,606</b> | <b>4,546</b>               |
| <b>IPSA Operating costs</b>   |                |                |                            |
| <b>Subhead B (2)</b>  |                |                |                            |
| IPSA staff  | 2,625          | 2,666          | (41)                       |
| Non-staff costs   | 1,764          | 1,657          | 107                        |
| Non-cash  | 1,127          | 959            | 168                        |
| Rental income   | (135)          | (135)          | 0                          |
| <b>Subtotal</b>   | <b>5,381</b>   | <b>5,147</b>   | <b>234</b>                 |
| <b>IPSA Project costs</b>   |                |                |                            |
| <b>Subhead C (3)</b>  |                |                |                            |
| Review of MPs' accommodation  | 300            | 12             | 288                        |
| Policy support for pay and pension work   | 300            | 287            | 13                         |
| Preparation for general election  | 125            | 124            | 1                          |
| Public policy review and consultation   | 68             | 26             | 42                         |
| Auto-enrolment  | 50             | 2              | 48                         |
| <b>Subtotal</b>   | <b>843</b>     | <b>451</b>     | <b>392</b>                 |
| Additional expenditure arising from the Information Commissioner's decision notice requiring IPSA to publish receipts |                |                |                            |
| <b>Subhead D (4)</b>  |                |                |                            |
| Appeal and costs contingent   | 855            | 76             | 779                        |
| Data management   | 100            | 79             | 21                         |
| <b>Subtotal</b>   | <b>955</b>     | <b>155</b>     | <b>800</b>                 |
| <b>Subhead E (5)</b>  |                |                |                            |
| Provisions and impairments  | 2,300          | 1,833          | 467                        |
| <b>Subtotal</b>   | <b>2,300</b>   | <b>1,833</b>   | <b>467</b>                 |
| <b>Capital</b>  |                |                |                            |
| MPs' Scheme   | 1,000          | (3)            | 1,003                      |
| Capital expenditure IT  | 423            | 266            | 157                        |
| Capital expenditure other   | 250            | 2              | 248                        |
| <b>Subtotal</b>   | <b>1,673</b>   | <b>265</b>     | <b>1,408</b>               |
| Total Resources   | 167,631        | 161,192        | 6,439                      |
| Total Capital   | 1,673          | 265            | 1,408                      |
| <b>Total Estimate</b>   | <b>169,304</b> | <b>161,457</b> | <b>7,847</b>               |
| <b>Net Cash Requirement</b>   | <b>166,912</b> | <b>157,370</b> | <b>9,542</b>               |

## Key Performance Indicators

25 The Corporate Plan identifies key performance indicators and associated targets, each of which is owned by a senior manager. Performance against key indicators is measured and reported monthly to the Board and published on IPSA's website. Operational performance targets for the reporting period were all achieved, as set out in the table below.

| Key performance targets  | Key Performance Indicators   | Target metrics   | Result for Year |
|--|--|--|-----------------|
| <b>Objective 1: Independent, fair and effective regulation</b>   |  |  |                 |
| To provide high levels of assurance that claims are made in accordance with the Scheme                   | The assurance programme, developed in line with the principles set out in HMT's guidance, provides the Board with appropriate levels of confidence | Fewer than 1% of claims are identified as not having been made in accordance with the Scheme                         | 0.32%           |
| <b>Objective 2: To deliver workable systems that support the schemes</b>                                 |  |  |                 |
| To efficiently pay and process MPs' claims, maintaining and seeking to improve 2010-11 service levels    | Time taken to process and reimburse MPs' business costs and expenses claims  | Claims are reimbursed within an average of 12 working days   | 8.99 days       |
| To support MPs in the execution of their parliamentary functions, with appropriate guidance and training | Users' surveys results   | Users' surveys show an increase in satisfaction levels in each year, measured against NAO survey baseline (May 2011) | Achieved        |
| To pay 100% of the salaries of MPs and their staff correctly and on time                                 | Number of payroll adjustments per month resulting from errors by IPSA as a percentage against total salaries paid                                  | Payroll accuracy levels of over 99.75% in any one month (based on information provided)                              | 99.93%          |
| <b>Objective 3: To build public confidence in the execution of its duties</b>                            |  |  |                 |
| To operate a transparent Scheme that is easily understood by MPs and the public                          | Accuracy of published information on MPs' claims   | Published information on MPs' claims maintains accuracy levels of over 99.75%  | 99.93%          |
| To operate a Scheme that accurately pays and processes MPs' claims                                       | Percentage of processed claims identified as validated in error during regular assurance and review programme activities                           | Errors identified on review account for under 1% of all validated claims   | 0.51%           |
| <b>Objective 4: To build a cost-effective organisation with engaged and motivated staff</b>              |  |  |                 |
| To build and support an engaged and motivated workforce.   | Staff engagement survey  | Survey results show increased staff engagement against 2010 baseline   | Achieved        |
| To demonstrate cost-effectiveness and provide value for money  | IPSA's annual expenditure  | 5% savings on cost on a like-for-like basis achieved year on year for period of current CSR                          | Achieved        |

## Going Concern Note

- 26 As at 31 March 2014 IPSA had a negative balance sheet position primarily attributable to the £1.83m FOI provision raised during the reporting period to recognise the potential future costs associated with implementing publication of MPs' receipts for office costs and expenses. This has been budgeted for in IPSA's 2014-15 Main Estimate (HC124) which was approved on 16 June 2014.
- 27 Given that the future financing of IPSA is met by grants of supply approved annually by Parliament, it is considered appropriate to adopt a going concern basis for the preparation of IPSA's accounts.

## Policy for Payment of Suppliers

- 28 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 98% of its invoices by value within the target period.

## Sustainability

- 29 IPSA achieved the majority of its sustainability targets for 2013-14 and has a strong commitment to reduce further controllable impacts on the environment in future. The sustainability report and commentary can be found at Annex B.

## Pensions and Staff-related Issues

- 30 Permanent employees of IPSA are eligible for membership of the Principal Civil Service Pension Scheme. This includes a choice between a defined benefit scheme and stakeholder pension. Liability will rest with the Scheme and not with IPSA.

- 31 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 home department. Further details can be found in the Remuneration Report.

## Events after the Reporting Period

- 32 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 2014.

## Disclosure of Audit Information to the Auditors

- 33 As far as I, the Accounting Officer, am aware, there is no relevant audit information of which IPSA's auditors are unaware. As Accounting Officer, I have taken all the steps that should be taken to make myself aware of any relevant audit information and to establish that IPSA's auditors are aware of that information.

Signed  
Date: 7 July 2014

Marcial Boo  
Chief Executive and Accounting Officer

## C. Remuneration Report

34 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 the IPSA (SCIPSA).

### (1) Chief Executive

35 Following the retirement of Andrew McDonald, in April 2014, Paul Hayes was appointed by IPSA's Board Members as an interim Chief Executive. Marcial Boo was appointed as the permanent Chief Executive from 3 June 2014.

36 The IPSA Board and Remuneration Committee determines the Chief Executive's terms and conditions of employment, including salary. However, as Andrew McDonald was seconded from the Ministry of Justice his level of remuneration was initially determined by his home department. It was subsequently reviewed and revised by IPSA's Board during the course of 2013-14.

### (2) Chair and Board Members

37 The Speaker determines the daily rate for the members of the IPSA Board which was set in 2009 at £700 for the Chair and £400 for the ordinary members. The daily rates remained at that level during 2013-14.

38 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.

39 The anticipated time commitment from the IPSA Chair is approximately two to three days per week and from the ordinary Board members two to three days per month, but greater commitment may be needed at certain times.

### (3) IPSA Staff

40 The Parliamentary Standards Act 2009 (PSA) provides that the remuneration and other terms and conditions of the Chief Executive and his or her staff should broadly be kept in line with those in the Civil Service.

41 A majority of IPSA's staff are directly employed by IPSA on either permanent or fixed-term contracts. In line with most of the public sector, IPSA increased employees' pay by 1% in 2013-14.

42 The remuneration of all directors is decided by the Remuneration Committee of the Board, chaired by Elizabeth Padmore, except for any Directors on secondment whose remuneration is determined by their host organisations.

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

43 In addition to the executive and non-executive members of IPSA, IPSA is also responsible for paying the Lay Members of SCIPSA. The Lay Members appointed under the PSA are not employees of IPSA. The Lay Members are paid a rate of £300 per day.

44 The following tables provide details of the remuneration and pension interests of IPSA's Chair, Board Members and Directors, and of the Lay Members of SCIPSA. The information in the tables has been audited.

## Disclosure of IPSA Chair and Board Members Remuneration for 2013-14

| Name  | Appointed | End Date | Total Remuneration in 2013-14 [1]<br>£'000 | Total Remuneration in 2012-13<br>£'000 | Expenses reimbursed in 2013-14 | Expenses reimbursed in 2012-13 |
|---|-----------|----------|--|--|--------------------------------|--------------------------------|
| Prof Sir Ian Kennedy<br><b>Chair</b>          | 04/11/09  | 03/11/14 | 40-45                                      | 60-65                                  | Nil                            | Nil                            |
| Rt Hon Sir Scott Baker<br><b>Board Member</b> | 11/01/10  | 10/01/13 | Nil  | 5-10                                   | Nil                            | Nil                            |
| Jackie Ballard<br><b>Board Member</b>         | 11/01/10  | 10/01/13 | Nil  | 5-10                                   | Nil                            | Nil                            |
| Ken Olisa OBE<br><b>Board Member</b>          | 11/01/10  | 10/01/13 | Nil  | 5-10                                   | Nil                            | Nil                            |
| Prof Isobel Sharp CBE<br><b>Board Member</b>  | 11/01/10  | 10/01/13 | Nil  | 5-10                                   | Nil                            | Nil                            |
| Sir Neil Butterfield<br><b>Board Member</b>   | 11/01/13  | 10/01/16 | 15-20                                      | 0-5                                    | £2,566.25                      | £679.30                        |
| Elizabeth Padmore<br><b>Board Member</b>      | 11/01/13  | 10/01/18 | 15-20                                      | 5-10                                   | £705.60                        | £153.52                        |
| Anne Whitaker<br><b>Board Member</b>          | 11/01/13  | 10/01/18 | 10-15                                      | 0-5                                    | Nil                            | Nil                            |
| Prof Anthony Wright<br><b>Board Member</b>    | 11/01/13  | 10/01/16 | 5-10                                       | 0-5                                    | £926.25                        | £246.15                        |

**Notes:**

**[1]** Total remuneration reflects payments made for Board time claimed by the Board member and not necessarily the complete time contribution by that member in performing their role on the IPSA Board.

**[2]** No benefits in kind were paid.

## Disclosure of SCIPSA Lay Members Remuneration for 2013-14

| Name  | Appointed | Notice Period | End Date | Total Remuneration in 2013-14<br>£'000 | Total Remuneration in 2012-13<br>£'000 |
|---|-----------|---------------|----------|--|--|
| Dame Janet Gaymer<br><b>Lay Member</b>              | 26/01/11  | n/a           | 25/01/16 | 0-5                                    | 0-5                                    |
| Sir Anthony Holland<br><b>Lay Member</b>            | 26/01/11  | n/a           | 25/01/14 | 0-5                                    | 0-5                                    |
| Elizabeth McMeikan<br><b>Lay Member</b>             | 26/01/11  | n/a           | 25/01/15 | 0-5                                    | 0-5                                    |
| Professor<br>Monojit Chatterji<br><b>Lay Member</b> | 26/01/14  | n/a           | 26/01/17 | 0-5                                    | 0                                      |

## Disclosure of IPSA CEO and Directors Remuneration for 2013-14

| <b>Name and Title</b>   | <b>Appointed</b> | <b>Notice Period</b> | <b>End Date (when not ongoing)</b> | <b>Salary (2013-14) £'000 [5]</b>       | <b>2012-13 bonuses paid in 2013-14 £'000 [6]</b> | <b>Pension Benefits (2013-14) £'000 [9]</b> | <b>Total (2013-14)</b> |
|---|------------------|----------------------|------------------------------------|---|--|---|------------------------|
| Andrew McDonald [1]<br><b>CEO</b>                                       | 14/09/09         | Seconded             | Seconded                           | 125-130                                 | 10-15  | 183   | 325-330                |
| John Sills [3]<br><b>Director of Policy and Communications</b>          | 01/02/10         | Seconded             | Seconded                           | 85-90                                   | Nil  | 23  | 105-110                |
| Philip Mabe<br><b>Acting Director of Finance and Corporate Services</b> | 12/11/12         | 1 month              | 26/04/13                           | 5-10<br>(105-110 full year equivalent)  | Nil  | 0   | 5-10                   |
| Philip Lloyd [4]<br><b>Director of Finance and Operations</b>           | 27/03/13         | 3 months             | Nil                                | 105-110                                 | Nil  | 4   | 110-115                |
| Belinda Brown [7]<br><b>Director of People, Performance and Pay</b>     | 01/06/13         | 3 months             | Nil                                | 60-65<br>(70-75 full year equivalent)   | Nil  | 15  | 75-80                  |
| Judith Toland [8]<br><b>Director of Programmes</b>                      | 11/02/14         | 1 month              | 05/02/16                           | 15-20<br>(115-120 full year equivalent) | Nil  | 3   | 20-25                  |

## Disclosure of IPSA CEO and Directors Remuneration for 2012-13

| Name and Title  | Appointed | Notice Period | End Date (when not ongoing) | Salary (2012-13) £'000 [5]              | 2011-12 bonuses paid in 2012-13 £'000 [6] | Pension Benefits (2012-13) £'000 [9] | Total including pension benefits (2012-13) |
|---|-----------|---------------|-----------------------------|---|---|--------------------------------------|--|
| Andrew McDonald [1]<br><b>CEO</b>                                       | 14/09/09  | Seconded      | Seconded                    | 105-110                                 | n/a                                       | 10                                   | 115-120                                    |
| Paula Higson [2]<br><b>Interim CEO</b>                                  | 30/07/12  | Interim       | 30/11/12                    | 30-35                                   | n/a                                       | n/a                                  | 30-35                                      |
| John Sills [3]<br><b>Director of Policy and Communications</b>          | 01/02/10  | Seconded      | Seconded                    | 85-90                                   | n/a                                       | 11                                   | 95-100                                     |
| Scott Woolveridge<br><b>Director of Operations</b>                      | 09/10/10  | 3 months      | 01/06/12                    | 15-20<br>(80-85 full year equivalent)   | n/a                                       | 0                                    | 15-20                                      |
| Anne Power<br><b>Director of Communications</b>                         | 20/09/10  | 3 months      | 19/09/12                    | 40-45<br>(75-80 full year equivalent)   | n/a                                       | 5                                    | 45-50                                      |
| Bob Evans<br><b>Director of Finance and Corporate Services</b>          | 01/12/10  | 3 months      | 30/11/12                    | 55-60<br>(80-85 full year equivalent)   | n/a                                       | 23                                   | 80-85                                      |
| Philip Mabe<br><b>Acting Director of Finance and Corporate Services</b> | 12/11/12  | 1 month       | 26/04/13                    | 40-45<br>(105-110 full year equivalent) | n/a                                       | 0                                    | 40-45                                      |
| Philip Lloyd [4]<br><b>Director of Finance and Corporate Services</b>   | 27/03/13  | 3 months      | n/a                         | 0-5<br>(105-110 full year equivalent)   | n/a                                       | 0                                    | 0-5  |



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

| Name              | Expenses reimbursed in 2013-14 | Expenses reimbursed in 2012-13 |
|-------------------|--------------------------------|--------------------------------|
| Andrew McDonald   | Nil                            | Nil                            |
| Paula Higson      | Nil                            | Nil                            |
| Scott Woolveridge | Nil                            | Nil                            |
| Anne Power        | Nil                            | Nil                            |
| Bob Evans         | Nil                            | £453                           |
| Philip Mabe       | Nil                            | Nil                            |
| John Sills        | Nil                            | Nil                            |
| Philip Lloyd      | £334                           | Nil                            |
| Belinda Brown     | Nil                            | Nil                            |
| Judith Toland     | Nil                            | Nil                            |

**Notes:**

**[1]** Andrew McDonald was seconded from the Ministry of Justice. His salary for the reporting period has been reported in the table. The Board conducted a review, including benchmarking and approved a revised salary to reflect the duties and responsibilities associated with the role. An interim CEO, Paul Hayes, was appointed in April 2014 following Andrew McDonald's retirement and was in post until Marcial Boo took up the permanent role in June 2014.

**[2]** Paula Higson was contracted as Interim Chief Executive Officer and worked on a daily rate for a total of 50 days at a cost within the range of £30,000 to £35,000 plus VAT. The daily rate was paid only for days actually worked (sickness and annual leave was not paid) and the contract did not include a provision for pension.

**[3]** John Sills is seconded from the Ministry of Justice. He was Director of Policy until 2 June 2012 when he became Director of Policy and Communications.

**[4]** There was a four week handover period between Philip Mabe, Acting Director of Finance and Corporate Services and Philip Lloyd, the permanent Director of Finance and Operations. This was to ensure as smooth a transition as possible during the busiest time of year for the Finance Team when improvements to the financial management environment were also a priority.

**[5]** The Accounting Officer is supported by a Senior Leadership Team which, during 2013-14, included the Directors shown in the table and other senior staff.

**[6]** During the reporting period, the Ministry of Justice awarded Andrew McDonald a bonus of £12,500 to reflect his performance during 2012-13.

**[7]** The Board appointed Belinda Brown as Director of People, Performance and Pay effective from 1 June 2013 to ensure that senior leadership included representation across all areas of the organisation.

**[8]** Judith Toland was appointed as Director of Programmes on 10 February 2014 on a two-year fixed term contract to lead the various projects being undertaken in the coming years, particularly planning and delivery for the next General Election.

**[9]** The value of the pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

**Benefits in Kind**

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

46 During the period to 31 March 2014, no benefits in kind were given to the Chair, Board Members, SCIPSA Lay Members, IPSA CEO or IPSA Directors.

## Pay Multiples

- 47 Reporting bodies are required by the *Government Financial Reporting Manual* (FReM) to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.
- 48 The banded remuneration of the highest-paid director in IPSA in the financial year 2013-14 was £140,000-£145,000 (2012-13, £105,000-£110,000). In 2013-14, this was 4.6 times the median remuneration of the workforce, which was £30,800 (2012-13, £30,500). The ratio has increased due to an increase in the pay of the Chief Executive, as determined by the Board, and a bonus awarded to him by his home department in respect of 2012-13 performance.
- 49 In 2013-14, no employee received remuneration in excess of the highest-paid director.

| Remuneration Ratio  | 2013-14 | 2012-13 |
|---|---------|---------|
| Band of Highest Paid Director's Total Remuneration (£ '000) | 140-145 | 105-110 |
| Median Total Remuneration (£'000)                           | 30.8    | 30.5    |
| Ratio   | 4.6     | 3.5     |

- 50 The total consultancy and contingent labour expenditure in 2013-14 was £471,000 (2012-13, £283,000). The current workforce plan does not rely on the regular use of temporary staff. Expenditure in 2013-14 was largely incurred on short-term support for the Finance and Operations Team pending the recruitment of permanent staff.

## Pension Liabilities

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

## Cash Equivalent Transfer Values

- 52 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed 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. A CETV 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.
- 53 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the *Occupational Pension Schemes*

*(Transfer Values) (Amendment) Regulations 2008* and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

#### Real Increase in the Value of the CETV

54 This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, or 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 Benefits for Directors

55 The figures given below have been supplied by My Civil Service Pension (MyCSP), the pensions' administrator for IPSA staff, after liaising with the relevant administrator for those who are secondees\*.

#### Off-payroll Engagements

56 IPSA had one new contractor (off-payroll) between 27 August 2013 and 31 March 2014, for more than £220 per day and which lasted more than six months. IPSA has received assurance in relation to their Income Tax and National Insurance obligations.

| Name                          | Real increase in pension 2013-14 (£'000) | Real increase in lump sum 2013-14 (£'000) | Pension at end date 31 March 2014 (£'000) | Lump sum at end date 31 March 2014 (£'000) | CETV at start date (£'000) | CETV at end date (£'000) | Real increase in CETV as funded by employer (£'000) |
|-------------------------------|--|---|---|--|----------------------------|--------------------------|---|
| Andrew McDonald*<br>£'000 [2] | 7.5-10                                   | 25-27.5                                   | 45-50                                     | 140-145                                    | 669                        | 860                      | 139   |
| John Sills*<br>£'000          | 0-2.5                                    | 2.5-5                                     | 20-25                                     | 70-75                                      | 435                        | 459                      | 19  |
| Philip Lloyd<br>£'000         | 0-2.5                                    | 0-2.5                                     | 0-5                                       | 0-5  | 0                          | 5                        | 1   |
| Bob Evans<br>£'000            | 0-2.5                                    | 2.5-5                                     | 0-5                                       | 5-10                                       | 32                         | 50                       | 12  |
| Judith Toland<br>£'000        | 0-2.5                                    | 0-2.5                                     | 0-5                                       | 0-5  | 0                          | 2                        | 2   |

#### Note:

[1] Pension information has been supplied by MyCSP. The figures may be different from the closing figures in the 2012-13 Accounts due to the CETV factors being updated to comply with the *Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008*.

[2] Ill health retirement costs are met by the pension scheme not by IPSA or the Ministry of Justice.

Marcial Boo  
Chief Executive and Accounting Officer

7 July 2014

## D. Statement of Accounting Officer's responsibilities

- 57 Under the Parliamentary Standards Act 2009 (PSA), HM Treasury directed IPSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction at Part II. 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.
- 58 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual (FReM)* 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 judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
  - prepare the accounts on a going-concern basis.
- 59 The IPSA Board has appointed the Chief Executive as the Accounting Officer of IPSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping proper records and for safeguarding IPSA's assets, are set out in *Managing Public Money*, published by HM Treasury and with which IPSA broadly complies.

# Section 3. Governance Statement

## Introduction

60 The *Parliamentary Standards Act 2009* (PSA) provides that IPSA is a body corporate, independent of Government and Parliament and that the Chief Executive is the Accounting Officer for IPSA.

61 As Accounting Officer, I am required to maintain a sound system to manage and control the resources used to support the achievement of IPSA's policies, aims and objectives and to safeguard the public funds and the Authority's assets in accordance with the responsibilities assigned to me under the PSA and by the IPSA Board. In doing so, I follow broadly the standards set out in *Managing Public Money* and have established a governance structure in line with HM Treasury and Cabinet Office guidelines.

62 Following the retirement, due to ill health, of Andrew McDonald, Paul Hayes was appointed as the Interim Chief Executive and Accounting Officer for April and May 2014. I was appointed as the permanent Accounting Officer by the IPSA Board effective from 3 June 2014.

## Governance

63 The PSA provides that IPSA's funding is subject to scrutiny by the Speaker's Committee for the IPSA (SCIPSA) whose role includes ensuring that the Estimate is consistent with the efficient and cost-effective discharge by IPSA of its functions. Chaired by the Speaker of the House, SCIPSA comprises seven MP Members and three Lay Members.

64 The PSA appointed the Comptroller and Auditor General, Head of the National Audit Office, as the external auditor for IPSA.

65 Since 1 April 2013, internal audit services have been provided under a co-sourced arrangement. IPSA's Head of Internal Audit is supported by the services of KPMG in the delivery of the agreed programme of Internal Audit reviews. The co-sourced arrangement enables the Internal Audit plan to be more closely aligned to IPSA's objectives and allows for a comprehensive framework of assurance. The Internal Audit service reports to the Audit and Risk Assurance Committee.

### IPSA's Board: scope of responsibility

66 As set out above, IPSA's Board comprises the members of IPSA as appointed under the PSA. As Chief Executive, I am responsible for carrying out the administration functions on behalf of the Board in accordance with its general directions.

67 The regulatory functions are carried out separately from the administration functions with the Board retaining overall responsibility for the preparation and revision of the *MPs' Scheme of Business Costs and Expenses* and setting MPs' pay and pensions.

68 The IPSA Board has set out the strategic vision for IPSA and has approved the priorities and key performance indicators as detailed within the Corporate Plan. The Board monitors and reviews the performance of the organisation regularly on the basis of the management information provided at Board meetings.

### **The Board: performance**

69 In March 2014, the Board carried out a review of its effectiveness, taking account both of the assessments of individual Board members and feedback from the senior leadership and wider IPSA team. The Board reviewed its performance in a number of areas and identified areas where it worked well and where it could work more effectively. It subsequently agreed an action plan for implementation in 2014-15 so as to address the improvement areas identified.

### **The Audit and Risk Assurance Committee: scope of responsibility**

70 The Audit and Risk Assurance Committee (ARAC) comprises all the members of the IPSA Board and is chaired by Anne Whitaker, the member who is qualified to be a statutory auditor. This ensures that the Committee has professional, qualified direction in matters relating to the consideration of IPSA's risk management and assurance arrangements.

71 The ARAC supports the work of the Board and my role as Accounting Officer in maintaining an effective system of control. It meets regularly throughout the year and, as necessary, when considering the Annual Report and Accounts. The Committee assesses the executive's management of risk and the assurance framework in place, and advises me as Accounting Officer as to its adequacy.

72 The ARAC met five times during the reporting period.

### **The Remuneration and Nominations Committees**

73 The IPSA Board is also supported in its role by the Remuneration Committee and the Nominations Committee. These meet as required. The Remuneration Committee, chaired by Elizabeth Padmore, met twice during 2013-14, and is responsible for setting the remuneration of the Chief Executive and all Directors. The Nominations Committee is chaired by Professor Sir Ian Kennedy and met twice and is responsible for the appointment of the Chief Executive and the Compliance Officer.

74 The table below shows the attendance of each member at Board, ARAC, Remuneration Committee and Nomination Committee meetings.

|   | Board                        | Audit and Risk Assurance Committee | Remuneration Committee | Nominations Committee |
|---|------------------------------|------------------------------------|------------------------|-----------------------|
| Member  | 1 April 2013 – 31 March 2014 |                                    |                        |                       |
|   | (22 meetings)                | (5 meetings)                       | (2 meetings)           | (2 meetings)          |
| Prof Sir Ian Kennedy<br><b>Board Chair, Nominations Committee Chair</b> | 21                           | 5                                  | 2                      | 2                     |
| Sir Neil Butterfield  | 22                           | 5                                  | 2                      | 2                     |
| Elizabeth Padmore<br><b>Remuneration Committee Chair</b>                | 22                           | 5                                  | 2                      | 2                     |
| Anne Whitaker<br><b>Audit and Risk Committee Chair</b>                  | 22                           | 5                                  | 2                      | 2                     |
| Prof Tony Wright  | 22                           | 5                                  | 2                      | 2                     |

75 Together with internal audit, external audit, the Director of Finance and Operations and Risk Coordinator, I am invited to attend ARAC meetings. My Directors and members of the Senior Leadership Team (SLT) are also regularly present.

#### Leadership Team: Scope of Responsibilities

76 There are a number of established arrangements in place that provide scrutiny and management oversight of the delivery of IPSA's operations. These derive their authority from the SLT which comprises all my Directors and senior managers. The SLT meets regularly to manage current and emerging business issues.

#### Risk and Control

##### Risk Management

- 77 In advance of ARAC meetings the leadership team, supported by a dedicated Risk Controller, meets specifically to assess IPSA's key and emerging risks and the adequacy and appropriateness of controlling actions in line with the risk appetite set by the Board.
- 78 Risks are identified at all levels of the organization. All key risks have a designated owner who is accountable for implementing appropriate and proportionate control measures.
- 79 Emerging risk areas are reflected in our corporate planning process and our programme of work for the coming reporting period. Most notably these include preparing for the next planned General Election in 2015 and ensuring that IPSA is adequately staffed with the capacity and capability to continue to deliver its mandate.

80 The Board formally reviewed the level of risk it is ready to accept in relation to our key areas of activity in June 2013. Our risk appetite and tolerance is a fundamental factor in ensuring that risks are identified and appropriately controlled.

### Internal Audit and Management Assurance

81 In April 2013 KPMG was appointed to provide a co-sourced internal audit service with our Internal Audit and Assurance team. Nine assurance reviews were completed to inform the Head of Internal Audit and Assurance's annual opinion on the adequacy and effectiveness of IPSA's system of governance, risk management and control as required under the *Government Internal Audit Standards*:

- Core financial controls follow up;
- IT risk assessment;
- Data quality;
- Publication process;
- Management assurance programme;
- Human resources and management policies;
- Board effectiveness;
- Financial management; and
- Risk management.

82 In addition, one advisory review was completed on IPSA's process for managing repayments.

83 All reviews were concluded to be satisfactory or strong with the exception of data quality which was assessed as weak. Data quality weaknesses had already been identified by IPSA management who requested that an assurance review be performed by Internal Audit during the reporting period. This review assessed the controls in place for the capture, transfer and reporting of data by IPSA's three main systems. The common theme of the findings was that while there was a good level of individual system knowledge, there was a lack of consistent end-to-end understanding of inter-system operations. Progress of the agreed management action plan will be monitored by the Audit and Risk Assurance Committee in the coming year.

84 The first full review of financial controls since 2010-11 found that IPSA's control environment had greatly improved since the summer of 2012. This reflected the seriousness of management's approach to improving and embedding financial discipline across IPSA. The automation of several controls, the introduction of a revised Finance Manual and engagement by senior managers all contributed to the improvements and this internal audit review reflected a maturing organisation.

85 In addition to the internal audit reviews, the Assurance Team conducted additional procedures over internal controls and data quality. The verification of the eligibility of payments to MPs under the Scheme was a fundamental area of internal control on which I received monthly assurance assessments from the Assurance Team. This work confirmed that the approach taken provides a good level of control.



## Data and Information Security

- 86 The Director of Finance and Operations is the Senior Information Risk Officer and advises me on the effectiveness with which IPSA manages the risks associated with the information that IPSA handles. Each senior manager involved in the running of key IPSA processes acts as an Information Asset Owner, responsible for managing the risks associated with his or her information assets. This accountability ensures appropriate data protection is maintained.
- 87 During the reporting period there were two significant lapses in protective security, both of which were a result of human error. In both cases, while IPSA followed its procedures correctly, there was unintentional release of data. In each case, an investigation and review was carried out internally and the Information Commissioner was informed. Staff were reminded of the importance of data security and during 2013-14 all staff completed mandatory information protection training. Subsequently, simplification and automation of the processes in the area of the lapses in protective security has strengthened the controls and reduced the reliance on manual intervention.
- 88 In December 2013 IPSA achieved re-accreditation of its information systems under the *Risk Management Accreditation Document Set (RMADS)* standard in accordance with HMG Information Assurance 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 information assurance reviews, which also constitute best business practice.

- 89 The increase in the number and scope of requests under the Freedom of Information Act has highlighted the range and complexity of information that IPSA necessarily holds in the discharge of its administration and regulatory functions. In responding to the requests it became clear that our data capture and retrieval mechanisms, while fit for business purposes, did not easily enable data to be collated and represented for other purposes. A project was completed to improve our data management by developing an Information Gateway to improve access to, and reporting of the information held.

## Corporate Governance Code

- 90 The *Corporate Governance Code* ("the Code") issued by HM Treasury and the Cabinet Office is designed specifically for central government departments. It is essential that IPSA is seen to uphold the highest standards in its own operations, and I am satisfied that IPSA is compliant with the material requirements of the Code where they are relevant to its statutory position, in most cases complying with both the letter and the spirit of the Code's provisions. Where the requirements of the PSA differ from the Code, IPSA will always seek to comply with the Act, which reflects the wishes of Parliament.
- 91 As the chairmanship and composition of the IPSA Board are determined by the PSA, IPSA does not follow the Code's good practice guide (Provision 3.3) in this respect.

92 Provision 2.5 of the Code provides for some activities to be exercised by committees of the Board including, as a minimum, committees responsible for audit and risk assurance, remuneration and nominations. IPSA does not have a separate Governance Committee as this is included in the role of the Audit and Risk Assurance Committee (see page 29).

### Assessment of Effectiveness

93 Relying on the framework described above I am able to assess the effectiveness of the control environment in place to ensure that the resources for which I am responsible are subject to sound management and control. I am satisfied that, taking into account the improvements required to strengthen further the financial management environment in IPSA, the governance framework, corporate governance compliance and risk assessment arrangements ensure that no material or significant risks threaten the achievement of IPSA's key objectives and policies. I am also satisfied that IPSA's response to the highlighted weaknesses has been sufficient and robust and has been well-managed, with my Directors and senior managers being held to account for the progress of remedial action.

94 In particular, since the internal audit advisory work, we have made good progress in ensuring adequate internal controls are in place and in drafting detailed process notes for management of repayments due. We have introduced the processes as part of normal business and will continue to review and improve them in the lead up to the General Election.

95 During the year, implementation of the outstanding two (of the original six) recommendations made by the Public Accounts Committee (PAC) following the 2011 value-for-money study was assessed by the National Audit Office (NAO).

96 These related to the introduction of a risk-based validation framework for MPs' expense claims and measuring the effective and efficient processing of expense claims. I am pleased that the NAO agreed that both these recommendations could be closed.

97 My assessment of the internal controls in place has been informed by the independent work completed by internal audit and the opinion provided by the Head of Internal Audit and Assurance; comments made by the NAO as our external auditors in their management letter and other reports; and IPSA's management assurance processes under the internal control framework, including regular reports from the Head of Internal Audit and Assurance. In addition I have received an assurance statement from each of my executive Directors confirming the adequacy of the controls within their areas of responsibility.

Signed  
Date: 7 July 2014

Marcial Boo  
Chief Executive and Accounting Officer

# Section 4. The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Independent Parliamentary Standards Authority (IPSA) for the year ended 31 March 2014 under the *Parliamentary Standards Act 2009*. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective Responsibilities of the Accounting Officer and Auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and express an opinion on 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 the Accounting Officer; 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.

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

### Opinion on Regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of IPSA's affairs as at 31 March 2014 and of its 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 HM Treasury directions issued thereunder.

### Opinion on Other Matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the *Parliamentary Standards Act 2009* and HM Treasury directions issued thereunder; and
- the information given in the Chief Executive's Report and the Strategic Report 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 and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse  
Comptroller and Auditor General

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

Date: 7 July 2014

# Section 5. IPSA Accounts 2013-2014

## Statement of Parliamentary Supply

| SUMMARY OF RESOURCE AND CAPITAL OUTTURN 2013-14 |       |          |         |         |         |  |         |
|---|-------|----------|---------|---------|---------|--|---------|
|   |       |          |         |         |         | 2013-14  | 2012-13 |
|   |       |          |         |         |         | Voted<br>outturn<br>compared<br>with<br>Estimate:<br>saving/<br>excess | Outturn |
|   |       | Estimate |         | Outturn |         |  |         |
| Note  | Voted | Total    | Voted   | Total   |         |  | Total   |
|   |       | £'000    | £'000   | £'000   | £'000   | £'000  | £'000   |
| <b>Department Expenditure Limit</b>             |       |          |         |         |         |  |         |
| -Resource                                       |       | 165,331  | 165,331 | 159,359 | 159,359 | 5,972  | 153,597 |
| -Capital  | SOPS2 | 1,673    | 1,673   | 265     | 265     | 1,408  | 323     |
| <b>Annual Managed Expenditure</b>               |       |          |         |         |         |  |         |
| -Resource                                       | SPOS2 | 2,300    | 2,300   | 1,833   | 1,833   | 467  | (80)    |
| -Capital  |       | 0        | 0       | 0       | 0       | 0  | 0       |
| <b>Total Budget</b>                             |       | 169,304  | 169,304 | 161,457 | 161,457 | 7,847  | 153,840 |
| <b>Non-Budget</b>                               |       |          |         |         |         |  |         |
| -Resource                                       | SOPS2 | 0        | 0       | 0       | 0       | 0  | 0       |
| <b>Total</b>                                    |       | 169,304  | 169,304 | 161,457 | 161,457 | 7,847  | 153,840 |
| Total Resource                                  | SOPS2 | 167,631  | 167,631 | 161,192 | 161,192 | 6,439  | 153,517 |
| Total Capital                                   |       | 1,673    | 1,673   | 265     | 265     | 1,408  | 323     |
| <b>Total</b>                                    |       | 169,304  | 169,304 | 161,457 | 161,457 | 7,847  | 153,840 |

| NET CASH REQUIREMENT 2013-2014 |       |          |         |  |
|--------------------------------|-------|----------|---------|--|
|                                |       | 2013-14  |         | 2012-13  |
|                                |       | Estimate | Outturn | Outturn<br>compared with<br>Estimate:<br>saving/excess |
| Note                           |       | £'000    | £'000   | £'000  |
| Net cash requirement           | SOPS4 | 166,912  | 157,370 | 9,542  |
|                                |       |          |         | Outturn  |
|                                |       |          |         | £'000  |

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

Explanations of variances between Estimate and outturn are given in SOPS2 and in the Strategic report.

For Estimate purposes all IPSA's income and expenditure is classified as Programme.

IPSA has no Non-Voted Expenditure.

The notes on pages 44 to 59 form part of this statement.

## Notes to the Resource Accounts (Statement of Parliamentary Supply)

### **SOPS1. Statement of accounting policies**

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by Her Majesty's Treasury (HMT). The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

#### **SOPS1.1 Accounting convention**

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments and other supply funded bodies to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

#### **SOPS1.2 Comparison with IFRS-based accounts**

There are no differences between the treatment of transactions for National Accounts and IFRS-based accounts.

#### **SOPS1.3 Capital income**

Under the MPs' Scheme of Business Costs and Expenses, MPs are entitled to apply for loans to cover deposits payable for office and/or accommodation at the commencement of tenancy. The repayment of deposit loans by MPs is recognised as capital income.

#### **SOPS1.4 Provisions – Programme expenditure**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure.

## SOPS2. Net outturn

## SOPS2.1 Analysis of net resource outturn by section

|   | 2013-14        |                 |                    |                       |   | 2012-2013<br>Outturn |
|---|----------------|-----------------|--------------------|-----------------------|---|----------------------|
|   | Outturn        |                 |                    | Estimate              | Net Total<br>compared<br>to Estimate<br>Net Total<br>adjusted<br>for<br>virements |                      |
|   | Programme      |                 |                    | Estimate<br>Net Total |   | Total<br>£'000       |
|   | Gross<br>£'000 | Income<br>£'000 | Net Total<br>£'000 | £'000                 | £'000   |                      |
| <b>Spending in Departmental Expenditure Limit</b>   |                |                 |                    |                       |   |                      |
| <i>Voted:-</i>  |                |                 |                    |                       |   |                      |
| A. MPs' pay, staffing and expenses  | 153,769        | (163)           | 153,606            | 158,152               | 4,546   | 147,485              |
| B. IPSA operational costs   | 5,282          | (135)           | 5,147              | 5,381                 | 234   | 5,865                |
| C. IPSA Project Costs   | 451            | 0               | 451                | 843                   | 392   | 0                    |
| D. Additional expenditure arising from FOIA requests and from the Information Commissioner's decision that IPSA should publish receipts | 155            | 0               | 155                | 955                   | 800   | 187                  |
| E. Recruitment of IPSA Board  | 0              | 0               | 0                  | 0                     | 0   | 60                   |
| <b>Voted Departmental Expenditure</b>   | 159,657        | (298)           | 159,359            | 165,331               | 5,972   | 153,597              |
| <b>Spending in Annual Managed Expenditure</b>   |                |                 |                    |                       |   |                      |
| <i>Voted:-</i>  |                |                 |                    |                       |   |                      |
| F. Provisions and Impairments   | 1,833          | 0               | 1,833              | 2,300                 | 467   | (80)                 |
| <b>Voted Annual Managed Expenditure</b>   | 1,833          | 0               | 1,833              | 2,300                 | 467   | (80)                 |
| <b>Total</b>  | 161,490        | (298)           | 161,192            | 167,631               | 6,439   | 153,517              |

## SOPS2.2 Analysis of net capital outturn by section

|   | 2013-14        |                 |                    |                                |   | 2012-13<br>Outturn |
|---|----------------|-----------------|--------------------|--------------------------------|---|--------------------|
|   | Outturn        |                 |                    | Estimate                       | Net Total<br>compared<br>to Estimate<br>Net Total<br>adjusted<br>for<br>virements |                    |
|   | Gross<br>£'000 | Income<br>£'000 | Net Total<br>£'000 | Estimate<br>Net Total<br>£'000 |   | Net Total<br>£'000 |
|   | £'000          | £'000           | £'000              | £'000                          |   |                    |
| <b>Spending in Departmental Expenditure Limit</b> |                |                 |                    |                                |   |                    |
| <i>Voted:-</i>                                    |                |                 |                    |                                |   |                    |
| A. MPs' pay, staffing and expenses                | 101            | (104)           | (3)                | 1,000                          | 1,003   | 102                |
| B. IPSA operational costs                         | 268            | 0               | 268                | 673                            | 405   | 221                |
| <b>Voted Departmental Expenditure</b>             | 369            | (104)           | 265                | 1,673                          | 1,408   | 323                |
| <b>Spending in Annual Managed Expenditure</b>     |                |                 |                    |                                |   |                    |
| <b>Voted Annual Managed Expenditure</b>           | 0              | 0               | 0                  | 0                              | 0   | 0                  |
| <b>Total</b>                                      | 369            | (104)           | 265                | 1,673                          | 1,408   | 323                |

Capital income relates to repayment of deposit loans by MPs' that they are entitled to request under the MPs' Scheme of Business Costs and Expenses.

### SOPS3. Reconciliation of net resource outturn to net operating cost

|  |       | 2013-14<br>Outturn | 2012-13<br>Outturn |
|--|-------|--------------------|--------------------|
|  | Note  | £'000              | £'000              |
| Total resource outturn in Statement of Parliamentary Supply              | SOPS2 | 161,192            | 153,517            |
| Less: Income Payable to the Consolidated Fund                            | SOPS5 | 0                  | 0                  |
| <b>Net Operating Costs in Statement of Comprehensive Net Expenditure</b> |       | <b>161,192</b>     | <b>153,517</b>     |

### SOPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

|  | Estimate<br>2013-14 | 2013-14<br>Outturn | Net total<br>outturn<br>compared with<br>Estimate:<br>saving/<br>(excess)<br>2013-14 |
|--|---------------------|--------------------|--|
|  | £'000               | £'000              | £'000  |
| <b>Net Resource Outturn</b>                      | 167,631             | 161,192            | 6,439  |
| <b>Capital:</b>                                  |                     |                    |  |
| Acquisition of property, plant and equipment     | 1,673               | 218                | 1,455  |
| Purchase of intangible assets                    | 0                   | 50                 | (50)   |
| Property deposits for MPs                        | 0                   | (3)                | 3  |
| <b>Net Outturn</b>                               |                     |                    |  |
| <b>Accruals Adjustments:</b>                     |                     |                    |  |
| <i>Non cash items</i>                            |                     |                    |  |
| Depreciation                                     | (1,007)             | (876)              | (131)  |
| Bad Debt Written Off                             | 0                   | (3)                | 3  |
| Receivables adjustment*                          | 0                   | (54)               | 54   |
| Disposals  | 0                   | (0)                | 0  |
| Auditors remuneration                            | (85)                | (80)               | (5)  |
| Changes in working capital other than cash       | 1,000               | (1,241)            | 2,241  |
| Changes in provision for liabilities and charges | (2,300)             | (1,833)            | (467)  |
| <b>Net cash requirement</b>                      | <b>166,912</b>      | <b>157,370</b>     | <b>9,543</b>   |

\*The receivables adjustment relates to the reversal of £54,000 that IPSA recognised as a capital gain receivable from an MP who had been claiming mortgage interest. The capital gain was originally calculated using valuations provided by the MP. Having initiated legal proceedings, IPSA proposed a binding independent determination of the value of the MP's property in 2010 and 2012 in order to resolve the issue. The independent valuation found that there had been no capital gain. A reversal of the £54,000 from receivables was therefore required during the reporting period.

### SOPS5. Analysis of income payable to the Consolidated Fund

There was no income payable to the Consolidated Fund during the period ending 31 March 2014 (2012-13: £nil).



## Statement of Comprehensive Net Expenditure

| FOR THE YEAR ENDED 31 MARCH 2014  |   |         |         |
|---|---|---------|---------|
|   |   | 2013-14 | 2012-13 |
|   |   | £000    | £000    |
|   |   | IPSA    | IPSA    |
| <b>MPs' Business costs and expenses scheme</b>  |   |         |         |
| MP and MP Staff pay costs   | 3 | 127,772 | 123,017 |
| MP and MP Staff expenses  | 3 | 25,997  | 25,054  |
| Income  | 6 | (163)   | (586)   |
| <b>IPSA operational costs (including additional FOI expenditure and IPSA project costs)</b> |   |         |         |
| Staff costs   | 4 | 2,929   | 2,835   |
| Other costs   | 5 | 4,792   | 3,253   |
| Income  | 6 | (135)   | (56)    |
| <b>Net Operating Costs</b>  |   | 161,192 | 153,517 |
| Total expenditure   |   | 161,490 | 154,159 |
| Total income  |   | (298)   | (642)   |
| <b>Net Operating Costs for the year ended 31 March 2014</b>                                 |   | 161,192 | 153,517 |
| <b>Other Comprehensive Net Expenditure</b>  |   |         |         |
| <b>Items that will not be reclassified to net operating costs:</b>                          |   |         |         |
| Net (gain)/ loss on:  |   |         |         |
| - revaluation of property, plant & equipment  |   | 0       | 0       |
| - revaluation of intangibles  |   | 0       | 0       |
| <b>Items that may be reclassified subsequently to net operating costs:</b>                  |   |         |         |
| Net (gain)/ loss on:  |   |         |         |
| - revaluation of available for sale assets  |   | 0       | 0       |
| <b>Total comprehensive expenditure for the year ended 31 March 2014</b>                     |   | 161,192 | 153,517 |

The notes on pages 44 to 59 form part of these accounts.

## Statement of Financial Position

| AS AT 31 MARCH 2014  |      |         |                 |         |                |
|--|------|---------|-----------------|---------|----------------|
|  |      | 2013-14 |                 | 2012-13 |                |
|  | Note | £'000   | £'000           | £'000   | £'000          |
| <b>Non-current assets:</b>   |      |         |                 |         |                |
| Property, plant & equipment  | 7    | 1,485   |                 | 2,069   |                |
| Intangible assets  | 8    | 155     |                 | 179     |                |
| <b>Total non-current assets</b>                                    |      |         | <b>1,640</b>    |         | <b>2,248</b>   |
| <b>Current assets:</b>   |      |         |                 |         |                |
| Trade and other receivables  | 10   | 2,567   |                 | 2,438   |                |
| Cash and cash equivalents  | 11   | 2,991   |                 | 1,661   |                |
| <b>Total current assets</b>  |      |         | <b>5,558</b>    |         | <b>4,099</b>   |
| <b>Total assets</b>  |      |         | <b>7,198</b>    |         | <b>6,347</b>   |
| <b>Current liabilities:</b>  |      |         |                 |         |                |
| Trade and other payables   | 12   | (5,002) |                 | (3,572) |                |
| Provisions   | 13   | (2,024) |                 | 0       |                |
| Other liabilities  | 14   | (2,991) |                 | (1,661) |                |
| <b>Total current liabilities</b>                                   |      |         | <b>(10,017)</b> |         | <b>(5,233)</b> |
| <b>Non-current assets plus/less net current assets/liabilities</b> |      |         | <b>(2,819)</b>  |         | <b>1,114</b>   |
| <b>Non current liabilities:</b>                                    |      |         |                 |         |                |
| Provisions   | 13   | 0       |                 | (191)   |                |
| <b>Total non-current liabilities</b>                               |      |         | <b>0</b>        |         | <b>(191)</b>   |
| <b>Assets less liabilities</b>                                     |      |         | <b>(2,819)</b>  |         | <b>923</b>     |
| <b>Taxpayers' equity:</b>  |      |         |                 |         |                |
| General fund   |      |         | (2,819)         |         | 923            |
| <b>Total taxpayers' equity</b>                                     |      |         | <b>(2,819)</b>  |         | <b>923</b>     |

The notes on pages 44 to 59 form part of these accounts.

Signed  
 Marcial Boo  
 Chief Executive and Accounting Officer  
 7 July 2014

## Statement of Cash Flows

| FOR THE YEAR ENDED 31 MARCH 2014   |        |           |           |
|--|--------|-----------|-----------|
|  |        | 2013-14   | 2012-13   |
|  | Note   | £'000     | £'000     |
| <b>Cash flows from operating activities</b>  |        |           |           |
| Net operating cost   |        | (161,192) | (153,517) |
| Adjustments for non-cash transactions  | 5      |           |           |
| Depreciation   | 5      | 875       | 973       |
| Disposal of non-current assets   | 5      | 0         | 28        |
| External Audit   | 5      | 80        | 85        |
| Provisions not required written back   | 13     | (95)      | (6)       |
| (Increase)/Decrease in trade and other receivables   | 10     | (130)     | (399)     |
| Less movement in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure (deposits and advances)      | 10     | 0         | 134       |
| Increase/(Decrease) in trade and other payables  | 12     | 1,431     | (3,022)   |
| Less movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure (non-current asset accruals)    | 12     | 34        | (1)       |
| Use of provisions  | 13     | 1,928     | (74)      |
| <b>Net cash outflow from operating activities</b>  | SOPS4  | (157,069) | (155,799) |
| <b>Cash flows from investing activities</b>  |        |           |           |
| Purchase of property, plant and equipment  | 7 & 12 | (251)     | (205)     |
| Purchase of intangible assets  | 8      | (50)      | (15)      |
| Proceeds of disposal of property, plant and equipment  |        | 0         | 0         |
| Proceeds of disposal of intangibles  |        | 0         | 0         |
| (Issuance)/collection of MP deposits and advances  | 7      | 0         | (134)     |
| <b>Net cash outflow from investing activities</b>  | SOPS4  | (301)     | (354)     |
| <b>Cash flows from financing activities</b>  |        |           |           |
| From the Consolidated Fund (Supply) – current year   |        | 158,700   | 152,000   |
| From the Consolidated Fund (Supply) – prior year   |        | 0         | 0         |
| <b>Net financing</b>   |        | 158,700   | 152,000   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b> |        |           |           |
|  |        | 1,330     | (4,153)   |
| Payments of amounts due to the Consolidated Fund   |        |           |           |
|  |        | 0         | 0         |
| <b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>  |        |           |           |
|  |        | 1,330     | (4,153)   |
| <b>Cash and cash equivalents at the beginning of the period</b>  |        | 1,661     | 5,814     |
| <b>Cash and cash equivalents at the end of the period</b>  | 11     | 2,991     | 1,661     |

The 2012-13 cash flow has been represented to provide a more useful representation of the underlying activities.

The notes on pages 44 to 59 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

| FOR THE YEAR ENDED 31 MARCH 2014           |      |              |                |
|--|------|--------------|----------------|
|  |      | General Fund | Total Reserves |
|  | Note | £'000        | £'000          |
| <b>Balance as at 1 April 2012</b>          |      | (1,798)      | (1,798)        |
| Net Parliamentary Funding – drawn down     |      | 152,000      | 152,000        |
| Net Parliamentary Funding – deemed supply  |      | 5,814        | 5,814          |
| Supply payable adjustment                  | 12   | (1,661)      | (1,661)        |
| Comprehensive Net Expenditure for the Year |      | (153,517)    | (153,517)      |
| <b>Non-Cash Adjustments</b>                |      |              |                |
| Non-cash charges – auditor's remuneration  | 5    | 85           | 85             |
| <b>Balance at 31 March 2013</b>            |      | 923          | 923            |
| <b>Balance at 1 April 2013</b>             |      | 923          | 923            |
| Net Parliamentary Funding – drawn down     |      | 158,700      | 158,700        |
| Net Parliamentary Funding – deemed supply  |      | 1,661        | 1,661          |
| Supply payable adjustment                  | 12   | (2,991)      | (2,991)        |
| Comprehensive Net Expenditure for the Year |      | (161,192)    | (161,192)      |
| <b>Non-Cash Adjustments</b>                |      |              |                |
| Non-cash charges – auditor's remuneration  | 5    | 80           | 80             |
| <b>Balance at 31 March 2014</b>            |      | (2,819)      | (2,819)        |

The notes on pages 44 to 59 form part of these accounts.

## Notes to the Accounts

### 1. Statement of accounting policies

#### 1.1 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 and low value assets.

#### 1.2 Financing and Going Concern

IPSA is resourced by funds approved by the Speaker's Committee for the IPSA through the annual Appropriation Acts. 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 is also approved in the Appropriation Act. The Main Estimate for 2014-15 (HC124) was approved on 16 June 2014. There is no reason to believe that future funding will not be forthcoming. The Accounts have therefore been prepared on a going concern basis.

#### 1.3 Administration and programme expenditure

The Statement of Parliamentary Supply shows all IPSA's expenditure is classified as programme. IPSA has no administration expenditure.

#### 1.4 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.

#### 1.5 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.

### 1.6 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.

### 1.7 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                            |

### 1.8 Trade receivables and other 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.

Other receivables includes budget overspends by MPs, salary related advances and payment card receivables. MPs were given the option of repaying amounts from 2012/13 and 2013/14 or offsetting the amounts overspent against their future budgets, effectively reducing their 2014/15 budget.

### 1.9 Operating leases

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

### 1.10 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.

### 1.11 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.

### 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 Significant Accounting Judgements and Estimates

For the year ended 31 March 2014, MPs may submit a claim up to 60 days after incurring the expenditure. The outstanding balance of claims for MPs' expenses arising out of 2013-14 has been accrued for in these accounts. An estimate has been made for claims allowed after the 60 day cut-off date (because they meet the criteria for exemptions), and included in the accrual.

### 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 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 six changes that were incorporated into the 2013-14 FReM. IPSA considered whether these were applicable to its accounts and determined that they were not with the exception of IAS 1 requiring a minor presentational amendment to the financial statements whereby a single Statement of Comprehensive Net Expenditure is required rather than a separate component for Other Comprehensive Expenditure.

IPSA has also not adopted any accounting standards issued that are not yet effective. The following new and amended accounting standards will become effective (in accordance with the FReM) in the coming years:

- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IFRS 12: Disclosure of Interests in Other Entities;
- IAS 27: Separate Financial Statements;
- IAS 28: Investments in Associates and Joint Ventures; and
- IFRS 13: Fair Value Measurement.

The new and amended standards are not assessed to have any impact on IPSA's Annual Accounts.

### 1.17 Income

For 2013-14, MPs are obliged under paragraph 14 of Annex A of the *MPs' Scheme of Business Costs and Expenses* to repay the public share of any capital gains on residential property that was subsidised through the mortgage interest provisions in the scheme. These amounts became due as at 1 September 2012 and were treated as income in the Statement of Comprehensive Net Expenditure in 2012-13. As no new mortgages can be entered into under the scheme, no additional income was recognised in 2013-14.

IPSA has sublet the Portland House office following the move to the Millbank premises and considers the rent received to be income. The subleases contain an initial rent free period which are amortised over the life of the lease.

IPSA also receives income from the Social Mobility Foundation for the cost of some MPs' internships.

Receipts (or reimbursements) due where MPs or IPSA have decided that an item paid for is not claimable under the Scheme are not considered to be income and are offset against the expenditure of the MP.



## 2. Statement of Operating Costs By Operating Segment

IPSA's operating segments correspond with the Subhead detail of the 2013-14 Estimate. The reportable segments are reported to the IPSA Board in its management accounts and are the components of the entity that management uses to make decisions about operating matters.

|                   | 2013-14                         |   |                    |   |         | 2012-13                         |   |                      |   |         |
|-------------------|---------------------------------|---|--------------------|---|---------|---------------------------------|---|----------------------|---|---------|
|                   | MPs' pay, staffing and expenses | IPSA Operational Costs (including provisions) | IPSA Project Costs | Additional expenditure arising from FOI requests, etc | Total   | MPs' pay, staffing and expenses | IPSA Operational Costs (including provisions) | Recruitment of Board | Additional expenditure arising from FOIA requests | Total   |
| Gross Expenditure | 153,769                         | 7,115   | 451                | 155   | 161,490 | 148,071                         | 5,841   | 60                   | 187   | 154,159 |
| Income            | (163)                           | (135)   | 0                  | 0   | (298)   | (586)                           | (56)  | 0                    | 0   | (642)   |
| Net Expenditure   | 153,606                         | 6,980   | 451                | 155   | 161,192 | 147,485                         | 5,785   | 60                   | 187   | 153,517 |

### Description of segments

MPs' expenses scheme – the costs of MPs' pay, staffing costs and expenses including income from the Social Mobility Foundation and capital gains.

IPSA Operational Costs – the operating costs of IPSA including sublet income and provisions.

IPSA Project Costs – the non-recurring costs associated with areas of work outside of core operational tasks. This was a new operating segment in 2013-14, therefore there are no comparatives for 2012-13.

Recruitment of Board – SCIPSA recruited a new Board in January 2013. This is a ring-fenced budget created in 2012-13. There were no Board recruitment costs in 2013-14, therefore not disclosed separately in the above table.

Additional expenditure arising from FOIA requests and from the Information Commissioner's decision that IPSA should publish receipts.

### 3. MPs' expenses scheme costs

|  | 2013-14        | 2012-13        |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>MP and MP Staff Pay and Expenses</b>              |                |                |
| MP Salary cost                                       | 44,250         | 43,735         |
| MP Staff Salary cost                                 | 66,407         | 62,826         |
| MP National Insurance                                | 4,771          | 4,693          |
| MP Staff National Insurance                          | 5,994          | 5,721          |
| MP Staff Superannuation                              | 6,305          | 5,900          |
| MP Winding Up Costs                                  | 47             | 142            |
|  | <b>127,774</b> | <b>123,017</b> |
| <b>Capped Budgets</b>                                |                |                |
| <b>Accommodation Expenses and Office Expenditure</b> |                |                |
| Property rent  | 9,468          | 9,394          |
| Mortgage interest*                                   | 53             | 97             |
| Utility costs  | 743            | 661            |
| Council Tax  | 406            | 330            |
| Service charges                                      | 125            | 155            |
| Rates  | 120            | 230            |
| Other premises costs                                 | 400            | 372            |
| Insurance  | 466            | 449            |
| Professional services                                | 1,694          | 1,765          |
| Stationery and other office supplies                 | 1,919          | 1,636          |
| Telephone and internet                               | 1,312          | 1,061          |
| Pooled services                                      | 1,431          | 1,431          |
| Computers  | 392            | 405            |
| Office furniture                                     | 76             | 70             |
| Photocopiers and televisions                         | 245            | 201            |
| Publicity, advertising and communications            | 282            | 236            |
| Website design and hosting                           | 192            | 251            |
| Other  | 635            | 621            |
| <b>Total Capped Expenditure</b>                      | <b>19,959</b>  | <b>19,365</b>  |
| <b>Uncapped Budgets</b>                              |                |                |
| Travel   |                |                |
| Car  | 1,492          | 1,507          |
| Air  | 1,085          | 1,065          |
| Rail   | 2,073          | 1,785          |
| Taxi   | 53             | 78             |
| Other  | 101            | 200            |
| Hotels   | 783            | 621            |
| Food and drink                                       | 118            | 148            |
| Training   | 58             | 73             |
| Parking  | 149            | 166            |
| Other (including MP training, telephony, insurance)  | 122            | 46             |
| <b>Total Uncapped</b>                                | <b>6,034</b>   | <b>5,689</b>   |
| <b>Total MPs' Business Costs and Expenses Scheme</b> | <b>153,767</b> | <b>148,071</b> |

IPSA does not pay MP pension contributions, these are paid by the House of Commons. However, IPSA pays MP staff pension contributions.

\* The mortgage interest expense in 2013-14 primarily relates to the reversal of £54,000 that IPSA recognised as a capital gain receivable from an MP who had been claiming mortgage interest. The capital gain was originally calculated using valuations provided by the MP. Having initiated legal proceedings, IPSA proposed a binding independent determination of the value of the MP's property in 2010 and 2012 in order to resolve the issue. The independent valuation found that there had been no capital gain. A reversal of the £54,000 from receivables was therefore required during the reporting period. In 2012-13 the mortgage interest expense relates to mortgage interest paid.

## 4. Staff numbers and related costs

### Staff costs comprise:

|                         | 2013-14      |                 |                |              |                       |                    | 2012-13      |
|-------------------------|--------------|-----------------|----------------|--------------|-----------------------|--------------------|--------------|
|                         | £'000        | £'000           | £'000          | £'000        | £'000                 | £'000              | £'000        |
|                         | Total        | Permanent Staff | Seconded Staff | Agency Staff | Chairman & IPSA Board | SCIPSA Lay Members | Total        |
| Wages and salaries      | 2,045        | 1,670           | 287            | 0            | 85                    | 3                  | 2,093        |
| Social security costs   | 195          | 153             | 33             | 0            | 9                     | 0                  | 189          |
| Other pension costs     | 325          | 260             | 65             | 0            | 0                     | 0                  | 349          |
| Seconded Staff – VAT    | 0            | 0               | 0              | 0            | 0                     | 0                  | 0            |
| <b>Sub Total</b>        | <b>2,565</b> | <b>2,083</b>    | <b>385</b>     | <b>0</b>     | <b>94</b>             | <b>3</b>           | <b>2,631</b> |
| Agency staff            | 364          | 0               | 0              | 364          | 0                     | 0                  | 204          |
| <b>Total net costs*</b> | <b>2,929</b> | <b>2,083</b>    | <b>385</b>     | <b>364</b>   | <b>94</b>             | <b>3</b>           | <b>2,835</b> |
| <b>2012-13</b>          | <b>2,835</b> | <b>2,205</b>    | <b>299</b>     | <b>204</b>   | <b>120</b>            | <b>7</b>           |              |

\* No staff costs have been capitalised (2012-13 £nil).

Full details of the remuneration of the Chair, Board Members and Senior Managers are detailed in the Remuneration Report.

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 2012. 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 2013-14, employers' contributions of £259,160 were payable to the PCSPS (2012-13 £282,778) at one of four rates in the range 16.7 to 24.3 per cent (2012-13: 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 2010-11 and have remained unchanged this year. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Contributions due to the PCSPS at the reporting date were £34,960. Contributions prepaid at that date were £0.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £851 (2012-13 £15,318) 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 (2012-13: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £84 (0.8 per cent; 2012-13: £839) 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. There were no contributions due to the provider at the reporting date. Contributions due to the partnership pension providers at the reporting date were £271. Contributions prepaid at that date were £0.

### Average number of persons employed:

The average number of whole-time equivalent persons employed or seconded to IPSA during the period was as follows. The average was calculated as the average of people in post by month over the 12 months to 31 March 2014.

| IPSA Operations | 2013-14 Number |                 |                |              |                       |                    | 2012-13 Number |
|-----------------|----------------|-----------------|----------------|--------------|-----------------------|--------------------|----------------|
|                 | Total          | Permanent Staff | Seconded Staff | Agency Staff | Chairman & IPSA Board | SCIPSA lay members | Total          |
| <b>Total</b>    | <b>62</b>      | <b>46</b>       | <b>3</b>       | <b>5</b>     | <b>5</b>              | <b>3</b>           | <b>58</b>      |

#### 4.1 Reporting of Civil Service and other compensation schemes – exit packages

| Exit package cost band        | Number of voluntary departures agreed |           |
|-------------------------------|---------------------------------------|-----------|
|                               | 2013-14                               | 2012-13   |
| <£10,000                      | 0                                     | 0         |
| £10,000 – £25,000             | 0                                     | 3         |
| £25,000 – £50,000             | 0                                     | 0         |
| £50,000 – £100,000            | 0                                     | 0         |
| £100,000 – £150,000           | 0                                     | 0         |
| £150,000 – £200,000           | 0                                     | 0         |
| Total number of exit packages | 0                                     | 3         |
| <b>Total cost /£'000s</b>     | <b>0</b>                              | <b>51</b> |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

#### Reward and Recognition Scheme

IPSA runs an individual and team reward and recognition (R&R) scheme which gives recognition to those who support IPSA's values, enhance its image, or deliver extra-ordinary service to its users or outstanding pieces of work.

In total, £619 was paid out in R&R awards during the reporting period (2012-13: £420), however £213 was incurred in relation to the prior year R & R awards for income tax and national insurance. The following table gives the numbers of people receiving total awards in bands:

| Total value of rewards received | No of people in band |           |
|---------------------------------|----------------------|-----------|
|                                 | 2013-14              | 2012-13   |
| Under £50                       | 0                    | 27        |
| £51 to £100                     | 4                    | 0         |
| £101 to £150                    | 1                    | 0         |
| £151 to £200                    | 0                    | 0         |
| Over £200                       | 0                    | 0         |
| <b>Total no. of recipients</b>  | <b>5</b>             | <b>27</b> |

## 5. IPSA Operational Costs

|   | 2013-14      | 2012-13      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Rent, rates and service charges                     | 546          | 637          |
| Other property costs                                | 41           | 127          |
| IT services and telephony                           | 589          | 450          |
| Legal   | 202          | 198          |
| Pension advice and administration                   | 42           | 212          |
| Internal Audit services                             | 80           | 76           |
| Recruitment and advertising                         | 92           | 76           |
| FOIA costs  | 74           | 118          |
| Printing, postage and stationery                    | 73           | 84           |
| Professional services                               | 150          | 7            |
| Non-cash items:                                     |              |              |
| Depreciation  | 801          | 899          |
| Amortisation  | 74           | 74           |
| Profit/Loss on Disposals                            | 0            | 28           |
| External Audit*                                     | 80           | 85           |
| Bad Debts Written Off                               | 3            | 6            |
| New provisions & adjustments to previous provisions | 1,833        | 0            |
| Other   | 112          | 175          |
| <b>Total</b>  | <b>4,792</b> | <b>3,253</b> |

\* External Audit provided no non-audit services.

## 6. Income

|   | 2013-14      | 2012-13      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Capital Gains on residential property formerly subsidised through the mortgage interest provisions in the expenses scheme | 0            | (454)        |
| Social Mobility Foundation (cost of some MPs' internships)  | (163)        | (132)        |
| Sublet Rental Income  | (135)        | (56)         |
|   | <b>(298)</b> | <b>(642)</b> |

## 7. Property, plant and equipment

|   | Leasehold<br>Refurbishment | Information<br>Technology | Furniture<br>and Fittings | Assets under<br>Construction | Total        |
|---|----------------------------|---------------------------|---------------------------|------------------------------|--------------|
|   | £'000                      | £'000                     | £'000                     | £'000                        | £'000        |
| <b>Cost or valuation</b>                |                            |                           |                           |                              |              |
| At 1 April 2013                         | 1,165                      | 2,618                     | 211                       | 49                           | 4,043        |
| Additions                               | 0                          | 216                       | 2                         | 0                            | 218          |
| Disposals                               | 0                          | 0                         | 0                         | 0                            | 0            |
| Impairments                             | 0                          | 0                         | 0                         | 0                            | 0            |
| Reclassifications                       | 0                          | 49                        | 0                         | (49)                         | 0            |
| <b>At 31 March 2014</b>                 | <b>1,165</b>               | <b>2,883</b>              | <b>213</b>                | <b>-</b>                     | <b>4,261</b> |
| <b>Depreciation</b>                     |                            |                           |                           |                              |              |
| At 1 April 2013                         | 696                        | 1,149                     | 129                       | 0                            | 1,974        |
| Charged in year                         | 235                        | 526                       | 41                        | 0                            | 802          |
| Disposals                               | 0                          | 0                         | 0                         | 0                            | 0            |
| Impairments                             | 0                          | 0                         | 0                         | 0                            | 0            |
| Reclassifications                       | 0                          | 0                         | 0                         | 0                            | 0            |
| <b>At 31 March 2014</b>                 | <b>931</b>                 | <b>1,675</b>              | <b>170</b>                | <b>0</b>                     | <b>2,776</b> |
| <b>Carrying amount at 31 March 2013</b> | <b>469</b>                 | <b>1,469</b>              | <b>82</b>                 | <b>49</b>                    | <b>2,069</b> |
| <b>Carrying amount at 31 March 2014</b> | <b>234</b>                 | <b>1,208</b>              | <b>43</b>                 | <b>-</b>                     | <b>1,485</b> |

|   | Leasehold<br>Refurbishment | Information<br>Technology | Furniture<br>and Fittings | Assets under<br>Construction | Total        |
|---|----------------------------|---------------------------|---------------------------|------------------------------|--------------|
|   | £'000                      | £'000                     | £'000                     | £'000                        | £'000        |
| <b>Cost or valuation</b>                |                            |                           |                           |                              |              |
| At 1 April 2012                         | 1,044                      | 2,534                     | 267                       | 48                           | 3,893        |
| Additions                               | 121                        | 36                        | 0                         | 49                           | 206          |
| Disposals                               | 0                          | 0                         | (56)                      | 0                            | (56)         |
| Impairments                             | 0                          | 0                         | 0                         | 0                            | 0            |
| Reclassifications                       | 0                          | 48                        | 0                         | (48)                         | 0            |
| <b>At 31 March 2013</b>                 | <b>1,165</b>               | <b>2,618</b>              | <b>211</b>                | <b>49</b>                    | <b>4,043</b> |
| <b>Depreciation</b>                     |                            |                           |                           |                              |              |
| At 1 April 2012                         | 396                        | 596                       | 111                       | 0                            | 1,103        |
| Charged in year                         | 300                        | 553                       | 46                        | 0                            | 899          |
| Disposals                               | 0                          | 0                         | (28)                      | 0                            | (28)         |
| Impairments                             | 0                          | 0                         | 0                         | 0                            | 0            |
| Reclassifications                       | 0                          | 0                         | 0                         | 0                            | 0            |
| <b>At 31 March 2013</b>                 | <b>696</b>                 | <b>1,149</b>              | <b>129</b>                | <b>0</b>                     | <b>1,974</b> |
| <b>Carrying amount at 31 March 2012</b> | <b>648</b>                 | <b>1,938</b>              | <b>156</b>                | <b>48</b>                    | <b>2,790</b> |
| <b>Carrying amount at 31 March 2013</b> | <b>469</b>                 | <b>1,469</b>              | <b>82</b>                 | <b>49</b>                    | <b>2,069</b> |

All assets are owned.

## 8. Intangible assets

Intangible assets comprise the software licences for the Enterprise and BACS IT solutions and also website development costs.

|   | Total<br>£'000 |
|---|----------------|
| <b>Cost or valuation</b>                |                |
| At 1 April 2013                         | 335            |
| Additions                               | 50             |
| Disposals                               | 0              |
| Reclassifications                       | 0              |
| <b>At 31 March 2014</b>                 | <b>385</b>     |
| <b>Amortisation</b>                     |                |
| At 1 April 2013                         | 156            |
| Charged in year                         | 74             |
| Disposals                               | 0              |
| Reclassifications                       | 0              |
| <b>At 31 March 2014</b>                 | <b>230</b>     |
| <b>Carrying amount at 31 March 2013</b> | <b>179</b>     |
| <b>Carrying amount at 31 March 2014</b> | <b>155</b>     |

|   | Total<br>£'000 |
|---|----------------|
| <b>Cost or valuation</b>                |                |
| At 1 April 2012                         | 320            |
| Additions                               | 15             |
| Disposals                               | 0              |
| Reclassifications                       | 0              |
| <b>At 31 March 2013</b>                 | <b>335</b>     |
| <b>Amortisation</b>                     |                |
| At 1 April 2012                         | 82             |
| Charged in year                         | 74             |
| Disposals                               | 0              |
| Reclassifications                       | 0              |
| <b>At 31 March 2013</b>                 | <b>156</b>     |
| <b>Carrying amount at 31 March 2012</b> | <b>238</b>     |
| <b>Carrying amount at 31 March 2013</b> | <b>179</b>     |

All assets are owned.

## 9. Financial Instruments

IPSA's resources are met from Parliament through the Estimates process following scrutiny and approval by the Speaker's Committee.

Financial Instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. IPSA has no powers to borrow money or to invest surplus funds. Other than financial assets and liabilities which are 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 user 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.

## 10. Trade receivables and other current assets

|   | 2013-14      | 2012-13      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| <b>Amounts falling due within one year:</b> |              |              |
| Trade receivables                           | 179          | 109          |
| Deposits and advances                       | 1,387        | 1,387        |
| Other receivables                           | 265          | 276          |
| Prepayments and accrued income              | 736          | 666          |
| <b>Total</b>                                | <b>2,567</b> | <b>2,438</b> |

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

Other receivables includes budget overspends by MPs.

No provision for doubtful debts is required as all debts remaining at 31 March 2014 are considered recoverable either through deduction from MPs' pay if not re-imbursed or through repayment by the respective MP.



## 11. Cash and cash equivalents

|  | 2013-14      | 2012-13      |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Balance at 1 April</b>                        | 1,661        | 5,814        |
| Net change in cash and cash equivalent balances  | 1,330        | (4,153)      |
| <b>Balance at 31 March</b>                       | <b>2,991</b> | <b>1,661</b> |
| The following balances at 31 March were held at: |              |              |
| Government Banking Service                       | 2,991        | 1,661        |
| <b>Balance at 31 March respectively</b>          | <b>2,991</b> | <b>1,661</b> |

There were no cash equivalents held by IPSA at 31 March 2014 or 31 March 2013.

## 12. Trade payables and other current liabilities

|  | 2013-14      | 2012-13      |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Amounts falling due within one year</b>                                     |              |              |
| Taxation and social security   | 1,728        | 0            |
| Trade payables   | 258          | 5            |
| Other payables   | 1,068        | 1,313        |
| Accrual for Member and Member staff expenses                                   | 1,696        | 1,859        |
| Other accruals and deferred income   | 252          | 361          |
| Non current asset accruals   | 0            | 34           |
|  | <b>5,002</b> | <b>3,572</b> |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end | 2,991        | 1,661        |
| <b>Total</b>   | <b>7,994</b> | <b>5,233</b> |

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

The above table includes a rounding difference.

## 13. Provisions for liabilities and charges

|                                      | 2013-14      | 2012-13    |
|--------------------------------------|--------------|------------|
|                                      | £'000        | £'000      |
| <b>Balance at 1 April</b>            | 191          | 271        |
| Provided for in year                 | 1,928        | 0          |
| Provisions not required written back | (95)         | (6)        |
| Provisions used in year              | 0            | (74)       |
| Borrowing costs                      | 0            | 0          |
| <b>Balance at 31 March</b>           | <b>2,024</b> | <b>191</b> |

|   | Dilapidations | Onerous lease | FOI<br>publication<br>costs | Total        |
|---|---------------|---------------|-----------------------------|--------------|
|   | £'000         | £'000         | £'000                       | £'000        |
| <b>Analysis of expected timing of cashflows</b>   |               |               |                             |              |
| Not later than one year                           | 95            | 99            | 1,830                       | 2,024        |
| Later than one year and not later than five years | 0             | 0             | 0                           | 0            |
| Later than five years                             | 0             | 0             | 0                           | 0            |
| <b>Balance at 31 March</b>                        | <b>95</b>     | <b>99</b>     | <b>1,830</b>                | <b>2,024</b> |

In previous years a full provision of £191k was made to restore IPSA's leasehold property to its original state at the end of the lease in 2015. Following confirmation that the tenants sub-letting half of the Portland House premises had extended the lease beyond IPSA's commitment and that IPSA was no longer liable to make good that half of the property, half of the dilapidation provision was written back.

An onerous lease provision was raised during the year to provide for the shortfall in sublease rental income in covering the Portland House lease following IPSA's move to the new Millbank premises on 28 April 2014. Additionally, IPSA has made a provision for the potential costs of implementing publication of MP expense receipts pending a final legal appeal decision. The estimated cost is based on external professional advice and is considered by management to be the best estimate of potential future costs.

## 14. Capital and other commitments

### 14.1 Capital commitments

|   | 2012-13    | 2012-13   |
|---|------------|-----------|
|   | £'000      | £'000     |
| Contracted capital commitments at 31 March not otherwise included in these financial statements |            |           |
| Property, plant and equipment   | 598        | 92        |
|   | <b>598</b> | <b>92</b> |

Capital commitments at 31 March 2014 primarily relates to the furniture and fit-out of the new office at 30 Millbank.

## 14.2 Commitments under leases

### 14.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

|   | 2013-14      | 2012-13    |
|---|--------------|------------|
|   | £'000        | £'000      |
| <b>Obligations under operating leases for the following periods comprise:</b> |              |            |
| Buildings   |              |            |
| Not later than one year   | 352          | 352        |
| Later than one year and not later than five years                             | 1,272        | 352        |
| Later than five years   | 0            | 0          |
|   | <b>1,624</b> | <b>704</b> |

Lease commitments relate to IPSA's rental properties, Portland House and Millbank, and are stated inclusive of VAT. The total rental expenditure recognised in 2013-14 is £352k (2012-13: £352k).

IPSA relocated from Portland House to Millbank on 28 April 2014 due to the Portland House lease expiring in less than a year and the requirement for additional office space for the next General Election. IPSA has sublet Portland House for the remaining 11 months of the lease at a reduced rate to offset a proportion of the £352k commitment detailed above. IPSA has a £259k commitment in 2014-15 net of the sub-let rental income. We have also negotiated a 12 month rent free period on the Millbank premises.

### 14.2.2 Finance leases

IPSA does not hold any finance leases.

## 14.3 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.

## 15. Contingent liabilities disclosed under IAS 37

IPSA had no contingent liabilities at 31 March 2014. At 31 March 2013, recovery of £54,000 of capital gain from an MP who had been claiming mortgage interest was still due. The capital gain was calculated using valuations provided by the MP. Having initiated legal proceedings, IPSA proposed a binding independent determination of the value of the MP's property in 2010 and 2012 in order to resolve the issue. The independent valuation found that there had been no capital gain. A reversal of the £54,000 from receivables was therefore required during the reporting period.

## 16. Losses and special payments

| Category of loss/special payment | 2013-14             | 2013-14         | 2012-13             | 2012-13         |
|----------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                  | Value of Cases (£s) | Number of Cases | Value of Cases (£s) | Number of Cases |
| A. Losses                        |                     |                 |                     |                 |
| Other write-offs                 | 2,670               | 6               | 6,038               | 17              |
| Receivables adjustments          | 54,000              | 1               | 0                   | 0               |
| B. Special Payments              |                     |                 |                     |                 |
| Compensation payments            | 0                   | 0               | 21,078              | 1               |
| Ex gratia                        | 0                   | 0               | 1,500               | 1               |
| <b>Total</b>                     | <b>56,670</b>       | <b>7</b>        | <b>28,616</b>       | <b>19</b>       |

## 17. Related-party transactions

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.

IPSA has had a small number of transactions with other government departments for staff secondments.

No other Board member, key manager or other related parties have undertaken any material transaction with IPSA during the year.

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

## 18. Third-party assets

IPSA currently holds £29,203 (2012-13: £29,176) as a third party asset as defined in the 2013-14 FReM. This is a rent deposit for the sub-lease of office space. This is not IPSA's asset and is not included in the accounts.

## 19. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on the C&AG certification date.

# Section 6. Accounts Direction

Accounts directions given by the Treasury on 16 April 2011, 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 judgment 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

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# 3

## Annual Report by the Compliance Officer for IPSA

## A. Introduction

The Compliance Officer for the Independent Parliamentary Standards Authority is a statutorily independent office holder who acts independently of the IPSA executive. The Compliance Officer reports to the IPSA Board, but is not directed by them.

The role was created by the *Parliamentary Standards Act 2009*, as amended by the *Constitutional Reform and Governance Act 2010*. The legislation stipulates that the Compliance Officer shall:

- a. upon request, review a determination by IPSA to refuse an MP's expense claim in whole or in part; and
- b. conduct an investigation if there is reason to believe that a member of the House of Commons may have been paid an amount under the *MPs' Scheme of Business Costs and Expenses* (the Scheme) that should not have been allowed.

In relation to a. above, continual expansion of the use of payment cards and direct rental payments means that in practice the Compliance Officer has been increasingly called upon to review cases where an MP is already in receipt of an expense payment subsequently rejected by IPSA which then requires repayment. Review requests may therefore concern an MP who does not believe he/she should repay an expense payment, as opposed to a refusal by IPSA to pay an expense.

As the current Compliance Officer, I was appointed by the IPSA Board following a competitive selection process in December 2011. The legislation stipulates that a Compliance Officer can only be appointed for a single fixed term not exceeding five years.

## B. Relationship with IPSA

As Compliance Officer, I am not an employee of IPSA but an independent office-holder, maintaining objectivity and neutrality in relationships with MPs, IPSA and complainants.

Schedule 2 of the *Parliamentary Standards Act 2009* (as amended) requires IPSA to provide me with adequate resources and staff to discharge my functions. Compliance Office staff act solely on the instruction of the Compliance Officer and their functions are entirely separate from the executive branch of IPSA.

My office is staffed by one full-time equivalent (FTE) post, comprising myself, the Compliance Officer (two days), and an Investigations Officer (three days). The Investigations Officer is an IPSA employee and is afforded the same rights as other IPSA personnel.

## C. Relationship with MPs

During 2013-14, I continued my efforts to improve awareness of my role amongst MPs. Contact with MPs is frequent and whilst formal correspondence is required during the assessment and investigative processes, I take every opportunity to meet or to converse via the telephone to convey and seek promulgation of the message that I am open to proactive dialogue. I encourage Members to seek early contact if they foresee a problem with a claim.

I continue to be involved in discussions where MPs express reservations about submitting claims in case they make an error and are consequently the subject of a complaint. In every case, I have strongly encouraged MPs to claim those expenses to which they are entitled under the Scheme.



During my dialogue with MPs, I have continued to emphasise four key areas:

- a. complaints will be viewed with objectivity, proportionality and common sense. The content will be scrutinised thoroughly and corroboration sought;
- b. a significant proportion of complaints are malicious and designed to tarnish the image of the MP;
- c. where a claim is incorrectly submitted or paid, this is almost always due to a genuine and understandable error by the MP, their proxy or by IPSA, which can be dealt with swiftly and without fuss;
- d. I am cognisant that publicity, even in cases without foundation, carries an inherent risk of reputational damage. The second edition of the *Procedures for Investigation of the Compliance Officer for IPSA* (available at [www.parliamentarycompliance.org.uk](http://www.parliamentarycompliance.org.uk)) sets out the information I am required to publish with respect to an investigation, and when this should take place. I will not deviate from this.

#### **D. Procedures for Investigations of the Compliance Officer**

IPSA is required, by legislation, to determine the procedures which the Compliance Officer must follow when handling complaints and requests for investigation alleging that MPs may have been paid a sum to which they were not entitled under the *MPs' Scheme of Business Costs and Expenses*.

IPSA published the First Edition of the *Procedures for Investigations of the Compliance Officer* in July 2010. After having been in place over a year, a review was undertaken, including consultation with the public and Parliament. On 1 February 2012 the Second Edition of the *Procedures for Investigations of the Compliance Officer for IPSA* took effect.

The process must be iterative, building upon knowledge and experience as it is accrued. The procedures should seek to maintain confidence in the Compliance Office, ensuring that a balance is maintained between thoroughness and timeliness. Every complainant has a right to know that their case has been diligently assessed, whilst an MP subject of a complaint has a right to expect that it will be dealt with expeditiously.

As the existing procedures were introduced shortly after my appointment, I am utilising the benefit of my subsequent experience to assist IPSA in drafting a third iteration of the procedures. It is anticipated that a draft of the third edition of the *Procedures for Investigations of the Compliance Officer for IPSA* will be subject to statutory consultation following the summer recess.

The current procedures can be viewed at [www.parliamentarycompliance.org.uk](http://www.parliamentarycompliance.org.uk).

#### **E. Relationships with Other Interested Parties**

IPSA and the Compliance Officer are required to draft and agree Joint Working Agreements with:

- the Metropolitan Police and the Director of Public Prosecutions;
- the House of Commons Serjeant-at-Arms; and
- the Parliamentary Commissioner for Standards.

I have recently agreed a revision of the Joint Working Agreement with the Parliamentary Commissioner for Standards which should be ratified shortly. The document will seek to minimise the potential for double jeopardy and to improve effectiveness and efficiency.

## F. Investigations

During the reporting period I have only found it necessary to conduct a formal investigation on one occasion. In every other complaint or request for investigation I have been able to resolve the matter proportionately following an assessment. Frequently the resolution involves guidance to the MP (or their proxy) regarding:

- correct use of the IPSA Expenses@Work system;
- submission of supporting evidence; and
- application/interpretation of the *MPs' Scheme of Business Costs and Expenses*.

On 15 February 2013, following a request from IPSA, I opened an investigation into potential breaches of the Third and Fourth Editions of the *MPs' Scheme of Business Costs and Expenses* by Nadine Dorries MP relating to Accommodation Expenditure and Travel and Subsistence Expenditure.

At the conclusion of the investigation, whilst acknowledging that there had been no deliberate attempt to profit from the Scheme, I found that return travel claims made by Ms Dorries between Westminster and her constituency during the period November 2011 and February 2013 were not in accordance with paragraph 3.2 of the Scheme (Third and Fourth Editions), were wrongfully made and should not have been allowed.

Ms Dorries subsequently made a repayment in the sum of £3,000.72.

## G. Reviews

During the reporting period, I conducted three reviews on behalf of MPs', following decisions by IPSA not to pay a claim either in part or in full. The reviews related to Office Costs Expenditure and Travel Expenditure.

In two cases I found in favour of IPSA and in the remaining case, I supported the MP.

## H. Website

At the end of 2012-13, I secured funding for a major redesign of the website, which was originally designed in haste and was of limited assistance. During 2013-14, the website, [www.parliamentarycompliance.org.uk](http://www.parliamentarycompliance.org.uk), was redeveloped to provide improved access, increased information, more transparency and a simpler and more efficient complaints process.

The new website was launched on 8 April 2014, alongside an updated corporate logo to distinguish the Compliance Office from IPSA.

## I. Accommodation

As previously referred to, the *Parliamentary Standards Act 2009* (as amended) requires IPSA to provide the Compliance Officer with adequate resources to discharge his functions. This includes the provision of office accommodation, IT and telephony. Since the formation of IPSA, the accommodation provided has been adjacent to that occupied by IPSA.

In April 2014, IPSA moved to new premises at 30 Millbank and, once again, we took up occupation of an office adjacent to those utilised by the IPSA executive and their staff.

## J. Key Performance Indicators

Within the reporting period, key performance indicators have not altered from those previously agreed with the IPSA Board, as follows:

- the completion of 90% of investigations within 120 working days;
- the publication of the outcome of 90% of investigations within 15 working days; and
- the completion of 90% of Assessments within 90 working days.

Whilst all indicators are at 100%, there has only been one formal investigation in 2013-14 and therefore they are of little value. I will be discussing revised indicators with the IPSA Board in the coming months.

## K. Statistics

Figures outlining complaints received and cases handled by the Compliance Office during 2013-14 are shown below. The majority of complaints received related to the IPSA budget headings of Office Costs Expenditure and Travel & Subsistence.

The purely quantitative data is of limited value and fails to provide a complete picture. There are a number of matters that only become apparent from closer analysis of the cases, as follows:

- a significant number of complaints do not appear in the data as they do not reach the threshold necessary to be classified as an assessment under the Second Edition of the *Procedures for Investigations of the Compliance Officer for IPSA*. They are malicious or frivolous; they contain no specific allegation and/or no evidence. Complaints of this nature are received almost daily, however they increase in number during periods of high profile negative press coverage regarding MPs and in the weeks preceding national or local elections;

- complaints are consistently received about what Members are allowed to claim under the Scheme. Again, this category of complaint does not appear in the figures as they do not warrant assessment. In most cases the complaints are forwarded to IPSA for a response or the complainant is encouraged to contribute suggestions to the annual review of the Scheme;
- IPSA continues to experience a significant number of requests for information under the *Freedom of Information Act* (FOIA). In some cases, the information disclosed by IPSA is used as evidence in support of a complaint to the Compliance Officer; and
- whilst the majority of the assessments contained within the table below were instigated following public complaint, IPSA was the source of the request which led to the investigation of Nadine Dorries MP. They have a thorough, robust and methodical Internal Audit and Assurance Team examining claims submissions. In most cases, where issues are identified, these are handled internally. Where it is judged that they could be more appropriately dealt with by my role, a referral is made.

**Table 1: Summary of the 26 cases handled during 2013-14**

| Cases carried forward from 2012-13 | Cases opened during 2013-14 by quarter |    |    |    | Total cases opened during 2013-14 | Cases closed during 2013-14 | Cases carried forward to 2014-15 |
|------------------------------------|--|----|----|----|-----------------------------------|-----------------------------|----------------------------------|
|                                    | Q1                                     | Q2 | Q3 | Q4 |                                   |                             |                                  |
| 3                                  | 7                                      | 3  | 11 | 7  | 23                                | 26                          | 0                                |

**Table 2: Breakdown of the 26 cases handled during 2013-14**

| Source of the 23 cases opened     |   | Outcome of the 23 cases closed |    |
|-----------------------------------|---|--------------------------------|----|
| Member of the public              | 1 | Assessments closed             | 25 |
| IPSA                              | 1 | Investigations closed          | 1  |
| Compliance Officer for IPSA       | 1 |                                |    |
| MP or MPs' staff                  | 2 |                                |    |
| Other member of a political party | 3 |                                |    |
| Journalist                        | 5 |                                |    |

**Table 3: Disposal of cases**

|            | Finalised cases proven (either in part or in full) | Finalised cases unproven |
|------------|--|--------------------------|
| Number     | 1  | 0                        |
| Percentage | 100%   | 0%                       |

## L. Looking ahead

The approach of any General Election will inevitably lead to increased scrutiny of MPs' office costs and expenses and a consequent rise in complaints. However, with the enactment of the *Fixed-Term Parliaments Act 2011*, significantly more scope exists for the creation of complaints intended to discredit sitting MPs. As already noted, I receive a steady flow of baseless complaints predominantly borne of political or party political motivation and there is an expectation that complaints of such a nature will increase over the coming months. Each complaint requires time and resources to establish its credibility, resulting in an increase in workload for the Compliance Office. Provision has been made within the Compliance Office budget for 2014-15 for an increase in resources should they be required.

The complement of permanent staff will continue to be one full-time equivalent post and therefore any developments must be realistic if they are not to undermine the core role of the office. Therefore, during 2014-15, I will seek to:

- ensure that all assessments and investigations are conducted thoroughly and expeditiously, minimising the delay to complainants and MPs;
- continue the development of open, positive and constructive dialogue with MPs and their staff;
- continue to pursue improvements in efficiency within office systems and procedures;
- pursue revisions to the current Joint Working Agreements with the Metropolitan Police and the Serjeant-at-Arms;

- following statutory consultation, implement the third edition of the Procedures for Investigation of the Compliance Officer for IPSA; and
- produce revised Key Performance Indicators.

**Peter Davis**  
**Compliance Officer**

# Annex A Strategy and Goals

IPSA has four strategic goals:

## **To provide independent, fair and effective regulation, that**

- meets the public interest in ensuring that MPs' overall remuneration is appropriate for their role as legislators and elected representatives;
- ensures MPs are appropriately reimbursed for their legitimate business costs and expenses; and
- achieves a stable settlement relating to pay, pensions, business costs and expenses.

## **To deliver workable and transparent systems that support the Schemes<sup>1</sup>**

- thereby providing financial support to enable MPs to carry out their parliamentary duties, in parallel with increased public confidence; and
- that are underpinned by an approach to risk that is proportionate and reflects emerging evidence<sup>2</sup>.

<sup>1</sup> Schemes refer to the existing Business Costs and Expenses Scheme and Pensions Scheme.

<sup>2</sup> The Board's agreed statement on current risk appetite: "There are many ways in which a risk appetite statement may be expressed: in graphical format, in minimal tabulations or in textual consideration of the risks an organisation faces. We have elected to take a simpler approach. We want every member of the IPSA team to know and understand our risk appetite and so we have expressed it in two bullet points:

- we are risk averse in all matters relating to financial discipline and propriety, and to data security; and
- in all other matters we will take prudent, well-considered risks with a view to securing our objectives.

## **To build public confidence in IPSA's execution of its duties through**

- contributing to the restoration of the public's confidence in Parliament; and
- building IPSA's profile as an efficient and effective regulator and administrator of services, protecting the public purse.

## **To build a cost-effective organisation with engaged and motivated staff**

- with constant attention to delivering efficiency and cost-effectiveness in all we do, achieving savings over the period of the comprehensive spending review.

In achieving these goals we deliver the following:

- a Scheme of Business Costs and Expenses that is simple to understand and cost effective to administer; takes account of the needs and concerns of MPs; and that, over time, makes an increasingly clear distinction between costs incurred by MPs in the running of their offices and expenses incurred by MPs in the fulfilment of their duties, providing increased discretion in how money is spent;
- a Pay and Pensions Scheme that is settled, established, and ensures that MPs' overall remuneration is appropriate for their role as legislators and elected representatives;
- high levels of transparency in all that we do; and
- a workforce that is provided with opportunities for growth and development and has the motivation, skills and capacity to deliver our objectives.

# Annex B Sustainability Report

## Energy and Emissions

|                                  | Actual Performance                        | Normalised<br>(per full-time<br>employee) | Target Performance  |
|----------------------------------|---|---|---|
| Carbon emissions from premises   | 65 tonne 2012-13<br>140 tonne 2013-14     | 1.13 tonne                                | Target 2014-15 proposed = 90 tonne excluding sublet premises. |
| Tenant off-set                   | 70 tonne                                  |   | 2013-14 Target 35 tonne:                                      |
| <b>IPSA CO<sup>2</sup> total</b> | <b>70 tonne 2013-14</b>                   | <b>1.13 tonne</b>                         | <b>Not Achieved: 200% of target.</b>                          |
| Total energy consumption kWh     | 121,633.20 / 2012-13<br>556,037 / 2013-14 | 2,097 kWh                                 | Target 2014-15 = 200,000 kWh no off-set for premises.         |
| Tenant off-set                   | 278,018.5 / 2013-14                       |   | 2013-14 Target 185,000 units:                                 |
| <b>IPSA units total</b>          | <b>278,018/5 / 2013-14</b>                | <b>4,484 kWh</b>                          | <b>Not Achieved: 150.3% of target.</b>                        |
| Total energy expenditure         | £17,976.00 / 2012-13                      | £310                                      | Target 2014-15 = £26,000 no off-set for premises.             |
| Tenant off-set                   | £23,746.73 / 2013-14<br>£11,873.37        | £383                                      | 2013-14 Target £24,000 offset to £12,000 per premises::       |
| <b>IPSA total (£)</b>            | <b>£11,873.37 / 2013-14</b>               | <b>£192</b>                               | <b>Achieved: 1% below target.</b>                             |

## Performance Commentary

2013-14 was the first full year IPSA sublet half its accommodation (5 months in 2012-13), therefore it is not entirely comparable to prior year. Due to higher joint tenancy consumption and e.on energy not having a favourable mix of green sources of power compared to the previous supplier, the CO<sub>2</sub> impact has been significantly higher. Additionally, energy consumption increased due to the nature of the business of the tenant (mobile application technology).

## Controllable Impacts Commentary

IPSA can control much of its own organisational consumption. Strategies are in place to reduce these impacts through continued ambient light survey and efficiency control measures. However, IPSA did not have control over the consumption of the sub-lessee.

## Overview of Influenced Impacts

As IPSA cannot directly influence overall carbon emissions. IPSA participated in local carbon reduction schemes run by the landlord and its major suppliers and were able to influence emissions by communicating with suppliers of goods and service.

## Supplier Delivery Emissions

| Area   | Actual Performance      | Normalised<br>(per full-time<br>employee) | Target Performance  |
|--|-------------------------|---|---|
| Carbon emissions:                                | 35.2 Kg 2012-13         | 0.06 Kg                                   | Target 2014-15 = Maintain carbon emissions at 2012-14 levels.         |
| <b>Consumables delivery CO<sup>2</sup> total</b> | <b>57.12 Kg 2013-14</b> | <b>0.92 Kg</b>                            | <b>2013-14 Target 35.40 Kg:<br/>Not Achieved: 61.4% above target.</b> |
| Notional delivery expenditure                    | £420 / 2012-13          | £7.24                                     | Target 2014-15 = Maintain delivery frequency to 42 per annum.         |
| <b>IPSA total (£)</b>                            | <b>£680 / 2013-14</b>   | <b>£10.96</b>                             | <b>2013-14 Target £420:<br/>Not Achieved</b>                          |

## Performance Commentary

IPSA consumables were monitored to achieve an average of 3.5 deliveries per month.

| <b>Waste</b>                                   |  |  |  |
|--|--|--|--|
| <b>Area</b>                                    | <b>Actual Performance</b>  | <b>Normalised (per full-time employee)</b> | <b>Target Performance</b>  |
| Total paper bought                             | 560 reams / 1344 Kg / 2012-13  | 9.6 reams                                  | 2014-15 target = maintain 2013-14 performance (680 reams).<br>2013-14 target of 560 reams                                |
| <b>Quantity</b>                                | <b>680 reams / 1632 Kg / 2013-14</b>   | <b>11 reams</b>                            | <b>Not Achieved: 17% above target.</b>   |
| Total confidential waste paper recycled        | 1,402 Kg 2012-2013   | 24.2 Kg                                    | 2014-15 target = maintain 2013-14 performance.<br>2013-14 Target: maintain performance in previous year                  |
| <b>Weight</b>                                  | <b>1,402 Kg 2013-2014</b>  | <b>22.5 Kg</b>                             | <b>Achieved.</b>   |
| Total all waste recycled                       | 2,865.12 Kg 2012-13  | 72.6 Kg                                    | 2014-15 target = maintain 2013-14 performance.<br>2013-14 target: maintain 4,209kg                                       |
| <b>Weight</b>                                  | <b>2,865.12 Kg 2013-14</b>   | <b>67.89 Kg</b>                            | <b>Achieved.</b>   |
| Total to burning for energy                    | 338.00 Kg 2012-13  | 5.8 Kg                                     | 2014-15 target = Maintain performance weight for burning.<br>2013-14 target: Maintain 338kg                              |
| <b>Weight</b>                                  | <b>206.00 Kg 2013-14</b>   | <b>3.32 Kg</b>                             | <b>Achieved: 39% reduction.</b>  |
| Total to food for fuel*                        | 16.00 Kg / 2012-13*  | 0.3 Kg                                     | Target = maintain 2.25 Kg average weekly.<br>Target annual forecast of 132.75kg  |
| <b>Weight</b>                                  | <b>132.75 Kg / 2013-14</b>   | <b>2.14 Kg</b>                             | <b>Achieved.</b>   |
| Total all waste disposed                       | 3,219.12 Kg 2012-13  | 78.7 Kg                                    | Not applicable   |
| <b>Weight</b>                                  | <b>3,203.87Kg 2013-14</b>  | <b>73.6 Kg</b>                             |  |
| Total waste expenditure                        | £2,070 / 2012-13   | £35.70                                     | Not applicable   |
| <b>Total (£)</b>                               | <b>£2,070 / 2013-14</b>  | <b>£33.38</b>                              |  |
| Grey water waste consumption<br>Tenant off-set | 1,111.20m <sup>3</sup> / 2012-13<br>290.96m <sup>3</sup> / 2013-14<br>145.48m <sup>3</sup> | 19.2 m <sup>3</sup>                        | Target = Maintain 2013-14 performance for waste in 2014-15.<br>Target: Maintain 2012-13 performance for waste in 2013-14 |
| <b>Volume total</b>                            | <b>145.18m<sup>3</sup> / 2013-14</b>   | <b>7.1 m<sup>3</sup></b>                   | <b>Achieved.</b>   |
| Metered water consumption                      | 2,145.16m <sup>3</sup> / 2012-13<br>530.74m <sup>3</sup> / 2013-14                         | 36.9 m <sup>3</sup><br>27.4 m <sup>3</sup> | 014-15 target: maintain 1,698 m <sup>3</sup> consumption.<br>2013-14 target: maintain 2,145 m <sup>3</sup> consumption   |
| Tenant off-set                                 | 265.37 m <sup>3</sup> / 2013-14  |  |  |
| <b>Volume total</b>                            | <b>265.37 m<sup>3</sup> / 2013-14</b>  | <b>13.7 m<sup>3</sup></b>                  | <b>Achieved: 21% lower than target.</b>  |
| Water Expenditure                              | £1,946.46 / 2012-13  | £33.60                                     | Not applicable   |
| <b>Total (£)</b>                               | <b>£1,633.87 / 2013-14</b>   | <b>£26.35</b>                              |  |
| Tenant off-set                                 | £816.93  |  |  |
| <b>IPSA total (£)</b>                          | <b>£816.94</b>   | <b>£13.18</b>                              |  |

\* Note: 2013-14 is not comparable to the previous year as only one month of information was available in 2012-13.

## Performance Commentary

All waste targets were met in 2013-14 with the exception of paper bought. Paper usage increased due to increased workloads. IPSA reduced waste for burning by recycling food waste for fuel.

## Controllable Impacts Commentary

IPSA had direct control of paper product purchase and delivery frequency. Additionally, IPSA actively implemented grey water reducing measures which resulted in an equal reduction for incoming fresh water.

## Overview of Influenced Impacts

We were able to influence emissions and waste mitigation strategies by communicating via tenant meetings. Direct control and influence over water use was limited.













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