

Independent Parliamentary Standards Authority

Annual Report and Accounts

2018–19

Independent Parliamentary Standards Authority

Annual Report and Accounts for 2018-19

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Introduction from IPSA's Interim Chair



Throughout the year, IPSA quietly and effectively carried out its core business of making salary and eligible expenses payments to 650 MPs and their 3,500 staff. At the same time, through a period of high demand and political tension, the 2018-19 financial year saw three significant milestones for the organisation.

First, we implemented a new online finance, payroll and expenses system for MPs and their staff. This followed three years' development and testing to upgrade the IT installed on IPSA's establishment into a modern, integrated system that meets current data quality and data security standards, and improves financial control for MPs and the taxpayer.

Second, IPSA hosted the world's first conference for parliamentary regulators. Delegations from 14 countries on five continents attended to discuss how public money can support elected representatives fairly and transparently. Speakers included politicians, academics and practitioners. Many noted how independent regulation had transformed the UK landscape since the expenses scandal led to IPSA's creation ten years ago. We look forward to the second parliamentary regulators' conference in two years' time to be hosted in Australia or New Zealand.

Third, the organisation moved offices from 30 Millbank, where we had been located for five years, to 85 Strand. The move secures appropriate office accommodation, within walking distance of Parliament, at good long-term value for money to the taxpayer.

Throughout the development of the new online system, IPSA has taken great care not to disrupt the critical need to provide day-to-day secure financial support to MPs. Its launch was first delayed due to the June 2017 General Election and then again from July 2018 in order to resolve outstanding technical issues and to change implementation partner. With our new partner, we launched the system in April 2019.

Many MPs welcomed the new online approach, with its up-to-date interface and faster payments. But, like all digital platforms, the system requires refining and optimising based on feedback, so that it not only provides the right level of financial controls but is also a user-friendly tool that works for MPs and their staff. During 2019-20, we will continue to improve the system, resolving outstanding technical issues, and providing ongoing training, better online advice and more responsive telephone and email support.

Following the end of the year, Ruth Evans resigned as IPSA's Chair to pursue other non-executive roles. We are grateful for her contribution to IPSA's work. Recruitment for her successor will be conducted in 2019-20 and will be led by Parliament through the Speaker's Committee for the IPSA.

Finally, alongside other Board members, I am extremely grateful to IPSA's staff who have worked exceptionally hard this year. Through their efforts, taxpayers

can be assured that MPs properly use the public resources given to them, within transparent and robust rules. As a result, IPSA is now acknowledged as a global leader in its field, playing a vital role in supporting the daily work of our democracy.

Richard Lloyd
Interim Chair, IPSA

December 2019

Part I: Performance Report

Overview

A. Who we are and what we do

1. This section provides information on the statutory framework under which IPSA operates, our strategic aims and statutory objectives covering the financial year ended 31 March 2019. IPSA's 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.

Statutory framework

2. The Independent Parliamentary Standards Authority (IPSA) is a statutory body, independent from Parliament, Government and political parties. It was established by the PSA.
3. IPSA's statutory remit is to provide independent regulation and administration of MPs' pay, pensions, business costs and expenses. IPSA sets and regulates the *Scheme of MPs' 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.
4. Following a series of recommendations from the Committee on Standards in Public Life, the Government, with the support of the three largest parties at the time, agreed to make early revisions to the PSA. Those revisions were made through the *Constitutional Reform and Governance Act 2010* (CRAG). The principal additional function passed to IPSA by that Act was the responsibility to determine MPs' salaries and pension arrangements.

5. We have three aims: to assure the public that MPs' use of taxpayers' money is well regulated; to resource MPs appropriately to carry out their parliamentary functions; and to enable our staff to be a high-performing, professional team.
6. To achieve these aims, we do the following:
 - We regulate MPs proportionately and effectively by setting rules that support compliance, and by making independent, fair and transparent decisions in line with our fundamental principles.
 - We provide assurance to the public by consulting them on our rules, operating transparently and publishing accessible information about MPs' business costs.
 - We support MPs by making accurate payments promptly, providing clear advice and guidance about MPs' responsibilities for public money in line with the Scheme, and by continuously working to improve our systems and processes to make them more efficient and effective.
 - We develop our staff by giving each person the tools, training and support to perform professionally and achieve excellence in a strong team that is underpinned by respect and trust.
7. The way we achieve our aims as an independent regulator is underpinned by our values of professionalism, respect, integrity, collaboration and continuous improvement.

Estimate Subheads

8. IPSA's budget for the financial year is scrutinised and approved by the Speaker's Committee for IPSA (SCIPSA), which gave parliamentary approval for IPSA's 2018-19 spending plans through its Supply Estimate (HC 968). The Estimate consisted of two subheads:

- Subhead A: MPs' pay, staffing, business costs and expenses
 - MPs' salaries
 - MPs' staff salaries
 - MPs' business costs and expenses
- Subhead B: IPSA's core operational costs
 - Staff and non-staff costs
 - Costs relating to the Compliance Officer for IPSA

B. IPSA's Strategic Objectives

9. For the financial year 2018-19, IPSA's strategic objectives can be found in full in its Corporate Plan which is on our website at the following address: <http://www.theipsa.org.uk/media/184865/ipsas-corporate-plan-2018-19-final.pdf>

10. Our longer-term strategy which set our direction for the period 2018-2022 can be found on our website at the following address:

<http://www.theipsa.org.uk/media/184729/ipsa-strategy-2018-2022.pdf>

C. Our work in 2018-19

11. This report covers the key activities undertaken by IPSA in the 2018-19 financial year. A primary focus for the year, which cut across all parts of the organisation, was the conclusion of work

to implement IPSA's new online system which went live on 2 April 2019.

12. Alongside this intense programme of work, we made progress in our five priorities for the year: to maintain a strong and supportive regulatory environment for MPs; to implement a programme of continuous improvement; to provide assurance to the public; to strengthen our arrangements for data security and information governance; and to invest in our staff team. We also continued to perform to a high standard in carrying out our core functions of regulating and providing financial support for MPs' parliamentary functions, through the Scheme of MPs' Business Costs and Expenses. In addition, in March 2019 we moved to new office premises on the Strand.

13. **IPSA Online:** Having successfully delivered the first four parts of our improvement programme on schedule, we intended to go live with the final part, the new integrated finance, payroll and expenses system, in July 2018. However, during the year we took the decision to delay the launch to April 2019, in order to conduct further end-to-end checks of the system, and to minimise any teething problems we or MPs and their staff might experience during the transition. The delay also enabled us to retender the contract with our IT supplier, and in September 2018 we signed with a new IT hosting firm and a new IT partner to implement the final stages of the software. This helped us to achieve improved value for money for the taxpayer over the medium and long term.

14. In preparation for the launch, we ran 20 country-wide IPSA Online training sessions and other events, which were attended by staff from two-thirds of MPs' offices. This engagement gave us further

opportunities to test the new system and hear feedback. We also implemented 'single sign-on' from Parliamentary accounts to the IPSA Online Homepage, the intranet for MPs and their staff which pulls together all links and guidance in one place. From 2 April 2019, this is also how MPs and staff members (provided they have parliamentary accounts) access the new system, IPSA Online.

15. The new system is bedding in. MPs and their staff have raised a number of issues which we are addressing, seeking technical solutions where they exist and are consistent with our regulatory approach. We continue to support MPs and their staff over the telephone and through face-to-face meetings and training sessions.
16. **Review of MPs' remuneration:** As IPSA is required to do in the first year of a new parliament, we carried out a review of the arrangements for MPs' pay. A public consultation ran in May and June 2018 which also incorporated a number of issues relating to the payments MPs receive upon losing office as well as the MPs' pension scheme. In July 2018 we concluded that MPs' pay should remain linked to changes in public sector earnings. As a result of our experience and feedback after the 2017 General Election, we also introduced a winding up payment for MPs who lose their seats at future General Elections. We worked closely with the Parliamentary Contributory Pension Fund Trustees to make a number of largely technical changes to the pension scheme, which were announced in July 2019.
17. **International links:** Building on the links we have developed since 2010, we hosted the first ever international conference on parliamentary regulation in March 2019, which was attended by representatives of bodies with similar remits to IPSA's from 13 different countries from 5 continents. We are continuing to benefit from these relationships as a source of good practice and information. We also established a new network of UK non-financial regulators which meets regularly and encourages attendees to share experience and learning.
18. **Assuring the public:** In line with IPSA's commitment to transparency, we published information on MPs' business costs and expenses every two months, as well as annual data on MPs' expenditure in November 2018. We also published a second annual assurance report which covered all the activity undertaken during the year to check that MPs' claims are in line with the Scheme rules. This included detailed reviews relating to the 2017 General Election and how MPs use the funding available to them to rent constituency offices.
19. **Data protection:** During 2018-19 we achieved compliance with the General Data Protection Regulation, and put in place further measures to strengthen our data security and information governance framework, including through the appointment of seven internal IPSA Managers as Information Asset Owners. We now operate 'Privacy by Design' to ensure that we consider data protection as part of everything that we do, particularly conducting Data Protection Impact Assessments before starting all new projects. We also updated our data sharing agreement with the House of Commons and have improved our cyber security defences to comply with industry-recognised standards.
20. **Investing in staff:** We took forward measures to invest in our team, including a skills audit of our staff and a training

plan to improve skills and performance. All staff took part in workshops on diversity, teamwork and mental health. We developed a succession planning toolkit to enable managers to hold meaningful conversations with their staff about their career aspirations and future development needs. We revised our staff handbook to comply with changing legislation and introduced new policies including flexible working performance management and pay policy. We participated in Mind's third annual Workplace Wellbeing Index, a benchmark of best policy and practice in promoting and supporting positive mental health, and IPSA has since been awarded a 'Silver', meaning that we are achieving impact within the workplace.

21. We are building on this work during 2019-20, for which we have five priorities:

- Maintain a strong regulatory environment that enables high compliance by MPs
- Embed the IPSA Online improvements and begin to realise its benefits
- Develop our processes, tools and skills to become a more innovative and data-driven regulator
- Increase our public engagement to provide assurance and build understanding of our role
- Implement an effective people management strategy

D. Chief Executive's perspective on performance

22. The work to develop and test IPSA Online and to support MPs and their offices for implementation the new system was properly the key focus of IPSA's work during 2018-19. On 2 April 2019 we

successfully implemented a new system which integrates our payroll, finance, expenses functions and which we expect will, in time, deliver significant benefits to both MPs' offices and to IPSA.

23. At the same time, we made other improvements across the business, including to the Scheme rules related to General Elections, to the MPs' pension scheme, and to our operational processes in order to further improve the service we provide to MPs and their staff.
24. In 2019-20 we will continue to improve, learning from our stakeholders as well as other bodies in the public and private sector, so that we remain a high-performing organisation and world-class regulator.

E. Key issues and risks facing IPSA

25. The launch of IPSA Online on 2 April 2019 was a significant milestone for the organisation and the culmination of a three-year- improvement programme. The core system works well and ensures that MPs and their staff as well as IPSA staff are being paid in a timely manner. However, since the launch some MPs and their staff have identified teething issues with the system. We are addressing these quickly to find solutions. Our priority for 2019-20 is to ensure that we realise the benefits of the new system to improve services to MPs, extend the opportunities for self-service and improve our own efficiency.
26. We have put plans in place to ensure that IPSA is ready for the possibility of a general election in the coming financial year. We continue to work closely with the House of Commons to support MPs effectively, whether in an election period or at any other time.

27. A summary of the organisational risks identified in 2018-19 and the actions taken is at paragraph 106.

F. Going concern basis

28. The Statement of Financial Position in our accounts shows net liabilities. However, in common with other independent bodies funded by Her Majesty's Treasury, the future financing of our liabilities will be met by Grants of Supply and the application of future income approved annually by Parliament. Our Supply Estimate for 2019-20 has been agreed by the SCIPSA and there is no reason to believe that future approvals will not be forthcoming.
29. Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

G. Performance analysis

30. In order to monitor IPSA's performance, we have put in place key performance indicators to give an overall assessment of our core functions – regulating MPs' business costs, resourcing and supporting MPs and providing assurance to the public – and we use data to monitor the activities of each business area.
31. In 2018-19, our performance remained strong across most areas. We reimbursed MPs' claims for business costs within an average of 5.85 working days, against a target of eight days. Our payroll payments were 99.91 per cent accurate, and we published MPs' business costs and expenses with 100 per cent accuracy. And we found very high compliance by MPs, with 0.2 per cent of claims assessed as being outside the Scheme.

32. During the reporting period eight of our nine key performance indicators were fully met or exceeded; while one, relating to efficiency in dealing with

correspondence, was not achieved. The table below sets out our performance against each indicator.

| Key Performance Indicator | Measure in 2018-19 | Measure in 2017-18 | Outcome |
|---|--|--|------------------|
| Effective Regulation of MPs' Business Costs and Expenses | | | |
| Fewer than 1 per cent of MPs' claims are outside the Scheme. | 0.2 per cent of claims outside the Scheme | 0.2 per cent of claims outside the Scheme | Achieved |
| Providing Support to MPs | | | |
| Claims are reimbursed in fewer than 12 days on average. | Reimbursement in 5.85 days on average | Reimbursement in 5.44 days on average | Achieved |
| Payroll accuracy is over 99.75 per cent each month. | Accuracy at 99.91 per cent | Accuracy at 99.76 per cent | Achieved |
| Over 90 per cent of correspondence resolved within 5 working days | 85 per cent of correspondence resolved within 5 working days | 90.61 per cent of correspondence resolved within 5 working days | Not Achieved |
| MPs and their staff show increased satisfaction with IPSA's support | In the 2018 survey of MPs and MPs' staff, 68 per cent of respondents were 'completely satisfied'; this includes 33 per cent of MP respondents and 72 per cent of staff respondents | N/A (not included due to a low response rate by MPs to the 2017 survey; we are looking at changes to our methodology for measuring MPs' satisfaction in future) 56 per cent of MPs' staff who responded rated IPSA's service similarly | Achieved |
| Assuring the Public that MPs' Business Costs and Expenses are Well Regulated | | | |
| Our publication of MPs' claims are over 99.75 per cent accurate | 100 per cent accuracy achieved | 99.99 per cent accuracy achieved | Achieved |
| Fewer than 1 per cent of processed claims have errors identified on review | 0.15 per cent of processed claims had errors identified | 0.09 per cent of processed claims had errors identified | Achieved |
| IPSA staff show increased engagement | In the staff survey for 2018, 65 per cent of IPSA staff reported feeling engaged | In the survey for 2017, 62 per cent of IPSA staff reported feeling engaged. | Achieved |
| IPSA demonstrates effective budget management | Year End control totals underspent, but some individual budgets were overspent. | Control totals underspent, but some individual budgets were overspent. | Achieved in part |

33. We have been using our current performance indicators for four years. In 2017-18 we conducted a review which led to minor changes in our performance measures. In 2018-19 we measured performance against this slightly amended set of performance measures. For example, we now aim to

reimburse claims in fewer than eight days on average (more ambitious than the previous target of 12 days). We also aim to see increased satisfaction with IPSA support from 60 per cent of MPs and their staff, as well as engagement by 60 per cent of IPSA staff (the previous targets did not include specific quantities).

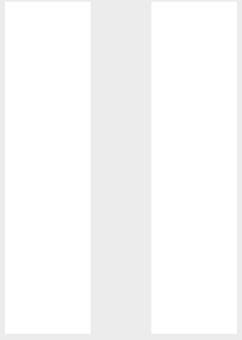
34. We will undertake a wider-scale review in 2020, to enable us to consider any organisational implications of the changed ways of working and how these might impact on the best indicators to use.
35. During the year IPSA underspent against budget in both Subhead A (MP staff and business costs) and Subhead B (IPSA's operational costs). A more detailed breakdown of spend against budget can be found on page 45 of the Parliamentary Accountability and Audit Report. Subhead A had spend of £182.9 million against a budget of £184.9million; the majority of this underspend was against MPs' staffing cost and MPs' expenses. Subhead B had a £7.7 million spend against a budget of £8.1million. The main factors contributing to this were underspends on office running costs and IT.

Signed

Date: 13 December 2019

Marcial Boo

Chief Executive and Accounting Officer



Part II: Accountability Report

1 Corporate Governance Report

Directors' report

A. IPSA's Board

36. IPSA's Board is responsible for deciding the policies that form 'the Scheme' and setting the remuneration of MPs. The Board is also responsible for setting IPSA's strategic direction. The Board meets about every six weeks on average. Attendance records for individual Board members are included in the Governance Statement, and minutes of Board meetings are published on IPSA's website: <http://www.theipsa.org.uk/about-us/board-and-chief-executive/minutes-of-board-meetings/>.
37. In line with requirements of the Parliamentary Standards Act 2009, the Chair and Members of IPSA during 2018-19 were as follows.

Ruth Evans, Chair

Sir Robert Owen, former holder of high judicial office

Rt. Hon Jennifer Willott, former Member of Parliament

Will Lifford, statutory auditor

Jackie Smith (until 24 May 2018)

Richard Lloyd, (from 1 December 2018)

B. Company Directorships and Other Significant Interests Held by Board Members

38. No significant interests are held by IPSA's Board Members. Details of all interests held can be found on our website, at the following address:
<http://www.theipsa.org.uk/about-us/board-and-chief-executive>

C. IPSA's Senior Management

39. 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 2018-19 were as follows:

Marcial Boo, Chief Executive

Alastair Bridges, Director of Corporate Services

Victoria Fox, Director of MP Support Services (until October 2018); Director of Regulation and Insight (from 5 November 2018)

John Sills, Director of Regulation (until 14 September 2018)

Georgia Wilson, Director of Improvement and MP Support (from 3 January 2019)

D. Staffing

40. The Civil Service Order in Council 1995 provides the legal basis for our recruitment policies, and the Civil Service Commission sets mandatory principles for recruitment. During 2018-19, IPSA employed an average of 71 full-time equivalent staff, including permanent, agency and fixed-term staff, plus five Board Members, one Compliance Officer and three Lay Members of the Speaker's Committee for IPSA (SCIPSA). As at 31 March 2019, 40 per cent of staff were male and 60 per cent of staff female, and 18 per cent 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.

41. All IPSA employees are offered access to Health Management, an independent occupational health service which provides expert advice, counselling and support.
42. IPSA has an equality and diversity policy, which covers IPSA's commitment to encouraging equality and diversity, as well as eliminating discrimination.
43. We adhere to the principle that all government departments are required to obtain assurances from individuals on contracts of more than six months' duration, where the annual cost is greater than £58,200 (equivalent to £220 per day), that tax due on contract payments will be paid. As at 31 March 2019 all such contractors engaged by us met these conditions.

E. Health and Safety

44. We are committed to providing a safe and healthy working environment. We have an up-to-date health and safety policy, and a health and safety training module for new staff. We continue to maintain a health-screening-at-work programme. This includes regular work station assessments and access to a confidential health service providing advice and counselling.

F. Pensions

45. Our employees are covered by the provisions of the Civil Service pension arrangements. Information on pension entitlements is provided in the *Remuneration Report*. For details of IPSA's accounting treatment for pension liabilities please refer to page 57 of the Accounts.

G. Personal Data Related Incidents

46. In May 2018, the EU General Data Protection Regulation (GDPR) and the Data Protection Act 2018 came into force. To prepare for the new legislation:
 - our Data Protection Policies were reviewed and revised for compliance with the new requirements;
 - a programme of staff awareness was carried out;
 - a contract review exercise was conducted to ensure all supplier contracts were compliant;
 - the role of our existing Data Protection Officer was re-positioned to report to the Board through the Director of Corporate Services.
47. During the reporting period, 12 minor data breaches were recorded. None was serious enough to be reported to the Information Commissioner's Office (ICO). We continue to provide training and support for IPSA staff on data security and governance to minimise future incidents.

H. Complaints and Customer Service

48. We aim to acknowledge complaints within two working days and provide a final response within 10 working days. During 2018-19 we handled 28 formal complaints from MPs covering a variety of issues. Ten of these related to IPSA's payroll function including where payroll changes were not made due to missed deadlines on the part of MPs, as well as some errors in calculations of pay on the part of IPSA. The other 18 complaints related to the wider organisation, including on information publication, IPSA's deadlines and processes. Of 28, six were resolved within 10 working days. Sixteen complaints were upheld.

I. The Compliance Officer for IPSA

49. 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. The Compliance Officer reports to IPSA's Board but acts wholly independently of IPSA's executive.
50. Tracy Hawkings began her term as IPSA's Compliance Officer on 30 May 2018. Andy McDonald, who previously held the post, left on 17 April 2018. The Compliance Officer's separate report is at Part V.
51. During the reporting period, 41 complaints were handled. Seven of these fell outside the remit of the Compliance Officer. The majority of complaints (37) were made by members of the public. Three complaints were made by political party associations and one complaint made by an MP.
52. During the 2018-19 period, two MPs requested reviews of claims that had been refused by IPSA. In one case the review was conducted and part of it upheld in favour of the MP. In the second case, the grounds for a review were not met and the MP was referred back to IPSA, for the matter to be dealt with through the contingency funding process.

J. Basis of Accounts

53. The accounts for the year ended 31 March 2019 have been prepared under a direction issued by HM Treasury in accordance with the Parliamentary Standards Act 2009.

K. Risk Management

54. We continually assess our exposure to risks and seek to ensure that risks are appropriately mitigated. As part of our formal risk management process, we maintain two risk registers. The Top Risks Register includes those risks that impact at an organisational or strategic level. In addition, all of our business areas contribute to a separate, but linked, register with more detailed business risks and planned mitigation actions.
55. The risk registers are reviewed regularly by IPSA's Executive and the Senior Management Team. Our Audit and Risk Assurance Committee, attended by all Board members, also formally reviews risks and the associated mitigation actions at its regular meetings. More information on our management of risk is set out in paragraph 106.

L. Policy for Payment of Suppliers

56. We adhere to the Late Payment of Commercial Debts (Interest) Act 1998 and meet the normal terms of payment of invoices of 30 days from receipt, except where different terms have been agreed with suppliers. Although independent, we are treated as a small department and so the government's five-day target for small and medium enterprises (SMEs) to receive payment is not mandated. However, we aim to pay valid invoices from SMEs within 10 days.
57. Payment of trade and other payables is reported on a creditor-days basis. This is calculated as a proportion of the amount owed to trade creditors at the year-end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year. We paid

suppliers within an average of 16.61 creditor days in 2018-19. This includes SMEs as well as larger enterprises. No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2017-18: £0).

M. Future priorities: plans for 2019-20

58. In 2019-20 our focus will be on consolidating the major improvements made to IPSA's systems and processes since 2015, in particular the introduction of IPSA Online, and on realising the benefits for MPs and the taxpayers. We will work with MPs and their staff to help them use IPSA Online efficiently and effectively. In addition, we will ensure that IPSA is prepared to respond to external events, such as a General Election.
59. Our key corporate objectives for 2019-20 are outlined below.
60. **Maintain a strong regulatory environment:** We will continue to review IPSA's policies, rules and processes so that they are clear, provide the necessary assurance about MPs' costs, and enable MPs to comply with the Scheme. In particular, we will review how MPs' use their staffing budget to ensure that the Scheme continues to regulate MPs effectively and that MPs are appropriately supported in carrying out their Parliamentary functions. This includes seeking evidence from MPs and their staff on how they work and the financial pressures they face.
61. We will pilot a simpler approach to funding MPs' constituency mileage costs, so that we can be sure our regulatory approach is responsive and cost-effective.
62. We will build on the success of a conference of international Parliamentary regulators that IPSA organised in March 2019, to establish strong links with bodies that pay elected representatives across the world. We will also ensure that IPSA complies with all aspects of the UK's regulators' code.
63. **Embed the IPSA Online improvements:** We will address issues that have arisen following the implementation of our new integrated finance, payroll, HR and expenses system, IPSA Online. We will also ensure that we benefit from the new system to improve services to MPs, extend the opportunities for self-service and improve our own efficiency. We will continue to train MPs and their staff in the new system throughout the year.
64. **Develop our tools, process and skills to become data driven:** We will implement our new IT strategy to provide a modern desktop experience for our staff, moving IT services to the cloud and building an in-house capacity to provide better value for money. We will continue to assess and, where necessary, improve the way we store and manage personal data securely, to ensure we are meeting our obligations under data protection legislation.
65. Part of our strategy is to become a more data-driven regulator that uses data to improve performance and drive innovation, to regulate faster and more intelligently and to assure the public through accessible data on MPs' spending and compliance rates. By making better use of the data we hold, we aim to improve our understanding of how MPs spend their budgets, which in turn will assist us in making the Scheme more effective.

66. **Increase public engagement and understanding:** We will continue work to assure the public that MPs' use of taxpayers' money is well regulated, by being transparent about the public money that MPs' have claimed from us to support their Parliamentary functions. In line with our publication policy, we will publish information about MPs' claims on our website every two months, as well as annual data about MPs' business costs in November.
67. In 2019, we will publish IPSA's third annual review of assurance. This will report on our activity in 2018-19 to ensure that claims for MPs' business costs were evidenced appropriately and compliant with our rules. This activity will include how we validate and check claims individually before and after payment, and how we examine specific categories of MPs' expenditure to provide further assurance that their expenditure is compliant with the rules. Our report will include assurance work conducted on subletting by MPs of their constituency offices and on claims made for professional services.
68. We will increase our engagement with the public, using digital channels to reach a wider audience and provide accessible information about MPs' costs and expenses and IPSA's role in enabling high compliance.
69. **Implement a people management strategy:** We want IPSA to be an outstanding employer by supporting our staff to reach their potential and achieve excellence. We will do this by investing in the development of our team, enabling them to enhance their skills and perform to the highest standards. We will conduct an annual learning and development review to ensure that staff and managers continue to consider staff development

needs. We will introduce relevant professional standards qualifications in each team.

70. We will train our managers so that they set high quality, meaningful objectives for their staff and these can be monitored by better use of our existing systems. We will also reward staff for achieving their objectives and for demonstrating that they are living IPSA's values of professionalism, respect, integrity, collaboration and improvement.

N. Financial Performance

71. Following scrutiny by the Speaker's Committee for the IPSA, parliamentary approval for IPSA's 2019-20 spending was agreed. This consisted of two subheads, as outlined below.

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

- capped budgets (accommodation, staffing and office costs);
 - uncapped budgets (travel, subsistence and security); and
 - Income from the Creative Society.
72. A detailed breakdown of our financial performance is shown in Note 3. The main factors behind the Subhead A variance against Estimate were due to MPs not claiming for the full range of allowable Parliamentary expenditure within their annual budgets, with underspends on security costs within MPs' capped expenses and the lower than budgeted spend on MPs' staff costs for the year as a whole.

Subhead B: IPSA's operational costs comprising:

- staff and non-staff costs set out in detail in Note 4 to the accounts;
- the cost of the Compliance Officer; and
- Income relating to the sub-letting of IPSA's accommodation.

73. Total resource expenditure against Subhead B showed a variance against Estimate with a small overspend on salaries being offset by underspends on office costs, accommodation and IT services.

0. Events after the reporting period

74. Ruth Evans resigned as chair of IPSA, effective 10 October 2019, and Richard Lloyd was elected by remaining Board members to act as interim chair. Recruitment for a new chair is undertaken by the Speaker's Committee for IPSA (SCIPSA) and commenced in autumn 2019.

2 The Statement of Accounting Officer's responsibilities

75. Under the *Parliamentary Standards Act 2009*, 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 IV. 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.
76. 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.
77. 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.
78. As far as I, the Accounting Officer, know, 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.
79. I have taken personal responsibility for the annual report and accounts and the judgements required for determining that as a whole they are fair, balanced and understandable. I confirm that the annual report and accounts as a whole is fair, balanced and understandable.

3 Governance Statement

A. Introduction

80. The Parliamentary Standards Act 2009 (the PSA) provides that IPSA is a body corporate, independent of Government and Parliament and that the Chief Executive is its Accounting Officer.
81. I was appointed as the permanent Chief Executive and Accounting Officer by IPSA's Board effective from 3 June 2014.
82. 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 public funds and assets in accordance with the responsibilities assigned to me under the PSA and by IPSA's Board. In doing so, I broadly follow the standards set out in *Managing Public Money* and have established a governance structure in line with HM Treasury and Cabinet Office guidelines.

B. Governance

83. 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.
84. The PSA appointed the Comptroller and Auditor General, Head of the National Audit Office, as the external auditor for IPSA.
85. Internal audit services are provided under a co-sourced arrangement. IPSA's

Head of Internal Audit is supported by the services of an audit services firm, RSM, 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 (ARAC).

IPSA's Board: scope of responsibility

86. As set out above, IPSA's Board comprises the members of IPSA as appointed under the Parliamentary Standards Act. As Chief Executive, I am responsible for carrying out the administration functions on behalf of the Board in accordance with its general directions.
87. The Board has overall responsibility for the preparation and revision of IPSA policy, including notably the Scheme, and setting MPs' pay and pensions.

The Board: Membership Changes

88. One Board member, Jackie Smith, resigned during the reporting period. Following an open competition overseen by an independent panel, with the agreement of the Speaker's Committee for the IPSA and following a vote by MPs, Richard Lloyd was appointed as a new Board member.
89. After the end of the financial year, Ruth Evans resigned as IPSA's Chair to pursue other non-executive roles. Recruitment for her successor will be conducted in 2019-20 and will be led by Parliament through the SCIPSA. Richard Lloyd

will act as Interim Chair until Ruth's successor is appointed.

Board activity

90. IPSA's 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 monthly, on the basis of the management information briefings and commentaries which the executive provides. The Board receives two regular management information papers from IPSA's Executive. These are the Chief Executive's Report which includes a monthly analysis of activities and performance including an outline of what is planned for the forthcoming month, and a monthly finance paper comprising the management accounts and a review of financial activity. The Board scrutinises the information it is provided and asks questions based on it, not only about the activities to which the information relates but also regarding the reliability of the data itself. On this basis the Board is satisfied that the quality of the data available to it is acceptable.
91. The main focus of the Board in 2018-19 continued to be on IPSA's strategic development, the provisions of the Scheme which sets out the regulations governing the funding MPs are eligible for and monitoring the achievement of IPSA's objectives. In particular, the Board reviewed MPs' pay and pension arrangements, IPSA's publication policy and grievance and complaints policies.
92. During the second half of the year the Board spent a significant amount of time dealing with a governance issue that related to the role of the Chair and her interaction with senior management.
- The time spent by Board members and certain members of the senior executive on this issue had the potential to create some risk to the operational effectiveness of the organisation. The potential risk was mitigated by ensuring that IPSA's staff remained focused on operational priorities and that appropriate advice was obtained to support the Board's deliberations.
93. Costs totalling £65,400 (rounded) were incurred by the Board during 2018/19 in dealing with the governance issue, comprising £25,400 within Board members' aggregate remuneration and £40,000 on professional advice and support separately commissioned by the Board, so that it had access to appropriate advice in reaching decisions on the issue. Details are included in the remuneration report and Note 4 to the financial statements. Further costs of £17,000 in dealing with the issue were incurred in 2019/20.
94. The Board considers the expenditure incurred in dealing with this governance issue to have been regular and within IPSA's statutory remit but unexpected and unusual in relation to its core functions, and decided that it should therefore be subject to direct Board scrutiny. This approach was intended to relieve me, as Accounting Officer, of any actual or perceived conflict of interest.
95. That the expenditure on professional advice and support was under the control of the Board, could have created some risk to my ability as Accounting Officer to ensure its regularity and affordability. This potential risk was mitigated by financial control and oversight arrangements put in place by the Chair of the Audit and Risk Assurance Committee supported by the Director of Finance and Corporate Services.

Remuneration paid to Board members in respect of the time they spent dealing with the governance issue was subject to scrutiny and approval at executive and Board level, as part of these additional controls. One payment of £17,800 was subject to IPSA's standard authorisation approval process and was then subject to retrospective scrutiny as part of these additional controls, which contributed to the Board's assurance that the overall level of remuneration paid to Board members in respect of the governance issue was regular.

96. The governance issue has since been resolved and the Board is confident that both it and the executive team are now effectively focused on the strategic and operational demands of the organisation.
97. A review of IPSA's governance arrangements has been commissioned to ensure that they enable the organisation to focus effectively on its strategic and operational demands, and reflect good governance practice compatible with the requirements of the Parliamentary Standards Act 2009. As part of its remit the review will make recommendations to establish more clearly the basis on which future payments can be made to Board Members, including Board members' remuneration for activities that are not part of their core responsibilities. The Board will be considering the results of the review, with a view to implementing any necessary changes early in 2020, in consultation with SCIPSA.

The Audit and Risk Assurance Committee: scope of responsibility

98. The ARAC comprises all the members of the IPSA Board and is chaired by Will Lifford, 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 accounting, financial control, risk management and assurance arrangements.

99. The ARAC supports the work of the Board and my role as Accounting Officer in maintaining an effective system of control. The ARAC assesses the executive's management of risk and the assurance framework in place, and advises me of its adequacy.
100. The ARAC met four times during the reporting period. In 2018-19 a key focus of the Committee has been on data protection, including on meeting the requirements of the General Data protection Regulation, on cyber security and contract management. The Committee reviews IPSA's top risks each quarter and also conducts 'deep dives' into particular risks.
101. In December 2018 the Committee reviewed its effectiveness using the framework produced by the National Audit Office. The review indicated a positive position within which a number of areas were identified for development. For example, the Committee would like to have more information about the full range of assurance sources available to management and the Board. This, and other, improvements are being taken forward in 2019-20.

The Remuneration and Nominations Committees

102. IPSA's Board is also supported by the Remuneration Committee and the Nominations Committee, which meet as required. The Remuneration Committee, chaired by the Rt. Hon. Jennifer Willott, met once during 2018-19, and is responsible for agreeing IPSA's

remuneration policy and for setting the remuneration of the Chief Executive, Compliance Officer and IPSA's Directors. The Nominations Committee, which was chaired by Ruth Evans during the reporting period, is responsible for the appointment of the Chief Executive and the Compliance Officer. The Nominations Committee also met once during the reporting period in relation to the recruitment of the Compliance Officer

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

| | Board | ARAC | Remuneration Committee | Nominations Committee |
|---|------------------------------|--------------|------------------------|-----------------------|
| | 1 April 2018 – 31 March 2019 | | | |
| Member | (11 meetings) | (3 meetings) | (1 meeting) | (1 meeting) |
| Ruth Evans Board Chair | 10 | 4 | 1 | 1 |
| Will Lifford Audit and Risk Assurance Committee Chair | 11 | 4 | 1 | 1 |
| Sir Robert Owen | 9 | 4 | 1 | 1 |
| Rt. Hon Jennifer Willott Remuneration Committee Chair | 11 | 4 | 1 | 1 |

| | Board | ARAC | Remuneration Committee | Nominations Committee |
|---------------------|----------------------------|--------------|------------------------|-----------------------|
| | 1 April 2018 – 24 May 2018 | | | |
| Member | (1 meeting) | (0 meetings) | (0 meetings) | (0 meetings) |
| Jackie Smith | 1 | 0 | 0 | 0 |

| | Board | ARAC | Remuneration Committee | Nominations Committee |
|----------------------|----------------------------------|-------------|------------------------|-----------------------|
| | 12 December 2018 – 31 March 2019 | | | |
| Member | (6 meetings) | (1 meeting) | (1 meeting) | (0 meetings) |
| Richard Lloyd | 6 | 1 | 1 | 0 |

104. Together with internal audit, external audit, and the Director of Corporate Services, I am invited to attend ARAC meetings. Other Directors and members of the Senior Management Team (SMT) are also regularly present. Additionally, I attend the Board and Remuneration Committee meetings, unless an issue involving me is to be discussed.

Directors and Leadership Team

105. I am supported by three directors and a Leadership Team which comprises the directors and IPSA's senior managers. In addition to ad hoc meetings, I meet with the directors weekly to discuss emerging and current management

issues. The Leadership Team meets monthly to discuss more formally IPSA's strategy, policy, risk management and performance.

C. Risk and Control

Risk Management

106. IPSA uses risk management to inform its business decisions, enable a more effective use of resources, enhance strategic and business planning and strengthen contingency arrangements. The main risks to the achievement of IPSA's corporate objectives are set out in a top risks register. The register also sets out IPSA's risk appetite and

the measures proposed to mitigate the risks. Each risk has a designated owner who is a Director and is accountable for implementing appropriate and proportionate control measures. The register is reviewed regularly by the

Senior Management Team, Directors and as a standing item by the Audit and Risk Assurance Committee. The table below sets out the top risks addressed in 2018-19.

Main risks identified and action taken in 2017-18

| Risk area | Key actions and issues in year |
|--|---|
| Operations and reputation | |
| <p>A snap election creates a substantial unplanned increase in workload and impacts on our accommodation requirement, staffing, delivery of business as usual and delivery of IPSA Online improvements.</p> | <p>Detailed contingency plans were in place and were reviewed periodically to ensure they are up to date.</p> |
| <p>IPSA funded security measures for MPs are not procured in way that provides value for money.</p> | <p>IPSA obtained continued funding of security measures from Parliament. A contract is in place, managed by the House of Commons and funded by IPSA, for MPs to be provided with standard security measures. The contract was let through competition. Improvements in how the contract operates and managed are being taken forward in 2019-20</p> |
| <p>The risk that current practices, culture, processes and controls do not do enough to prevent poor quality and mistakes leading to poor delivery and damage to IPSA's reputation</p> | <p>The 'Scheme' that sets out the business costs and expenses that MPs can claim continues to be improved making it easier to apply and reducing the scope for misunderstandings and mistakes. Quality assurance arrangements were also revised to improve the quality of interactions with MPs and their staff. Measures to improve the information available to MPs and IPSA staff were designed into the new finance and expenses system, IPSA Online which went live in April 2019.</p> |
| <p>The risk of a poor relationship with some MPs which hampers the effective regulation of business costs and damages IPSA's reputation.</p> | <p>IPSA has a managed and regular programme of communication with MPs and their staff. This includes engagement with MPs by IPSA's Chair and CEO.</p> |
| Data management and cyber security | |
| <p>Poor data management leads to the release of information or data loss that undermines our regulatory role, and /or our service provision to MPs and results in reputational and financial damage.</p> | <p>Following internal audits in 2017-18 that identified weaknesses in our data management and cyber security arrangements we continued to implement a significant programme of improvements in the year. We also implemented lessons from a data security breach in March 2017. The result was that data management risks and cyber security risks have been substantially mitigated.</p> |
| <p>Identified weaknesses in our cyber security lead to the release of information or data loss that undermines our regulatory role, and /or our service provision to MPs and results in reputational and financial damage.</p> | <p>Following a programme of work led by the Data Protection Officer, IPSA was compliant with the significant requirements of the GDPR after the regulations became mandatory in May 2018.</p> |

| Risk area | Key actions and issues in year |
|---|--|
| That IPSA is not compliant with the General Data Protection Regulation (GDPR) when it comes into force in May 2018. | This risk was fully mitigated and did not materialize. |

Management of major programmes

The IPSA Online Programme does not deliver expected benefits on time and to cost.

The IPSA Online programme is governed and managed using PRINCE project management principles. Progress is monitored through regular review by IPSA's main Board and a Programme Board. The programme was delayed, partly due to staff being switched to work on the June 2017 General Election and costs have increased. Nevertheless, IPSA Online went live in April 2019 replacing the existing systems and introducing a number of improvements including faster payment of MPs' expenses claims. A plan to realise the benefits of the programme is in place and is revised periodically.

Governance and administration

Changes in Board composition reduces the effective operation of the Board and IPSA through:

- a lack of knowledge from new members slowing down decision making or reducing the effective contribution of members
- setting a completely new direction or an inappropriate direction
- developing a poor relationship with the IPSA executive
- developing a poor relationship with MPs and opinion formers

One member of IPSA's five-member Board was appointed in 2018-19. The appointment was made by Her Majesty on the recommendation of the House of Commons following a competitive process. The new member has received induction and familiarisation training.

The move from 30 Millbank is not planned or carried out well which results in an adverse impact on IPSA's service to MPs and their staff or extra cost.

IPSA moved to 85 Strand in February 2019. All material risks were successfully managed although there were some initial difficulties with the installation of our upgraded telephony.

Internal Audit

107. Six internal audits, including audits following up previous reports, were carried out in 2018-19. The programme of audits was based on the Audit Strategy for 2015-19 which translated to a plan for 2018-19. The plan was further amended during the year, with the agreement of the Audit and Risk Assurance Committee as the assessment of risks evolved and for other timing issues. Areas covered included GDPR Readiness and Cyber security, recruitment, staff performance

management and contract management issues.

108. Overall, the Head of Internal Audit's opinion was that IPSA can have 'moderate assurance that its governance, risk management and controls framework is effective. Some improvements are, however, required to enhance the adequacy and effectiveness of the framework. Audits provided significant assurance (while recommending improvements) about the effectiveness of controls in a number of

areas such as core financial controls, the management of staff joining and leaving IPSA and the performance management of staff. In particular, the Financial Controls audit noted that a sound framework of financial controls operates at IPSA and identified a number of well-designed and applied controls. There were, however, significant weaknesses in contract management which are being addressed in 2019-20. These include weaknesses in the way IPSA contracts with its IT provider, which are being addressed by bringing IT work in house. Weaknesses in the way IPSA works with the House of Commons to fund security measures for MPs are also being addressed by clarifying policy and through tightening financial controls.

109. Improvements continued to be made throughout the year to the operation of financial core controls. Further improvements to the financial control system have been introduced subsequently when the IPSA Online programme went live in April 2019, providing the opportunity to have ‘one version of the truth’ in budgetary and management information. One of the main areas for internal audit in 2019-20 will, consequently, be an assessment of core financial controls following the IPSA Online go live, and as new procedures are developed and embedded. Implementing IPSA Online will also provide an opportunity to update and document policies, guidance and manuals and this will help ensure that controls are applied consistently in an organisation where staff turnover is relatively high. It will also be an opportunity, using improved quality, to reduce the number of mistakes made.

Data and Information Security

110. The Director of Corporate Services is the Senior Information Risk Owner 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. Further information on the work carried out during the past year is at paragraphs 19.

D. Corporate Governance Code

111. 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 upholds 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. No such cases arose in 2018-19.

E. Assessment of Effectiveness

112. By relying on the arrangements 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.

113. We are committed to identifying weaknesses and addressing them and are committed to delivering

improvements in our systems and the service support we provide to MPs.

114. I am satisfied that IPSA's response to the weaknesses highlighted is appropriate and proportionate with my directors and senior managers held to account for the progress of corrective action.

115. 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, comments made by the Comptroller and Auditor General, Head of the National Audit Office, as our external auditor 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. In addition, I have received an assurance statement from each of my directors confirming the adequacy of the controls within their areas of responsibility. No control issues have been raised in the directors' statements.

116. Overall, I conclude that IPSA has satisfactory governance and risk management systems in place.

4. Remuneration and Staff Report

A Remuneration Report

117. The following information provides details of the remuneration and pension interests of IPSA's Board Members, IPSA's Directors and the Lay Members of SCIPSA. The information in the sections B, C and D has been audited.
118. IPSA's policy is to remunerate staff at a level which allows the organisation to recruit, retain and motivate high-performing individuals with the appropriate skills and experience, taking account of the needs of the organisation as a whole and of individual roles; relevant benchmarks and market conditions; performance (in the case of existing senior staff); and considerations of transparency, fairness, public acceptability, value for money and affordability. In accordance with this policy IPSA aims to pay staff within 5% of a benchmarked median rate of pay.

Chief Executive

119. Marcial Boo was appointed as the permanent Chief Executive from 3 June 2014.
120. The IPSA Board and Remuneration Committee determine the Chief Executive's terms and conditions of employment including salary.

Chair and Board Members

121. The Speaker determines the daily rate for the members of IPSA Board which was set in 2009 at £700 for the Chair and £400 for ordinary members. The daily rates have remained unchanged since 2009.

122. The remuneration for the Chair and Board Members is non-pensionable. Board members are reimbursed on presentation of timesheets setting out hours spent on IPSA business.

123. The anticipated time commitment from IPSA Chair is up to 12 days per month and from the ordinary Board members two to three days per month, but greater commitment may be needed at certain times.

IPSA Staff

124. 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.
125. The majority of IPSA's staff are directly employed by IPSA on either permanent or fixed-term contracts. In line with public sector pay policy, IPSA awarded a 1.8% pay increase to employees in 2018-19
126. The remuneration of all Executive Directors is determined by the Remuneration Committee of the Board, chaired by the Rt Hon Jennifer Willott.

Lay Members of SCIPSA

127. In addition to being responsible for paying its executive and non-executive members, 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 at a rate of £300 per day.

B. Remuneration (including salary) and pension entitlements

128. 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.

Disclosure of IPSA Chair and Board Members' Remuneration

| Name | Appointed | End Date | Remuneration 2018-19 [1] £'000 | Remuneration 2017-18 [1] £'000 | Benefits in kind in 2018-19 [2],[3] £ | Benefits in kind in 2017-18 [2],[3] £ |
|---|-----------|----------|---|---|---|---|
| Ruth Evans Chair | 02/06/16 | 10/10/19 | 55-60 | 40-45 | 100 | 200 |
| William Lifford Board Member | 11/01/18 | 10/01/23 | 5-10 | 0-5 | 4,400 | 700 |
| Richard Lloyd Board Member | 01/12/18 | 30/11/23 | Nil | Nil | Nil | Nil |
| Sir Robert Owen Board Member | 01/01/16 | 31/12/20 | 5-10 | 5-10 | 3,200 | 2,600 |
| Elizabeth Padmore Board Member | 11/01/13 | 10/01/18 | Nil | 10-15 | Nil | 900 |
| Jackie Smith Board Member | 19/02/18 | 24/05/18 | 0-5 | 0-5 | Nil | Nil |
| Anne Whitaker Board Member | 11/01/13 | 10/01/18 | Nil | 5-10 | Nil | Nil |
| Rt Hon Jennifer Willott Board Member | 07/08/16 | 31/12/20 | 5-10 | 5-10 | Nil | Nil |

Notes:

[1] Total remuneration reflects payments made for Board time claimed by the Board members in the course of normal operational business, and time claimed by Board members in the course of supporting the governance issue arising in the year and not necessarily the total time contributed by that member in performing their role on IPSA Board. Board members' remuneration in 2018-19 as set out above included the following amounts in respect of their time spent on the governance issue described in paragraphs 92 to 97 of the governance statement. Further Board remuneration costs totalling £4,933 incurred in 2019-20 in relation to the governance issue will be reflected in IPSA's accounts for that year. No equivalent costs were incurred in 2017-18.

| | £ |
|--------------------|--------|
| Ruth Evans (Chair) | 20,000 |
| Will Lifford | 800 |
| Richard Lloyd | 1,280 |
| Robert Owen | 1,227 |
| Jenny Willott | 2,120 |
| Total | 25,427 |

[2] The benefits in kind are expenses reimbursed for the costs (travel and accommodation) incurred by the members in attending meetings at IPSA. The figures have been grossed up to include the tax element covered by IPSA as part of a PAYE Settlement Agreement it has in place with HMRC.

[3] Both 2018-19 and 2017-18 figures have been rounded to the nearest £100.

Disclosure of IPSA CEO and Directors' Remuneration for 2018-19

| Name | Appointed | End Date (when not ongoing) | Salary 2018-19 £'000 | Bonuses paid 2018-19 £'000 | Benefits in kind 2018-19 £'000 | Pension Benefits 2018-19 [1],[2] £'000 | Total 2018-19 £'000 |
|--|-----------|-----------------------------------|--|-------------------------------------|---|--|---------------------------|
| Marcial Boo CEO | 03/06/14 | N/A | 125-130 | Nil | Nil | 51 | 180-185 |
| Alastair Bridges Director of Corporate Services | 01/08/16 | N/A | 105-110 | Nil | Nil | 37 | 140-145 |
| Victoria Fox Director of Regulation & Insight | 18/07/16 | N/A | 95-110 (105-110 full time equivalent) | Nil | Nil | 52 | 145-150 |
| John Sills Director of Regulation | 01/02/10 | 14/09/18 | 50-55 (105-110 full time equivalent) | Nil | Nil | 34 | 80-85 |
| Georgia Wilson Director of Improvement & MP Support | 03/01/19 | N/A | 20-25 (100-105 full time equivalent) | Nil | Nil | 43 | 65-70 |

Notes:

[1] The Pension Benefits are actuarial figures provided by MyCSP the Civil Service Pension provider and represent notional benefits earned in the last year. The value of 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. Pensions benefits movements are affected by duration of membership and earnings during this time and contain an actuarial calculation.

[2] The pension contributions for Georgia Wilson include those made to MyCSP from her previous employment.

Disclosure of IPSA CEO and Directors' Remuneration for 2017-18

| Name | Appointed | End Date (when not ongoing) | Salary 2017-18 £'000 | Bonuses paid 2017-18 £'000 | Benefits in kind 2017-18 £'000 | Pension Benefits 2017-18 [1],[2] £'000 | Total 2016-17 £'000 |
|---|-----------|-----------------------------------|--|-------------------------------------|---|--|---------------------------|
| Marcial Boo CEO | 03/06/14 | N/A | 120-125 | Nil | Nil | 48 | 170-175 |
| Alastair Bridges Director of Corporate Services | 01/08/16 | N/A | 105-110 | Nil | Nil | 57 | 155-160 |
| Victoria Fox Director of MP Support Services | 18/07/16 | N/A | 85-90 (95-100 full time equivalent) | Nil | Nil | 46 | 130-135 |
| John Sills Director of Regulation | 01/02/10 | N/A | 95-100 | Nil | Nil | 7 | 105-110 |

Notes:

[1] The Pension Benefits are actuarial figures provided by MyCSP the Civil Service Pension provider and represent notional benefits earned in the last year. The value of 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. Pensions benefits movements are affected by duration of membership and earnings during this time and contain an actuarial calculation.

[2] The 2017-18 pension benefit figure for Alastair Bridges have been restated as revised figures were provided by MyCSP as part of the 2018-19 year end return.

Salary

129. 'Salary' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by IPSA and thus recorded in these accounts.

Benefits in kind

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

131. During the period to 31 March 2019, benefits in kind totalling £7,700 (2017-18: £4,400) were given to the Chair, Board Members, SCIPSA Lay Members, CEO or Directors.

Bonuses

132. There is no bonus system in operation at IPSA. IPSA runs an individual and team reward and recognition 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 with individual awards totalling no more than £250.

Senior staff members

133. The full time equivalent bandings of the senior staff members of IPSA are as follows:

| Remuneration banding | Number of individuals in banding | |
|----------------------|----------------------------------|----------|
| | 2018-19 | 2017-18 |
| £95,000 – £100,000 | 0 | 2 |
| £100,000 – £105,000 | 1 | 0 |
| £105,000 – £110,000 | 3 | 1 |
| £110,000 – £115,000 | 0 | 0 |
| £115,000 – £120,000 | 0 | 0 |
| £120,000 – £125,000 | 0 | 1 |
| £125,000 – £130,000 | 1 | 0 |
| Total | 5 | 4 |

Disclosure of SCIPSA Lay Members' Remuneration

| Name | Appointed | End Date | Total | Total |
|--------------------------------------|-----------|----------|-------------------------------------|-------------------------------------|
| | | | Remuneration in 2018-19 £'000 | Remuneration in 2017-18 £'000 |
| Ken Batty Lay Member | 28/01/15 | 27/01/19 | 0-5 | 0-5 |
| Cindy Butts Lay Member | 01/03/19 | 28/02/24 | Nil | Nil |
| Bronwen Curtis Lay Member | 26/01/16 | 25/01/20 | 0-5 | 0-5 |
| Shrinivas Honap Lay Member | 27/01/17 | 26/01/22 | 0-5 | 0-5 |

C. Fair Pay Disclosures

134. Reporting bodies are required by the Government Financial Reporting Manual (FRoM) to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.
135. The banded remuneration of the highest paid director in IPSA in the financial year 2018-19 was £125,000-£130,000 (2017-18: £120,000 – £125,000). This was calculated as the highest full-time equivalent annual salary. As at 31 March 2019, this was 4.07 times (31 March 2018: 4.1) the median full-time equivalent remuneration of the workforce, which was £31,359 (2017-18: £29,787). The median full-time equivalent remuneration ratio calculation excludes agency employees due to the results being skewed.
136. In 2018-19, no (2017-18: 0) employee received remuneration in excess of the

highest paid director. Full time equivalent remuneration ranged from £20,000 to £130,000 (2017-18: £18,000 to £124,000).

137. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

| | As at 31 March 2019 | As at 31 March 2018 |
|--|---------------------------|---------------------------|
| Remuneration Ratio | | |
| Band of Highest Paid Director's Remuneration (£'000) | 125-130 | 120-125 |
| Median Remuneration (£'000) | 31.4 | 29.8 |
| Ratio | 4.07 | 4.1 |

D. Pension Information for Directors

138. The figures given below have been supplied by My Civil Service Pension (MyCSP), the pension administrator for IPSA staff.

| Name | Accrued pension at pension age as at 31 March 2019 (and related lump sum) £'000 | Real increase in pension and related lump sum at pension age £'000 | CETV at start date 1 April 2018 £'000 | CETV at end date 31 March 2019 £'000 | Real increase in CETV funded by employer £'000 |
|--|--|---|--|---|---|
| Marcial Boo CEO | 10-15 | 2.5-5 | 127 | 182 | 28 |
| Alastair Bridges Director of Corporate Services | 40-45 plus lump sum of 115-120 | 2.5-5 plus lump sum of 0 | 780 | 894 | 20 |
| Victoria Fox Director of MP Support Services | 25-30 plus lump sum of 50-55 | 2.5-5 plus lump sum of 0-2.5 | 348 | 431 | 31 |
| John Sills Director of Regulation | 30-35 plus lump sum of 90-100 | 0-2.5 plus lump sum of 2.5-5 | 720 | 766 | 34 |
| Georgia Wilson Director of Improvement & MP Support | 25-30 | 0-2.5 | 404 | 452 | 33 |

Civil Service Pensions

139. Pension benefits are provided through the Civil Service pension arrangements.
140. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.
141. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).
142. Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.
143. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution

of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

144. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

145. Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

146. 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.

147. 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 CETV

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

Agency/ Off-payroll engagements

149. Between 1 April 2018 and 31 March 2019, IPSA employed 4 staff (full time equivalent of 3) on an interim basis, via an agency. IPSA has received assurance that their Income Tax and National Insurance obligations were fully met.

E. Staff and other pay costs report

150. The following disclosures on staff costs (including pension costs, average number of persons employed and exit packages) have been audited. Staff and other pay costs comprise:

| | 2018-19 | | | | 2017-18 | |
|--|---------------------|--------------|-----------------------|--------------------|--------------|--------------|
| | Permanent staff [1] | Agency Staff | Chairman & IPSA Board | SCIPSA Lay Members | Total | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | 3,063 | 0 | 101 | 4 | 3,168 | 2,808 |
| Social security costs | 303 | 0 | 10 | 0 | 313 | 298 |
| Other pension costs | 573 | 0 | 2 | 0 | 575 | 536 |
| Sub Total | 3,939 | 0 | 113 | 4 | 4,056 | 3,642 |
| Agency staff | 0 | 308 | 0 | 0 | 308 | 826 |
| Less recoveries in respect of outwards secondments | 0 | 0 | 0 | 0 | 0 | (48) |
| Total net costs* | 3,939 | 308 | 113 | 4 | 4,364 | 4,420 |

* No staff costs have been capitalised (2017-18 £nil)

Notes:

[1] The permanent staff costs includes the remuneration of the Compliance Officer for the IPSA (annual salary range £25,000-30,000).

151. The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS), known as "alpha", are unfunded multi-employer defined benefit schemes in which IPSA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation. (www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

152. For 2018-19, employer's contributions of £576,000 were payable to the civil service pension schemes (2017-18: £536,000) at one of four rates in the range 20.0 to 24.5 per cent (2017-18: 20.0 to 24.5 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 contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

153. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. There are no employees with partnership pension schemes.

Average number of persons employed and staff composition

154. The average number of full-time equivalent (FTE) persons employed and in other relevant working relations with 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 2019. The gender analysis of the full time equivalent persons (which has not been audited) was as follows.

| | Average 2018-19 FTE | | | | | | |
|--------------|---------------------|--------------|------------------|------------------|-----------------------|--------------------|--------------------|
| | Permanent Staff | Agency Staff | Fixed Term Staff | Total IPSA staff | Chairman & IPSA Board | Compliance Officer | SCIPSA Lay Members |
| Male | 22 | 1 | 6 | 29 | 2 | 0 | 2 |
| Female | 36 | 2 | 4 | 42 | 2 | 1 | 1 |
| Total | 58 | 3 | 10 | 71 | 4 | 1 | 3 |

| | Average 2017-18 FTE | | | | | | |
|--------------|---------------------|--------------|------------------|------------------|-----------------------|--------------------|--------------------|
| | Permanent Staff | Agency Staff | Fixed Term Staff | Total IPSA staff | Chairman & IPSA Board | Compliance Officer | SCIPSA Lay Members |
| Male | 21 | 3 | 6 | 30 | 1 | 1 | 3 |
| Female | 33 | 3 | 6 | 42 | 4 | 0 | 1 |
| Total | 54 | 6 | 12 | 72 | 5 | 1 | 4 |

155. IPSA's permanent staff turnover rate (calculated as the number of staff who left the organisation divided by the average number of staff for the year) was 25% (2017-18: 20%).

Reporting of Civil Service and Other Compensation Schemes – Exit Packages

| Exit package cost band | Number of voluntary departures agreed | |
|--------------------------------------|---------------------------------------|-----------|
| | 2018-19 | 2017-18 |
| <£10,000 | 3 | 0 |
| £10,000 – £25,000 | 2 | 2 |
| £25,001 – £50,000 | 2 | 0 |
| £50,001 – £75,000 | 2 | 0 |
| Total number of exit packages | 9 | 2 |
| Total cost /£'000s | 229 | 33 |

156. 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 organisation has agreed early retirements, the additional costs are met by IPSA 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

157. 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 extraordinary service to its users or outstanding pieces of work.

158. In total, £1,550 was paid out in R&R awards during the reporting period (2017-18: £1,250).

| Total value of rewards received | Number of people in band | |
|-----------------------------------|--------------------------|----------|
| | 2018-19 | 2017-18 |
| £101 to £150 | 3 | 0 |
| £151 to £200 | 0 | 0 |
| £201 to £250 | 5 | 3 |
| £251 to £500 | 0 | 1 |
| Total number of recipients | 8 | 4 |

Sickness absence

159. Over the 2018-19 financial year, sickness absence rates within IPSA (monitored monthly) was on average 1.8% (2017-18: 3.6%).

Staff policies

160. IPSA is a small organisation and many of its roles require specialised experience and skills. Whilst this necessarily limits opportunities for promotion and career development, those opportunities that arise will be made available to as wide an internal group as possible, taking account of the need to ring-fence access to jobs in specific circumstances, e.g. short-term promotions where particular skills are required, or where staff might otherwise be at risk of redundancy due to organisational change. In all cases, we make it clear to all staff that a vacancy exists and how it will be filled. We make decisions on promotions and career development based on assessment of talent and experience, rather than on assumptions based on race, age, gender, marital status, disability or other discriminatory grounds.

161. The role of learning and development is to improve performance in the job, to develop skills, and to prepare individuals for other roles and responsibilities

where appropriate. We focus on the development needs of each individual to help them to fulfil their full potential in their role. No assumptions will be made based on gender, family commitments, full or part-time working status, or other non-justifiable or discriminatory grounds. We make reasonable adjustments where necessary to accommodate the specific needs of employees with a disability to enable them to participate fully in learning and development events. HR collect and analyse information on attendance at external training in order to ensure that no particular groups or individuals are unfairly excluded or disadvantaged and that resources are equitably distributed across the organisation.

Consultancy expenditure

162. In 2018-19 IPSA spent £315,000 on consultancy and advice services (2017-18: £55,000). This was made up of:

- Human Resources advice, reviews and surveys: £18,000
- Implementation of GDPR legislation: £40,000
- Information Technology projects: £44,000
- IPSA Online project: £213,000 for specialist services to assist with the redesign and modernisation of IPSA's IT systems, processes and ways of working which culminated in an online portal for MPs and a fully integrated finance, payroll, HR and expenses system.

Signed

Date: 13 December 2019

Marcial Boo

Chief Executive and Accounting Officer

5. Parliamentary Accountability and Audit Report

A. Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires IPSA to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

| | SOPS Note | 2018-19 | | | | | 2017-18 |
|---------------------------------------|-----------|----------------|----------------|----------------|----------------|--|----------------|
| | | Estimate | | Outturn | | | Outturn |
| | | Voted | Total | Voted | Total | Voted outturn compared with Estimate: saving/ (excess) | Total |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Departmental Expenditure Limit | | | | | | | |
| -Resource | 1.1 | 193,014 | 193,014 | 190,548 | 190,548 | 2,466 | 188,683 |
| -Capital | 1.2 | 2,865 | 2,865 | 2,649 | 2,649 | 216 | 2,525 |
| Annually Managed Expenditure | | | | | | 0 | |
| -Resource | 1.1 | 500 | 500 | 225 | 225 | 275 | 0 |
| -Capital | 1.2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Budget | | 196,379 | 196,379 | 193,422 | 193,422 | 2,957 | 191,208 |
| Total | | 196,379 | 196,379 | 193,422 | 193,422 | 2,957 | 191,208 |
| Total Resource | 1.1 | 193,514 | 193,514 | 190,773 | 190,773 | 2,741 | 188,683 |
| Total Capital | 1.2 | 2,865 | 2,865 | 2,649 | 2,649 | 216 | 2,525 |
| Total | | 196,379 | 196,379 | 193,422 | 193,422 | 2,957 | 191,208 |

| NET CASH REQUIREMENT | | 2018-19 | | | 2017-18 |
|----------------------|----------|---------|--|---------|---------|
| SOPS Note | Estimate | Outturn | Outturn compared with Estimate: saving/ (excess) | Outturn | |
| | £'000 | £'000 | £'000 | £'000 | |
| Net cash requirement | 3 | 196,070 | 192,473 | 3,597 | 189,827 |

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 the Directors Report on page 15.

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

IPSA has no Non-Voted Expenditure.

The notes on pages 45 to 47 form part of this statement.

Notes to the Statement of Parliamentary Supply

SOPS1. Net outturn

SOPS1.1 Analysis of net resource outturn by section

| | 2018-19 | | | | | 2017-18 |
|--|-----------------|--------------|----------------|--------------------|---|----------------|
| | Outturn | | | Estimate | | Outturn |
| | Programme | | | Net Total £'000 | Net Total compared to Estimate £'000 | Total £'000 |
| Gross £'000 | Income £'000 | Net £'000 | | | | |
| Spending in Departmental Expenditure Limit | | | | | | |
| <i>Voted:</i> | | | | | | |
| A. MPs' Pay, staffing, business costs and expenses | 183,091 | (201) | 182,890 | 184,947 | 2,057 | 181,646 |
| B. IPSA operations (core costs) | 7,867 | (209) | 7,658 | 8,067 | 409 | 7,037 |
| Voted Departmental Expenditure | 190,958 | (410) | 190,548 | 193,014 | 2,466 | 188,683 |
| Annually Managed Expenditure | | | | | | |
| <i>Voted:</i> | | | | | | |
| C. Provisions and Impairments | 225 | 0 | 225 | 500 | 275 | 0 |
| Voted Annually Managed Expenditure | 225 | 0 | 225 | 500 | 275 | 0 |
| Total | 191,183 | (410) | 190,773 | 193,514 | 2,741 | 188,683 |

SOPS1.2 Analysis of net capital outturn by section

| | 2018-19 | | | | | 2017-18 |
|--|-----------------|--------------|--------------|--------------------|---|--------------|
| | Outturn | | | Estimate | | Outturn |
| | Programme | | | Net Total £'000 | Net Total compared to Estimate £'000 | Net £'000 |
| Gross £'000 | Income £'000 | Net £'000 | | | | |
| Spending in Departmental Expenditure Limit | | | | | | |
| <i>Voted:</i> | | | | | | |
| A. MPs' pay, staffing, business costs and expenses | 122 | (91) | 31 | 205 | 174 | 80 |
| B. IPSA Operations (core costs) | 2,618 | 0 | 2,618 | 2,660 | 42 | 2,445 |
| Voted Departmental Expenditure | 2,740 | (91) | 2,649 | 2,865 | 216 | 2,525 |
| Spending in Annually Managed Expenditure | | | | | | |
| <i>Voted:</i> | | | | | | |
| Voted Annually Managed Expenditure | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2,740 | (91) | 2,649 | 2,865 | 216 | 2,525 |

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* ('the Scheme').

SOPS2. Reconciliation of net resource outturn to net operating expenditure

There are no reconciling items between the net operating expenditure and the net resource outturn for both 2017-18 and 2018-19.

SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

| | SOPS Note | Estimate £'000 | Outturn £'000 | Net total outturn compared with Estimate: saving/ (excess) £'000 |
|---|-----------|-------------------|------------------|---|
| Resource Outturn | 1.1 | 193,514 | 190,773 | 2,741 |
| Capital Outturn | 1.2 | 2,865 | 2,649 | 216 |
| Accruals to cash adjustments: | | | | |
| <i>Adjustments to remove non-cash items:</i> | | | | |
| Depreciation | | (429) | (420) | (9) |
| New provisions and adjustments to previous provision | | (500) | (225) | (275) |
| Other non-cash items | | (80) | (167) | 87 |
| <i>Adjustments to reflect movements in working balances</i> | | | | |
| <i>Increase/(decrease) in receivables [1]</i> | | 300 | 399 | (99) |
| (Increase)/decrease in payables | | 400 | (536) | 936 |
| Use of provisions | | 0 | 0 | 0 |
| | | (309) | (949) | 640 |
| Net cash requirement | | 196,070 | 192,473 | 3,597 |

SOPS4. Income payable to the Consolidated Fund

SOPS4.1 Analysis of Income Payable to the Consolidated Fund

There was no income payable to the Consolidated Fund during the period ending 31 March 2019 (2017-18: £nil).

B. Parliamentary Accountability Disclosures

B.1 Losses and special payments

B.1.1 Losses statement

| Category of loss | 2018-19 | | 2017-18 | |
|------------------|-------------------------|-----------------|-------------------------|-----------------|
| | Value of Cases £'000 | Number of Cases | Value of Cases £'000 | Number of Cases |
| Other write-offs | 3 | 5 | 35 | 15 |
| Total | 3 | 5 | 35 | 15 |

B.1.2 Special payments statement

| Category of special payment | 2018-19 | | 2017-18 | |
|--------------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | Value of Cases £'000 | Number of Cases | Value of Cases £'000 | Number of Cases |
| Settlement of data breach claims | 73 | 7 | 0 | 0 |
| Historical tax on redundancy payment | 0 | 0 | 12 | 1 |
| Ex gratia | 0 | 0 | 9 | 5 |
| Total | 73 | 7 | 21 | 6 |

B.2 Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, the organisation also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. There are no such liabilities at IPSA.

The Parliamentary accountability and audit report is covered by the Comptroller and Auditor General's audit opinion.

Signed

Date: 13 December 2019

Marcial Boo

Chief Executive and Accounting Officer

C. The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Independent Parliamentary Standards Authority (IPSA) for the year ended 31 March 2019 under the Parliamentary Standards Act 2009. The financial statements comprise: IPSA's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of IPSA's affairs as at 31 March 2019 and of the IPSA's net operating expenditure 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 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 2019 and shows that those totals have not been exceeded; and

- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of IPSA in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IPSA's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my

auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Parliamentary Standards Act 2009.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks,

and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IPSA's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Parliamentary Standards Act 2009;
- in the light of the knowledge and understanding of IPSA and its environment obtained in the course of the audit, I have not identified any material misstatements in

the Performance Report or the Accountability Report; and

- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability 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.

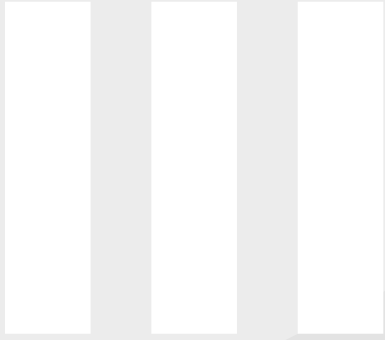
Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date:



Part III: Financial Statements

A. Statement of Comprehensive Net Expenditure

| FOR THE YEAR ENDED 31 MARCH 2019 | | | | | |
|---|------|---------|----------------|---------|----------------|
| | | 2018-19 | | 2017-18 | |
| | Note | £'000 | £'000 | £'000 | £'000 |
| | | | IPSA | | IPSA |
| MPs' Business costs and expenses scheme | | | | | |
| MP and MP Staff pay costs | 3 | 149,025 | | 147,062 | |
| MP and MP Staff expenses | 3 | 34,066 | | 34,739 | |
| Income | 5 | (201) | | (155) | |
| IPSA operational costs | | | | | |
| Staff costs | 4 | 4,364 | | 4,420 | |
| Other costs | 4 | 3,728 | | 2,830 | |
| Income | 5 | (209) | | (213) | |
| Net operating expenditure | | | 190,773 | | 188,683 |
| Total operating expenditure | | 191,183 | | 189,051 | |
| Total operating income | | (410) | | (368) | |
| Net operating expenditure | | | 190,773 | | 188,683 |
| Comprehensive net expenditure for the year ended | | | 190,773 | | 188,683 |

The notes on pages 57 to 72 form part of these accounts.

B. Statement of Financial Position

| AS AT 31 MARCH 2019 | | | | | |
|--|------|---------|----------------|---------|----------------|
| | | 2018-19 | | 2017-18 | |
| | Note | £'000 | £'000 | £'000 | £'000 |
| Non-current assets: | | | | | |
| Property, plant and equipment | 6 | 1,125 | | 661 | |
| Intangible assets | 7 | 5,385 | | 3,735 | |
| Total non-current assets | | | 6,510 | | 4,396 |
| Current assets | | | | | |
| Trade and other receivables | 9 | 3,411 | | 2,982 | |
| Cash and cash equivalents | 10 | (396) | | 227 | |
| Other assets | 9 | 396 | | 0 | |
| Total current assets | | | 3,411 | | 3,209 |
| Total assets | | | 9,921 | | 7,605 |
| Current liabilities | | | | | |
| Trade and other payables | 11 | (9,464) | | (8,928) | |
| Provisions | 12 | (265) | | 0 | |
| Other liabilities | 11 | 0 | | (227) | |
| Total current liabilities | | | (9,729) | | (9,155) |
| Total assets less current liabilities | | | 192 | | (1,550) |
| Non-current liabilities | | | | | |
| Provisions | 12 | (110) | | (150) | |
| Total non-current liabilities | | | (110) | | (150) |
| Total assets less total liabilities | | | 82 | | (1,700) |
| Taxpayers' equity: | | | | | |
| General fund | | 82 | | (1,700) | |
| Total equity | | | 82 | | (1,700) |

Signed

Date: 13 December 2019

Marcial Boo

Chief Executive and Accounting Officer

C. Statement of Cash Flows

| FOR THE YEAR ENDED 31 MARCH 2019 | | | |
|--|------|------------------|------------------|
| | | 2018-19 | 2017-18 |
| | Note | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Net operating expenditure | | (190,773) | (188,683) |
| Adjustments for non-cash transactions | | | |
| Depreciation and amortisation | 4 | 420 | 424 |
| Loss on disposal of non-current assets | 4 | 84 | 10 |
| External Audit | 4 | 82 | 80 |
| Increases in provisions | 12 | 225 | 0 |
| Bad debts written off | 4 | 3 | 36 |
| (Increase)/Decrease in trade and other receivables | 9 | (825) | (474) |
| Less movement in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure | | 393 | 6 |
| Increase/(Decrease) in trade and other payables | 11 | 309 | 1,392 |
| Less movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure | 11 | 227 | (173) |
| Provision used | 12 | 0 | 0 |
| Net cash outflow from operating activities | | (189,855) | (187,382) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (841) | (111) |
| Purchase of intangible assets | 7 | (1,777) | (2,334) |
| Net cash outflow from investing activities | | (2,618) | (2,445) |
| Cash flows from financing activities | | | |
| From the Consolidated Fund (Supply) – current year | | 191,850 | 190,000 |
| Net financing | | 191,850 | 190,000 |
| Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund | | | |
| | | (623) | 173 |
| Payments of amounts due to the Consolidated Fund | | 0 | (42) |
| Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund | | | |
| | | (623) | 131 |
| Cash and cash equivalents at the beginning of the period | | 227 | 96 |
| Cash and cash equivalents at the end of the period | 10 | (396) | 227 |

D. Statement of Changes in Equity

| FOR THE YEAR ENDED 31 MARCH 2019 | | | |
|--|------|----------------|----------------|
| | | General Fund | Total Reserves |
| | Note | £'000 | £'000 |
| Balance at 1 April 2017 | | (2,924) | (2,924) |
| Net Parliamentary Funding – drawn down | | 190,000 | 190,000 |
| Net Parliamentary Funding – deemed supply | | 54 | 54 |
| Supply payable adjustment | 9 | (227) | (227) |
| Comprehensive Net Expenditure for the Year | | (188,683) | (188,683) |
| Non-Cash Adjustments | | | |
| Non-cash charges – auditor’s remuneration | 4 | 80 | 80 |
| Balance at 31 March 2018 | | (1,700) | (1,700) |
| Balance at 1 April 2018 | | (1,700) | (1,700) |
| Net Parliamentary Funding – drawn down | | 191,850 | 191,850 |
| Net Parliamentary Funding – deemed supply | | 227 | 227 |
| Supply payable adjustment | 9 | 396 | 396 |
| Comprehensive Net Expenditure for the Year | | (190,773) | (190,773) |
| Non-Cash Adjustments | | | |
| Non-cash charges – auditor’s remuneration | 4 | 82 | 82 |
| Balance at 31 March 2019 | | 82 | 82 |

E. Notes to Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2018–19 Government FReM issued by HM Treasury. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of IPSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by IPSA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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 IPSA through the annual Supply and 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 2019-20 (HC2182) was approved on 9 May 2019. 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 Civil Service pension scheme arrangements and past and present staff are covered by the provisions of the Civil Service pension scheme arrangements. 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 Civil Service pension scheme arrangements of amounts calculated on an accruing basis. Liability for future benefits is a charge on the Civil Service pension scheme arrangements. 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 historical cost as an approximation of fair value. Tangible assets are reviewed annually for impairment.

1.6 Intangible assets

Expenditure on intangible assets, which are software licences 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 historical 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. Assets under construction are not amortised but are assessed for impairment annually.

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 | the shorter of the term of the licence and the useful economic life of the asset |

1.8 Trade receivables and other receivables

Trade receivables and deposits and advances are recognised initially at fair value, less provision for impairment. A provision for impairment of all trade receivables and deposits and advances is established when there is evidence that IPSA will not be able to collect all amounts due according to the original terms of the receivables. Debts relating to MPs which are deemed to not be recoverable are provided for in the year they are identified by IPSA. These balances are written off in the financial year they are reported as such in the Annual Publication of MPs' Business Costs and Expenses on the IPSA website. The figures disclosed in the Losses section of the SOPS are the balances that have been written off.

Other receivables include budget overspends by MPs, salary related advances and payment card receivables. MPs are given the option of repaying amounts or offsetting the amounts overspent against their budgets for the following year.

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 obliged to pay them.

1.14 Significant Accounting Judgements and Estimates

For the year ended 31 March 2019, MPs may submit a claim up to 90 days after incurring the expenditure. The outstanding balance of claims for MPs' expenses arising out of 2018-19 has been accrued for in these accounts. A year-end process is in place to ensure that MPs' spend is allocated to the correct year. MPs must submit their 2018-19 expenses before the year end cut-off date or populate a year-end form where it is not possible to submit the expense before this date.

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 Income

IPSA receives income from the Creative Society for the cost of some MPs' internships and subletting office space.

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

1.17 IFRSs in issue but not yet effective

In order to comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* IPSA must disclose where it has not applied a new IFRS that has been issued but is not yet effective. IPSA has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. The full impact of the IFRSs in issue but not yet effective is not expected to be material to the accounts. IPSA has therefore chosen not to adopt early requirements of the following accounting standards and interpretations, which have an effective date after the start of these accounts:

| Standard | Effective | FReM Application | Change & Impact |
|-------------------------------------|-------------------|---|---|
| IFRS 16 Leases | 1 January 2019 | 2020-21 (Subject to EU adoption and consultation) | <p>Change: The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12 months to be recognised as a finance lease (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.</p> <p>Impact on the Organisation: IPSA holds operating leases for our offices and photocopiers. Consequently, IPSA expects an asset and liability of £1.6m as a result of bringing on-balance sheet former operating leases through applying the new standard.</p> |
| IFRS 17 – Insurance Contracts | 1 January 2021 | 2021-22 | <p>Change: This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities. IFRS 17 is effective for annual periods beginning on or after 1 January 2021.</p> <p>Impact on the Organisation: IPSA does not hold any insurance contracts so no impact expected.</p> |

2. Statement of Operating Expenditure By Operating Segment

IPSA's operating segments correspond with the Subhead detail of the 2018-19 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.

| | 2018-19 | | |
|------------------------|---|---|----------------|
| | Subhead A | Subhead B | Total |
| | MPs' Pay, staffing, business costs and expenses | IPSA operations – core costs (including provisions) | |
| | £'000 | £'000 | £'000 |
| Gross Expenditure | 183,091 | 8,092 | 191,183 |
| Income | (201) | (209) | (410) |
| Net Expenditure | 182,890 | 7,883 | 190,773 |
| Assets | 0 | 9,921 | 9,921 |
| Liabilities | 0 | (9,839) | (9,839) |
| Net capital | 0 | 82 | 82 |

| | 2017-18 | | |
|------------------------|---|---|----------------|
| | Subhead A | Subhead B | Total |
| | MPs' Pay, staffing, business costs and expenses | IPSA operations – core costs (including provisions) | |
| | £'000 | £'000 | £'000 |
| Gross Expenditure | 181,801 | 7,250 | 189,051 |
| Income | (155) | (213) | (368) |
| Net Expenditure | 181,646 | 7,037 | 188,683 |
| Assets | 0 | 7,605 | 7,605 |
| Liabilities | 0 | (9,305) | (9,305) |
| Net capital | 0 | (1,700) | (1,700) |

Description of segments

Subhead A: MPs' Pay, business costs and expenses scheme – the costs of MPs' pay, staffing costs and expenses including income from the Social Mobility Foundation.

Subhead B: IPSA Operations – the operating expenditure of IPSA including income from subletting and provisions. This subhead also covers the expenditure of the IPSA Compliance Officer and IPSA Online project costs.

3. MPs' Business Costs

| | 2018-19 | | 2017-18 | |
|--|---------|----------------|---------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| MPs' Business Costs and Expenses Scheme | | | | |
| MP Salary cost | 51,282 | | 50,109 | |
| MP Staff Salary cost | 76,269 | | 72,220 | |
| MP National Insurance | 6,551 | | 6,350 | |
| MP Staff National Insurance | 7,223 | | 6,900 | |
| MP Staff Superannuation | 7,481 | | 7,070 | |
| MP Staff Winding Up Costs [1] | 64 | | 1,847 | |
| MP Staff redundancy as a result of Winding up | 143 | | 1,997 | |
| MP Resettlement payments | 12 | | 569 | |
| | | 149,025 | | 147,062 |
| Capped Budgets | | | | |
| Accommodation Expenses and Office Expenditure | | | | |
| Property rent | 12,025 | | 11,697 | |
| Utility costs | 742 | | 688 | |
| Council Tax | 573 | | 575 | |
| Service charges | 134 | | 121 | |
| Rates | 119 | | 95 | |
| Other premises costs (including security costs) [2] | 4,529 | | 6,197 | |
| Insurance | 207 | | 164 | |
| Professional services | 2,118 | | 2,022 | |
| Stationery and other office supplies | 1,730 | | 2,063 | |
| Telephone and internet | 1,152 | | 1,151 | |
| Pooled services | 1,303 | | 1,240 | |
| Computers | 830 | | 988 | |
| Office furniture | 75 | | 159 | |
| Photocopiers and televisions | 215 | | 254 | |
| Publicity, advertising and communications | 218 | | 203 | |
| Website design and hosting | 159 | | 153 | |
| Other | 731 | | 619 | |
| Total capped expenditure | | 26,860 | | 28,389 |
| Uncapped Budgets | | | | |
| Travel Car | 1,147 | | 1,190 | |
| Air | 1,395 | | 1,131 | |
| Rail | 2,866 | | 2,381 | |
| Taxi | 126 | | 83 | |
| Other | 76 | | 122 | |
| Hotels | 1,211 | | 1,102 | |
| Food and drink | 130 | | 81 | |
| Training | 50 | | 50 | |
| Parking | 183 | | 130 | |
| Other | 22 | | 80 | |
| Total Uncapped | | 7,206 | | 6,350 |
| Total MPs' Business Costs and Expenses Scheme | | 183,091 | | 181,801 |

Notes

[1] The higher in Winding up costs in 2017-18 was due to the 2017 General Election.

[2] The higher costs in 2017-18 was due to the more proactive approach IPSA and the House of Commons have taken regarding the security of elected Members.

IPSA does not fund MPs' pension contributions; these are paid by the House of Commons. However, IPSA fund MP staff pension contributions. The pension provider is Legal and General and the contribution rate is 10% of pensionable salary.

3.2 Reporting of MP Staff Exit Packages

| 2018-19 | | | | | | |
|----------------------|--------------------------------------|-------------|-----------|-----------------------------|-------------|------------|
| Exit Package Summary | Number of MP Staff Departures Agreed | | | Value of Exit Package £'000 | | |
| | MPs who left Parliament | Sitting MPs | Total | MPs who left Parliament | Sitting MPs | Total |
| £0 – £4,999 | 1 | 17 | 18 | 1 | 31 | 32 |
| £5,000 – £9,999 | 2 | 4 | 6 | 16 | 31 | 47 |
| £10,000 – £14,999 | 0 | 3 | 3 | 0 | 40 | 40 |
| £15,000 – £19,999 | 0 | 1 | 1 | 0 | 19 | 19 |
| £20,000 – £24,999 | 0 | 1 | 1 | 0 | 21 | 21 |
| Total | 3 | 26 | 29 | 17 | 142 | 159 |

| 2017-18 [1] | | | | | | |
|----------------------|--------------------------------------|-------------|------------|-----------------------------|-------------|--------------|
| Exit Package Summary | Number of MP Staff Departures Agreed | | | Value of Exit Package £'000 | | |
| | MPs who left Parliament | Sitting MPs | Total | MPs who left Parliament | Sitting MPs | Total |
| £0 – £4,999 | 197 | 35 | 232 | 455 | 70 | 525 |
| £5,000 – £9,999 | 74 | 3 | 77 | 538 | 20 | 558 |
| £10,000 – £14,999 | 30 | 1 | 31 | 369 | 14 | 383 |
| £15,000 – £19,999 | 14 | 3 | 17 | 245 | 51 | 296 |
| £20,000 – £24,999 | 6 | 0 | 6 | 129 | 0 | 129 |
| £25,000 – £29,999 | 8 | 0 | 8 | 220 | 0 | 220 |
| £30,000 – £34,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £35,000 – £39,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £40,000 – £44,999 | 1 | 0 | 1 | 41 | 0 | 41 |
| Total | 330 | 42 | 372 | 1,997 | 155 | 2,152 |

MP Staff redundancy costs have been paid in accordance with the provisions of the Scheme for the staff of MPs no longer in post and redundancies arising from MP office restructuring.

[1] The 2017/18 figures include departures due to the 2017 General Election.

3.3 MP Loss of Office payments

| 2018-19 [1] | | |
|------------------------------------|-----------------------------------|---|
| MP Loss of Office payments summary | Number of Loss of Office payments | Value of Loss of Office payments £'000 |
| £0 – £4,999 | 7 | 12 |
| £5,000 – £9,999 | 0 | 0 |
| £10,000 – £14,999 | 0 | 0 |
| £15,000 – £19,999 | 0 | 0 |
| £20,000 – £24,999 | 0 | 0 |
| £25,000 – £29,999 | 0 | 0 |
| Total | 7 | 12 |

| 2017-18 | | |
|------------------------------------|-----------------------------------|---|
| MP Loss of Office payments summary | Number of Loss of Office payments | Value of Loss of Office payments £'000 |
| £0 – £4,999 | 26 | 65 |
| £5,000 – £9,999 | 6 | 46 |
| £10,000 – £14,999 | 18 | 193 |
| £15,000 – £19,999 | 9 | 154 |
| £20,000 – £24,999 | 1 | 23 |
| £25,000 – £29,999 | 3 | 88 |
| Total | 63 | 569 |

[1] The 2017/18 figures include departures due to the 2017 General Election.

4. IPSA Operational Costs

| | 2018-19 | | 2017-18 | |
|---|---------|--------------|---------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Staff costs [1] | | | | |
| Wages and salaries | 3,168 | | 2,760 | |
| Social security costs | 313 | | 298 | |
| Other pension costs | 575 | | 536 | |
| Agency staff | 308 | | 826 | |
| Total staff costs | | 4,364 | | 4,420 |
| Rent, rates and service charges | | 792 | | 651 |
| Other property costs | | 119 | | 103 |
| IT services and telephony | | 870 | | 994 |
| Legal [3] | | 157 | | 83 |
| Pension advice and administration | | 41 | | 0 |
| Internal Audit services | | 71 | | 80 |
| Recruitment and advertising | | 151 | | 119 |
| Printing, postage and stationery | | 78 | | 72 |
| Professional services [3] | | 314 | | 58 |
| Non – cash items: | | | | |
| Depreciation | | 293 | | 297 |
| Amortisation | | 127 | | 127 |
| (Profit)/Loss on Disposals | | 84 | | 10 |
| External Audit [2] | | 82 | | 80 |
| Bad Debts Written Off | | 3 | | 36 |
| New provisions & adjustments to previous provisions | | 225 | | 0 |
| Other | | 321 | | 120 |
| Total non-staff costs | | 3,728 | | 2,830 |
| Total IPSA Operational costs | | 8,092 | | 7,250 |

Notes

[1] Further analysis of staff costs is located in the Staff Report on page 41.

[2] External Audit provided no non-audit services.

[3] The figures in the table above include the following amounts in respect of the governance issue described in paragraph 93 to 95 of the governance statement. No equivalent costs were incurred in 2017-18.

| | £ |
|-----------------------|--------|
| Professional services | 33,071 |
| Legal costs | 6,894 |
| Total | 39,965 |

5. Income

| | 2018-19 | 2017-18 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Speaker's scheme (cost of some MPs' internships) | (201) | (155) |
| Rental income from subletting | (209) | (213) |
| Total | (410) | (368) |

6. Property, Plant and Equipment

| | Leasehold Refurbishment | Information Technology | Furniture & Fittings | Total |
|---|----------------------------|---------------------------|-------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 1 April 2018 | 656 | 1,593 | 155 | 2,404 |
| Additions | 33 | 114 | 694 | 841 |
| Disposals | (656) | (720) | (38) | (1,414) |
| At 31 March 2019 | 33 | 987 | 811 | 1,831 |
| Depreciation | | | | |
| At 1 April 2018 | 435 | 1,198 | 110 | 1,743 |
| Charged in year | 156 | 113 | 24 | 293 |
| Disposals | (591) | (708) | (31) | (1,330) |
| At 31 March 2019 | 0 | 603 | 103 | 706 |
| Carrying amount at 31 March 2018 | 221 | 395 | 45 | 661 |
| Carrying amount at 31 March 2019 | 33 | 384 | 708 | 1,125 |
| Cost or valuation | | | | |
| At 1 April 2017 | 656 | 1,599 | 202 | 2,457 |
| Additions | 0 | 105 | 6 | 111 |
| Disposals | 0 | (111) | (53) | (164) |
| At 31 March 2018 | 656 | 1,593 | 155 | 2,404 |
| Depreciation | | | | |
| At 1 April 2017 | 279 | 1,200 | 121 | 1,600 |
| Charged in year | 156 | 105 | 36 | 297 |
| Disposals | 0 | (107) | (47) | (154) |
| At 31 March 2018 | 435 | 1,198 | 110 | 1,743 |
| Carrying amount at 31 March 2017 | 377 | 399 | 81 | 857 |
| Carrying amount at 31 March 2018 | 221 | 395 | 45 | 661 |

All assets are owned.

7. Intangible Assets

Intangible assets comprise software and website development costs.

| | Software and website costs | Assets under construction | Total |
|---|-------------------------------|------------------------------|--------------|
| | £'000 | £'000 | £'000 |
| Cost or valuation | | | |
| At 1 April 2018 | 2,567 | 3,438 | 6,005 |
| Additions | 0 | 1,777 | 1,777 |
| Disposals | (796) | 0 | (796) |
| At 31 March 2019 | 1,771 | 5,215 | 6,986 |
| Amortisation | | | |
| At 1 April 2018 | 2,270 | 0 | 2,270 |
| Charged in year | 127 | 0 | 127 |
| Disposals | (796) | 0 | (796) |
| At 31 March 2019 | 1,601 | 0 | 1,601 |
| Carrying amount at 31 March 2018 | 297 | 3,438 | 3,735 |
| Carrying amount at 31 March 2019 | 170 | 5,215 | 5,385 |
| Cost or valuation | | | |
| At 1 April 2017 | 2,568 | 1,104 | 3,672 |
| Additions | 0 | 2,334 | 2,334 |
| Disposals | (1) | 0 | (1) |
| At 31 March 2018 | 2,567 | 3,438 | 6,005 |
| Amortisation | | | |
| At 1 April 2017 | 2,144 | 0 | 2,144 |
| Charged in year | 127 | 0 | 127 |
| Disposals | (1) | 0 | (1) |
| At 31 March 2018 | 2,270 | 0 | 2,270 |
| Carrying amount at 31 March 2017 | 424 | 1,104 | 1,528 |
| Carrying amount at 31 March 2018 | 297 | 3,438 | 3,735 |

8. 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

This is the possibility that IPSA may be unable to meet short term financial demands. 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

This is the possibility that debtors may fail to make required repayments to IPSA. Given the nature of IPSA's activities, the user base of MPs and their staff and the powers available to IPSA to recover any monies owing, IPSA believes that it is not exposed to any material credit risk.

9. Trade Receivables and Other Current Assets

| | 2018-19 | 2017-18 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Trade receivables | 288 | 263 |
| Deposits and advances | 863 | 833 |
| Other receivables | 127 | 172 |
| Prepayments and accrued income | 2,133 | 1,714 |
| | 3,411 | 2,982 |
| Amounts due from the Consolidated Fund in respect of Supply at year end | 396 | 0 |
| Total | 3,807 | 2,982 |

10. Cash and Cash Equivalents

| | 2018-19 | 2017-18 |
|--|--------------|------------|
| | £'000 | £'000 |
| Balance at 1 April | 227 | 96 |
| Net change in cash and cash equivalent balances | (623) | 131 |
| Balance at 31 March | (396) | 227 |
| The following balances at 31 March were held at: | | |
| Government Banking Service | (396) | 227 |
| Total balance at 31 March | (396) | 227 |

There were no cash equivalents held by IPSA at 31 March 2019 or 31 March 2018.

11. Trade Payables and Other Current Liabilities

| | 2018-19 | 2017-18 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year | | |
| Taxation and social security | 3,728 | 3,722 |
| Payables | 1,186 | 1,164 |
| Accrual for Member and Member staff expenses | 3,200 | 3,273 |
| Other accruals and deferred income | 1,350 | 769 |
| | 9,464 | 8,928 |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end | 0 | 227 |
| Consolidated Fund Extra Receipts received due to be paid to the Consolidated Fund | 0 | 0 |
| Total | 9,464 | 9,155 |

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

12. Provisions for Liabilities and Charges

| | 2018-19 | 2017-18 |
|--------------------------------------|------------|------------|
| | £'000 | £'000 |
| Balance at 1 April | 150 | 150 |
| Provided for in year | 225 | 0 |
| Provisions not required written back | 0 | 0 |
| Provisions used in year | 0 | 0 |
| Balance at 31 March | 375 | 150 |

| | Dilapidations | Total |
|---|---------------|------------|
| Analysis of expected timing of cash flows | | |
| Not later than one year | 265 | 265 |
| Later than one year and not later than five years | 0 | 0 |
| Later than five years | 110 | 110 |
| Balance at 31 March 2019 | 375 | 375 |

A dilapidation provision for £265k has been made to restore IPSA's leasehold property at Millbank to its original state at the end of the lease in March 2019. The dilapidation settlement has been agreed by both parties.

A dilapidation provision for £110k has been made to restore IPSA's leasehold property at Strand to its original state at the end of the lease in June 2025.

13. Capital and other commitments

13.1 Capital commitments

| | 2018-19 | 2017-18 |
|---|----------|--------------|
| | £'000 | £'000 |
| Contracted capital commitments at 31 March 2019 not otherwise included in these financial statements: | | |
| Property, plant and equipment | 0 | 0 |
| Intangible assets | 0 | 1,349 |
| Total | 0 | 1,349 |

Capital commitments at 31 March 2018 primarily relates to software upgrades.

13.2 Commitments under leases

13.2.1 Operating leases

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

| | 2018-19 | 2017-18 |
|---|--------------|------------|
| | £'000 | £'000 |
| Not later than one year | 320 | 327 |
| Later than one year and not later than five years | 1,594 | 1 |
| Later than five years | 80 | 0 |
| Total | 1,994 | 328 |

13.2.2 Finance leases

IPSA does not hold any finance leases.

13.3 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.

14. Contingent liabilities disclosed under IAS 37

IPSA faces a number of legal claims brought by individuals who were employees of MPs at the time of a data breach in March 2017. In the absence of sufficient supporting evidence from the majority of claimants the case cannot meaningfully be assessed.

There were no quantified contingent liabilities as at 31 March 2018.

15. 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.

Alastair Bridges, Director of Finance and Corporate Services, is a trustee of the Parliamentary Contribution Pension Fund, which is an unremunerated position. Payments totalling £5,420,000 in 2018-19 (2017-18: £5,350,000) were made to RPMI who are the administrator for the scheme.

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

No 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.

16. Third-party assets

IPSA currently holds no third party assets as defined in the 2018-19 FReM (2017-18: £nil).

17. Events after the reporting period

IPSA's new integrated finance, payroll, HR and expenses system, IPSA Online, went live on 2nd April 2019.

Ruth Evans resigned as chair of IPSA, effective 11 October 2019, and Richard Lloyd was elected by Board members to act as interim chair. Recruitment for a new chair is undertaken by the Speaker's Committee for IPSA (SCIPSA) and will commence in late 2019.

On 29 October, Parliament voted to hold a snap General Election on 12 December.

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

IV

Part IV: 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 2015 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 2015 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

V

Part V: Annual Report by the Compliance Officer for IPSA

A. Introduction

1. The Compliance Officer for the Independent Parliamentary Standards Authority (IPSA) is a statutory office holder who acts independently of IPSA's executive. The Compliance Officer reports to the Board of IPSA, but is not directed by them.
2. The office was created by the *Parliamentary Standards Act 2009* ('the Act'), as amended by the *Constitutional Reform and Governance Act 2010*. The legislation stipulates that the office holder shall carry out the following functions. The Compliance Officer:
 - a. must, upon request, review a determination by IPSA to refuse an MP's expense claim in whole or in part; and
 - b. may conduct an investigation if he/she has reason to believe that a member of the House of Commons may have been paid an amount under the *Scheme of MPs' Business Costs and Expenses* ('the Scheme') that should not have been allowed.
3. The full statutory powers of the Compliance Officer are established in the Acts noted above, and include the powers to:
 - a. compel an MP to provide any information required and to issue a penalty notice up to the value of £1,000 should an MP fail to do so, and
 - b. issue a repayment direction to an MP (including the charging of interest and costs) and to issue a penalty notice up to the value of £1,000 should an MP fail to comply with that notice.

B. Overview of 2018-19

4. In 2018-19 there were a total of 41 complaints made to the Compliance Office. This is a reduction on the number of complaints made in 2017-18 which totalled 54. There were two reviews requested by MPs. Further information on both complaints and reviews can be found below.
5. I took over the role of Compliance Officer in May 2018. The Act stipulates that a Compliance Officer can only be appointed for a single fixed-term not exceeding five years and therefore my term of office will conclude in May 2023.
6. Within the relevant legislation, an MP can appeal a decision by the Compliance Officer to refuse an expense claim, pay only part of the claim or require repayment for expenses, interest or costs. There have been no Tribunals in respect of Investigations or Review processes this year.
7. I have developed a professional working relationship with both IPSA and other regulatory bodies during the year. I have maintained regular contact with the special enquiry section of the Metropolitan Police who deal with the majority of the cases referred by my office. Further information on my relationship and contact with the police and other bodies can be found below.

C. Budget for 2018-19

8. Under the legislation, IPSA is required to provide the Compliance Officer with adequate resources to discharge the functions of the office. This includes the provision of office accommodation, IT and telephony. These costs are included within IPSA's accounts and are not separately identifiable.

9. The total spend for the Compliance Office in 2018-19 was £95,000. This is broken down as follows:

| Expenditure | Outturn in 2017-18 | Projected spend in 2018-19 (Budget) | Outturn in 2018-19 |
|-------------|--------------------|-------------------------------------|--------------------|
| | £,000 | £,000 | £,000 |
| Staffing | 55 | 50 | 50 |
| Legal costs | 42 | 45 | 41 |
| Expenses | 0 | 5 | 1 |
| Consultancy | 0 | 0 | 3 |

D. Relationship with IPSA

10. The Compliance Officer is not an employee or officer of IPSA but has an independent, statutory role. I seek to demonstrate objectivity and neutrality in my relationships with MPs, IPSA, complainants and other agencies and stakeholders. I report progress in the compliance function to the IPSA Board on a quarterly basis.
11. Schedule 2 of the *Parliamentary Standards Act 2009* (as amended) requires IPSA to provide the Compliance Officer with adequate resources and staff to discharge the function of the office. Compliance Office staff act solely on the instruction of the Compliance Officer and their functions are entirely separate from the executive branch of IPSA.
12. My office is staffed by one full-time equivalent (FTE) post, comprising a Compliance Officer (generally two days per week) and an Investigations Officer (flexible three days per week). The Investigations Officer is an IPSA employee and is afforded the same rights as other IPSA personnel.

E. Relationship with MPs

13. In dealing with complaints, there is invariably a requirement for me to contact the relevant MP who is subject of the complaint, initially to inform them that a complaint has been made, but also to request a written response to questions posed and/or the provision of supporting evidence. The approach I adopt is formal but also constructive and professional. I seek to ensure that the office continues to act fairly and proportionately to all parties involved, inviting the full cooperation of MPs and their staff when conducting my statutory functions. To date, I have not had to resort to formal measures compelling cooperation. As noted above, the Compliance Officer retains a number of statutory powers to issue penalty notices to MPs who fail to cooperate with enquiries; it is commendable that these powers have not been enforced by me or any of my predecessors.
14. My role is to assess all the relevant information and determine whether or not there has been a breach of "The Scheme of MPs' Business Costs and Expenses" which is the guidance document which sets out to MPs and their staff, the rules and provisions around budgets and expense claims. In all appropriate cases, my approach to the exercising of my statutory functions is proportionality. I recognise above all else that MPs and their staff are people who are busy in their daily work of assisting constituents and attending to parliamentary duties. There are occasional oversights, mistakes or misunderstanding of the rules.
15. Where genuine mistakes are identified as the underlying cause of a complaint, I have sought to ensure that MPs and their staff receive appropriate guidance to reduce the risk of similar errors being

replicated in the future. To date, and as noted previously, IPSA's Scheme has proven effective and robust in leaving very little scope for abuse or wilful misinterpretation of the rules.

16. In exceptional cases, matters have been referred to the police.

F. Relationship with other regulatory bodies

17. IPSA and the Compliance Officer are required by the Act to draft and agree Joint Working Agreements with:
- The MPS and the Director of Public Prosecutions; and
 - The Parliamentary Commissioner for Standards.
18. Copies of these Agreements can be found on the website at: <http://www.parliamentarycompliance.org.uk/transparency/Pages/compliance-publications.aspx>
19. A Joint Statement also sets out how IPSA and the Compliance Officer will work with the MPS and the Director of Public Prosecutions should either have reason to suspect that a criminal offence may have been committed. Where IPSA has reason to suspect a deliberate breach of the Scheme, a referral will be made to the Compliance Officer. If the Compliance Officer has reason to suspect a criminal offence may have been committed, he/she may suspend his/her enquiries and contact the MPS. Both IPSA and the Compliance Officer will then assist the appropriate police force with their initial assessment of the evidence and any further enquiries they undertake thereafter.
20. Further, the police may receive complaints from third parties (such as members of the public) alleging criminal abuse of the Scheme; in such instances,

IPSA and the Compliance Officer may be contacted to assist with police enquiries.

21. During the past year, two new cases were referred to the police, in accordance with the Joint Working Statement referred to above. One case involved an MP and the other a member of an MP's staff. It is important to consider the following.
- a. A referral does not indicate a determination by the Compliance Officer of criminal wrongdoing. Such a determination is not the Compliance Officer's to make.
 - b. Referrals are made to ensure the strict demarcation between an investigation by the Compliance Officer under civil law and investigations by the police under criminal law. It is not the role of the Compliance Officer to investigate allegations of a criminal nature; therefore, it is right that any such allegation is referred on to the appropriate force for due consideration.
 - c. An investigation by the Compliance Officer is judged on the balance of probabilities. The police (and Crown Prosecution Service) must consider whether a jury would find an individual guilty beyond all reasonable doubt.
 - d. The police have access to considerably more information and statutory powers than are available to the Compliance Officer. The police are therefore in a better position to prove – or disprove – an allegation than the Compliance Officer is; making them best placed to undertake any criminal enquiry.
22. Furthermore, I take my obligations under the Data Protection Act (DPA) and other privacy provisions very seriously.

I am legally bound by the DPA to ensure that personal data, which includes the names of individuals referred to the police, is protected from unlawful disclosure. The police are responsible for assessing and investigating criminal complaints. Thereafter, should the Crown Prosecution Service (CPS), decide to bring charges against an individual, the relevant information will be disclosed under their procedures at the appropriate time and in accordance with the law. The public interest is not served by breaching my legal obligations under the Data Protection Act or by prejudicing the work of the police.

23. The disclosure of the names of individuals referred to the police, before any charges had been brought (or indeed, after the police or CPS had decided there was no case to answer) would constitute a serious breach of sensitive personal data and would leave the Compliance Officer open to investigation by the Information Commissioner's Office (ICO) and subject to a possible monetary penalty.
24. As with all corporate and statutory entities, I sought to ensure that the Compliance office had a smooth transition with respect to the new Data Protection Bill and the EU General Data Protection Regulation (GDPR), with the associated change in the laws regarding data protection in the UK. The Compliance team has undertaken training to better understand the legal requirements and roles under the new provisions. I have worked closely with the IPSA lead for data protection issues to ensure that, whilst the functions remain separate, the understanding and working practices will be congruent.

G. Procedures for Investigations of the Compliance Officer

25. IPSA is required by the Act 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 Scheme.
26. IPSA published the First Edition of the Procedures for Investigations by the Compliance Officer for IPSA ('the Procedures') in July 2010. After having been in place over a year, a review was undertaken, including consultation with the public and Parliament. On 1st February 2012, the Second Edition of the Procedures took effect and the Third and current version became effective on 1st January 2015.
27. The current procedures can be viewed at www.parliamentarycompliance.org.uk.

H. Complaints and Investigations

28. As noted above, one of the Compliance Officer's core functions is to investigate complaints that an MP has been paid an amount by IPSA, in breach of the Scheme.
29. Complaints can originate from a number of sources. The majority of complaints are made by journalists or members of the public (including councillors, prospective parliamentary candidates and MPs' staff).
30. Further, as part of its regular operations, IPSA conducts assurance reviews of MPs' expenditure, often taking a holistic look at areas of spending over set periods. Through this work, outliers may be identified requiring further investigation. These have in previous years been

referred to the Compliance Officer for consideration. None were referred in 2018-19.

31. Lastly, the Compliance Officer may decide to look at an issue on his or her own initiative.
32. During the reporting period, 41 complaints were handled.
33. 19 complaints related to Office costs, 6 related to Travel Costs, 2 related to Accommodation Costs and 4 related to Staffing. 2 complaints related to Travel and Office Costs and 1 complaint related to Office and Staffing Costs. Seven other complaints fell outside the remit of the Compliance Officer.
34. The majority of complaints (37) were made by members of the public. Three complaints were made by political party associations and one complaint made by an MP.
35. The overwhelming majority of complaints relating to MPs' claims under the Scheme were resolved to the satisfaction of all parties involved, by way of a formal 'assessment'; following the provision of additional information by the MP's office.
36. In a small number of cases, complaints relate to a misunderstanding of the information published by IPSA. In such cases, no purpose is served by the opening of a formal investigation.
37. Nonetheless, it is important that the functions of the Compliance Officer are conducted as transparently as possible. To this end, details of all complaints handled by the Compliance Officer each financial year, including the basis for the complaint, the assessment outcome and the rationale behind the outcome, are published on the website, at the following address: <http://www.parliamentarycompliance.org.uk/transparency/Pages/open-and-closed-investigations.aspx>.
38. Full details of all investigations undertaken by the Compliance Officer can be found on the website, at the following address: <http://www.parliamentarycompliance.org.uk/transparency/Pages/completed-reviews.aspx>.
39. When I came in to post, I took over an on-going investigation in to an MP relating to office costs. The investigation concluded in January 2019 and the MP concerned was required to reimburse IPSA the total sum of £931.20 in respect of telephone costs. The amount has been repaid in full and the investigation is now closed.
40. Figures outlining complaints received and cases handled by the Compliance Office during 2018-19 are shown below.

Table 1: Summary of the 41 cases handled during 2018-19

| Cases carried forward from 2017-18 | Cases opened during 2018-19 by quarter | | | | Total cases opened during 2018-19 | Cases closed during 2018-19 | Cases carried forward to 2019-20 |
|------------------------------------|--|----|----|----|-----------------------------------|-----------------------------|----------------------------------|
| | Q1 | Q2 | Q3 | Q4 | | | |
| 6 | 13 | 12 | 6 | 10 | 41 | 36 + 6 (17/18) | 5 |

Table 2: Outcome of the 43 cases closed during 2018-19

| Outcome of the 43 cases closed | |
|--------------------------------|----|
| Assessments closed | 42 |
| Investigations closed | 1 |

Table 3: Breakdown of the sources of the 41 opened during 2018-19

| Source of the 54 cases opened | |
|-------------------------------|----|
| IPSA | 0 |
| Member of the public | 52 |
| Journalist | 1 |
| MP Staff | 0 |
| Police | 1 |

I. Reviews

41. The other core function of the Compliance Officer is, upon the request of an MP, to review a determination by IPSA to refuse an MP's expense claim in whole or in part.
42. During the 2018-19 period, two MPs requested reviews. In one case the review was conducted and part of it upheld in favour of the MP. In the second case, the grounds for a review were not met and the MP was referred back to IPSA and the contingency panel process.
43. Details of reviews conducted by the Compliance Officer are published on the website¹ and will be available at the following address:
<http://www.parliamentarycompliance.org.uk/transparency/Pages/completed-reviews.aspx>.

J. Freedom of Information

44. During this reporting period there were no FOI requests submitted to the Compliance Office.

¹ Where the review relates to personal or sensitive issues (such as staffing matters), the full review has not been published to protect the privacy of individuals concerned.

K. Accommodation

45. As previously referred to, the Act 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, but separate from that occupied by IPSA.
46. In April 2014, IPSA moved to new premises at 30 Millbank and, once again, the Compliance Officer staff took up occupancy of an office adjacent to those utilised by the IPSA executive and their staff, ensuring efficient and effective access to information and data.

L. Looking ahead

47. The 2018-19 term was my first year as Compliance Officer. In the main, I continued the established processes embedded by previous incumbents. I have introduced some changes in relation to the way in which complaints are recorded and updated and other processes which have improved efficiency within the general running of the office. Upon taking up my post, I inherited a backlog of cases as my predecessor resigned and there was a period in time with no-one in post, but these were cleared within a short timeframe and now the office is running smoothly and all complaints are dealt with in a timely manner.
48. As with recent years, the staffing continued to constitute the equivalent of one full-time post (Compliance Officer for two days a week and an Investigations Officer, three days per week). As such, any changes to the compliance office function and approach must be realistic if they are to be achievable and unlikely to interfere with the core role of the office. Both Compliance Officer and

Investigation Officer are routinely needed to work flexible hours to accommodate meetings and administration with various stakeholders.

49. As the Compliance Officer I will continue with the following functions going forwards:

- Continue to pursue efficiency improvements within office systems and procedures and ensure actions taken are cost-effective and provide value for money to the public purse;
- Assessments – Ensure that all complaints and enquiries made under the Scheme’s provisions are acknowledged, and recorded, with resultant assessment findings communicated to the referrer.
- Reviews – Initiate appropriate reviews under ‘the Scheme’ where IPSA has refused to pay a claim either in whole or in part; following a formal request from an MP. Ensure that review outcomes are documented and published on my website.
- Investigations – Review and develop processes to manage the transition of referrals to investigations. Update the referrers and the subjects of complaint regarding progress. Ensure that investigation outcomes are documented and published on my website.
- Communication – Consolidate, review and improve channels of communication between the Compliance Officer and key stakeholders. Particular emphasis to be given to open and formal dialogue with MPs during assessment, review or investigations and routine dialogue with IPSA staff from all teams to develop better understanding of respective roles. Ensure regular,

formal reports to IPSA Board as required regarding outcomes and issues raised as part of the Compliance Officer’s role. Ensure that appropriate ‘sharing protocols’ are in place, particularly with police services and other public authorities.

- Leadership – Develop and manage the work of staff undertaking or interfacing with the ‘Investigations Officer’ role. Ensure that appropriate training is in place for them to understand and effectively deliver the key elements of their job description.
- Budget – Negotiate, establish and manage budgets in respect of staffing, expenses and legal costs to the role of the Compliance Officer. Report and highlight future issues.

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