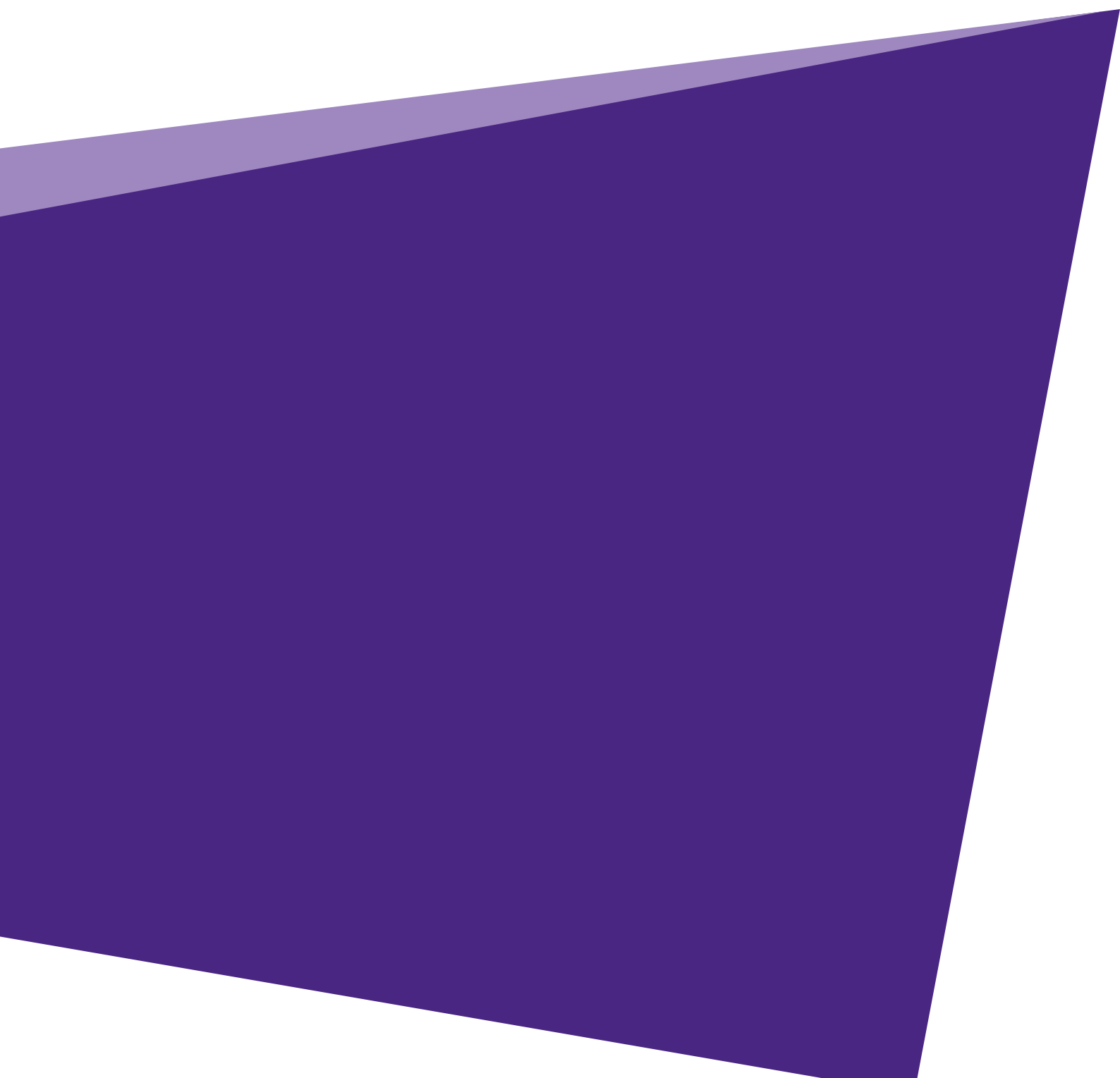


Independent Parliamentary Standards Authority

# Annual Report and Accounts

2016–2017



Independent Parliamentary  
Standards Authority  
Annual Report and Accounts for 2016-17

Presented to Parliament pursuant to Schedule 1 of the Parliamentary Standards Act 2009  
Ordered by the House of Commons to be printed on 16 November 2017

**© Independent Parliamentary Standards Authority copyright 2017**

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Independent Parliamentary Standards Authority copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at [info@theipsa.org.uk](mailto:info@theipsa.org.uk)

This publication is available at [www.theipsa.org.uk](http://www.theipsa.org.uk)

ISBN 978-1-911619-00-0

ID CCS1117375920 11/17

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

	<b>Chair's Introduction</b>	<b>6</b>
<b>PART I:</b>	<b>Performance Report</b>	<b>8</b>
	<b>Overview</b>	<b>9</b>
A	Who We Are and What We Do	9
B	IPSA's Strategic Objectives	10
C	Our Work in 2016–17	10
D	Chief Executive's Perspective on Performance	12
E	Key Issues and Risks facing IPSA	13
F	Going Concern Basis	14
G	Performance Summary	14
<b>PART II:</b>	<b>Accountability Report</b>	<b>18</b>
<b>1</b>	<b>Directors' Report</b>	<b>19</b>
A	IPSA's Board	19
B	Company Directorships and Other Significant Interests Held by Board Members	19
C	IPSA's Senior Management	19
D	Staffing	19
E	Health and Safety	20
F	Pensions	20
G	Personal Data Related Incidents	20
H	Complaints and Customer Service	20
I	The Compliance Officer for IPSA	20
J	Basis of Accounts	21
K	Risk Management	21
L	Policy for Payment of Suppliers	21
M	Future Priorities: Plans for 2017–18	21
N	Financial Performance	24
O	Events After the Reporting Period	25
<b>2</b>	<b>The Statement of Accounting Officer's Responsibilities</b>	<b>26</b>
<b>3</b>	<b>Governance Statement</b>	<b>27</b>
A	Introduction	27
B	Governance	27
C	Risk and Control	30
D	Corporate Governance Code	32
E	Assessment of Effectiveness	32

<b>4</b>	<b>Remuneration and Staff Report</b>	<b>34</b>
A	Remuneration Report	34
B	Remuneration (including salary) and Pension Entitlements	35
C	Fair Pay Disclosures	38
D	Pension information for Directors	39
E	Staff and other pay costs report	41
<b>5</b>	<b>Parliamentary Accountability and Audit Report</b>	<b>46</b>
A	Statement of Parliamentary Supply	46
B	Parliamentary Accountability Disclosures	50
C	The Certificate and Report of the Comptroller and Auditor General	51

<b>PART III:</b>	<b>Financial Statements</b>	<b>54</b>
A	Statement of Comprehensive Net Expenditure	55
B	Statement of Financial Position	56
C	Statement of Cash Flows	57
D	Statement of Changes in Equity	58
E	Notes to Financial Statements	59

<b>PART IV:</b>	<b>Accounts Direction</b>	<b>77</b>
-----------------	---------------------------	-----------

<b>PART V:</b>	<b>Annual Report by the Compliance Officer for IPSA</b>	<b>78</b>
A	Introduction	79
B	Overview of 2016-17	79
C	Budget for 216-17	80
D	Relationship with IPSA	80
E	Relationship with MPs	80
F	Relationship with other regulatory bodies	81
G	Procedures for Investigations of the Compliance Officer	82
H	Complaints and Investigations	82
I	Reviews	84
I	Accommodation	86
J	Looking ahead	86



# Chair's Introduction



Eddie Mulholland - *The Telegraph*  
© Telegraph Media Group Limited

I had the privilege of joining IPSA as its Chair on 2 June 2016, at a time when two significant programmes of work were underway – the IPSA Online improvement programme, and the comprehensive review of the Scheme of MPs' Business Cost and Expenses. Six years on from being created as an independent body, the IPSA Board took the opportunity of a new parliament to take stock and make further improvements to how we regulate and administer MPs' pay, pensions and business costs.

In April 2016, we began a programme of work to improve the systems and services that we provide to MPs and their staff. We recognise that, to do their jobs effectively, MPs need modern and efficient systems, accurate and timely financial information and a high-quality service to support them. To that end, we set ourselves three initial milestones. In April 2016, we implemented a new account management model of support to MPs. In November 2016, we launched a new more accessible website for the public, MPs and their staff. And in March 2017, we published a new, simpler set of rules by which to regulate MPs' expenditure. At the same time, we successfully completed the design for our new integrated IT system, which we are building and testing over the next twelve months. Although we have had to prioritise our work on the 2017 General Election resulting in a delay to the go live date, we are confident that in 2018 we will deliver a modern system to enable MPs to claim for their business costs, and enable IPSA to regulate those costs on behalf of

the taxpayer as efficiently and effectively as possible. On 11 May 2016, we published a consultation on the rules of the Scheme of MPs' Business Costs and Expenses which was the most comprehensive review of the rules since 2011. We sought views from the public, MPs, MPs' staff, public bodies and other interested parties. We also spoke to dozens of MPs to find out about their experiences of our policies, to understand how they affected their working lives.

We had a number of objectives in reviewing the Scheme. First was to simplify the Scheme, to make it easier to understand and comply with. Second, was to recognise the distinctive demands placed on MPs that make their job unlike others and to recognise these demands in an updated Scheme. Third, was to encourage professional workplaces for MPs. And fourth, was the imperative to ensure that every element of the new Scheme had regard to value for money for the taxpayer, based upon a fair and independent assessment of what MPs need to do their jobs and serve their constituents. Throughout, we put the responsible and appropriate use of public money at the forefront of our decision-making.

The new simpler Scheme, introduced on 1 April 2017, reflects those objectives. It balances our duties to safeguard public money, provide assurance that MPs' expenditure is well regulated, and ensure that MPs are resourced

appropriately to perform their parliamentary functions.

It has been a challenging time for our staff, who have worked with energy and commitment to fulfil the demands of the improvement programme alongside our core functions. I am grateful to them for providing exceptional support to me as Chair and an outstanding level of commitment to the organisation as we build on the work of my predecessor, Sir Ian Kennedy.

The coming year will bring new opportunities as we continue to work, in the public interest, towards our aim to be a high-performing organisation and an exemplar in our field internationally. We have already successfully played our part in delivering the 2017 General Election, with far fewer staff and less time to do so than in 2015. Over the remainder of the year we will update our strategy and values and continue to implement our new IT system. These changes will enable us to move forward with confidence in building engagement with MPs and the public and developing our own staff.

We are in an excellent position to meet those challenges and I look forward to leading the organisation to achieve our goals.

**Ruth Evans**  
Chair, IPSA

November 2017



# 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 2017. IPSA's accounts have been prepared to meet the standards of the Parliamentary Standards Act 2009 and in accordance with the Government Financial Reporting Manual (FRoM), 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 Parliamentary Standards Act 2009 (PSA).
3. IPSA's role 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. Our aim is to assure the public that MPs' use of taxpayers' money is well regulated and that MPs are resourced appropriately to carry out their parliamentary functions.

### How we will achieve our aim

6. We will achieve our aim effectively by:
  - being an intelligent and open regulator, working in the public interest;
  - ensuring that our rules are clear and enforceable;
  - making better use of IT to become more effective;
  - making independent, fair decisions about MPs' pay and costs;
  - listening to the public and all other interested parties; and
  - Providing clear guidance to MPs about their responsibilities.
7. We will achieve our aim efficiently by:
  - always seeking the best value for money in our own processes;
  - paying MPs' business costs, expenses and salaries accurately and on time;
  - enabling MPs to do their job;
  - encouraging MPs to adopt efficient working practices and to spend money well; and
  - Making our expenses and payment systems as straightforward as possible.

8. We will achieve our aim transparently by:
- being open about our own costs and processes;
  - routinely publishing the business costs and expenses of all MPs; and
  - Communicating with and providing the public with evidence about MPs' expenditure.
9. As IPSA staff we will work collaboratively, espouse our values of independence, transparency and fairness, develop our diverse talents and take pride in our work for the public interest as part of a high-performing organisation.

### Estimate Subheads

10. 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 2016-17 spending plans through its Supply Estimate (HC966). 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

11. For the financial year 2016-17, IPSA's strategic objectives can be found in full in its Corporate Plan which is on our website at the following address: [http://](http://www.theipsa.org.uk/about-us/income-and-expenditure/)

[www.theipsa.org.uk/about-us/income-and-expenditure/](http://www.theipsa.org.uk/about-us/income-and-expenditure/)

12. Our longer term strategy which sets our direction for the period 2015-2020 can be found on our website at the following address:

<http://www.theipsa.org.uk/media/184653/ipsas-corporate-plan-2017-18-final.pdf>

This strategy is being reviewed following the General Election of June 2017.

### C. Our work in 2016 – 17

13. This report covers the key activities undertaken by IPSA in the 2016-17 financial year:
- The 'IPSA Online improvement programme' – a wholesale programme to redesign and modernise the IT systems, processes and ways of working that underpin our regulatory and administrative functions, including the management of MPs' finances and our support to them and their staff.
  - The completion of a comprehensive review of the Scheme of MPs' Business Costs and Expenses to ensure that the rules we have in place to govern MPs' use of taxpayers' money remained fair, robust and appropriate for the remainder of this Parliament.
14. MPs and the public expect IPSA to be a high-performing organisation and to fulfil our dual function as both the regulator and the administrator of MPs' business costs in a way that is fair, transparent, efficient and cost-effective. Thus in 2016-17, after our work on the 2015 General Election was complete, we undertook two significant programmes of work to improve how we fulfil both functions. The

- first was the IPSA Online improvement programme.
15. IPSA was created quickly in 2009 to address an issue of national concern. It was, and still is, the only organisation in the world to be independent of both Government and Parliament to resource elected representatives to carry out their parliamentary functions, and to regulate those costs on behalf of the taxpayer too. In creating the systems needed to carry out our functions, we relied as much as possible upon “off the shelf” products in order to be ready to operate in May 2010. We did this successfully, but those systems were not as joined-up as we would have liked, and required more manual interventions than was ideal.
  16. We therefore recognised the need to integrate those systems and to modernise our ways of working, at the opportune time, to ensure that MPs and IPSA have the appropriate tools to manage their finances. SCIPSA therefore approved a programme to procure and install a modern, integrated expenses, finance, HR and payroll system to support MPs and their staff and pay their business costs and expenses, and a new website to improve the way we present information about MPs’ expenditure to the public. We began to implement these improvements during 2016-17.
  17. First, in April 2016, building on the approach we introduced for the 2015 General Election, we improved our support to MPs and their staff by implementing an account management model. We gave each MP two named IPSA account managers to deal with them directly and build an understanding of their particular constituency circumstances. In June 2016, we upgraded our telephony so that MPs could ring their account managers or payroll officers directly.
  18. Second, in November 2016, we launched a new, more accessible website which included, for the first time, a dedicated more accessible page about each MP’s expenditure and invited MPs to provide an optional commentary on their annual expenditure in their own words.
  19. Third, in September 2016, we selected a supplier for a new, integrated finance, HR, payroll and expenses IT system. The detailed design of the new system was concluded by March 2017. In addition, we conducted the preparatory work to have in place an online portal for MPs by the end of 2017, so they have secure access to all their financial information in as near real-time as possible from any device. We are on track to deliver this and to launch the wider system in 2018, after a comprehensive programme of training and engagement with MPs and their staff.
  20. The second programme of work that we undertook in 2016-17 was a comprehensive review of the scheme of rules that regulates MPs’ business costs and expenses. The Scheme had been in place since 2010 and, during its six years of operation, had worked well. With less than 0.6 per cent of claims made by MPs rejected, we were assured that the rules were operating effectively and were generally understood. However, at the beginning of a new parliament, we wanted to conduct a comprehensive review to ensure that the rules remained fair, consistent and robust and that they were easy to understand and comply with.
  21. At the same time, we consulted on our publication policy. We sought views from the public, MPs and MPs’ staff on how

best to ensure that we are transparent and open about MPs' business costs, to provide assurance to the public that the money claimed by MPs is well regulated. We were mindful of the need to balance our commitment to transparency with our duty to mitigate against any risk to MPs' personal security and safety as a result of the information that we publish.

22. We published our consultation on 11 May 2016. Over the course of five months we sought the views of the public and met MPs, MPs' staff and other interested parties to hear their thoughts. We received evidence at Board meetings from MPs and academics, and attended three parliamentary committees to discuss how our rules affect MPs and their staff. The consultation closed on 24 October 2016. We spent the remaining months of the year reviewing and analysing the evidence received in relation to each area of the Scheme.
23. The Board announced its conclusions in March 2017. On 1 April, we implemented a simpler Scheme that recognised MPs' compliance with the rules over seven years, and that provided them with more discretion to judge whether their expenditure was in support of their parliamentary functions. In addition, we set out new fundamental principles for our Scheme that place value for money, accountability and probity at the heart of how MPs must use public funds.
24. We also recognised the distinctive demands placed on MPs that make their job unlike others. We wanted to ensure that the Scheme could not be perceived as a barrier to MPs doing their jobs effectively, nor discourage anyone from seeking to become an MP. To this end, we increased the financial support we provide to MPs with partners and dependants and gave greater

priority to MPs' safety and security. We also recognised our role in helping to professionalise MPs' employment practices and took steps to do so by increasing the pay ranges of MPs' staff to reflect the current market rates, and by providing clear guidance to MPs in their capacity as employers about how to manage staff leave, performance and office restructuring. In addition, from the beginning of the next parliament in June 2017, we decided that we would no longer fund MPs to employ any new staff who are family members or have close business connections with them.

25. We created a Scheme of MPs' Business Costs and Expenses that is easier to understand and comply with. We also wanted to put a framework in place that enables MPs to be resourced appropriately to carry out their parliamentary functions, and assures the public that we are regulating MPs' use of public money effectively.

#### **D. Chief Executive's perspective on performance**

26. The paragraphs above describe IPSA's achievements during 2016-17. Following the successful delivery of the 2015 General Election, we took stock of our rules and regulatory approach, and we have already gone a long way towards improving our systems and processes. In addition, we continue to deliver our core functions to a high-standard – paying MPs and their staff accurately and on time each month, validating claims, reimbursing MPs for legitimate business costs, and publishing that information on a bi-monthly basis for the public.
27. Overall, our error rate is low and declining. But mistakes, when they are made, can be damaging for IPSA, MPs and their staff. Such was the case on 30 March 2017 when personal information

relating to MPs' staff members was accidentally published on IPSA's old website. It was an unacceptable error. But we responded swiftly. Within an hour of becoming aware of the issue, the information was removed. Over the following days, those affected were notified and sent a personal apology, an internal investigation was conducted, the Information Commissioner's Office was informed, and immediate changes were made to our policies and processes to mitigate the risk of a recurrence in future.

28. The incident highlighted the need further to improve the way we protect personal information about MPs and their staff. Some immediate measures have already been implemented, and this is now a key focus for our work in 2017-18.
29. For the 2017-18 year, we therefore have four main objectives:
  - To fulfil our responsibilities to support MPs before, during and after the General Election on 8 June 2017.
  - To implement fully our action plan to strengthen IPSA's data security and information management.
  - To complete our work to upgrade IPSA's systems and processes by launching the online portal for MPs later this year, and implementing our integrated finance, payroll, HR and expenses system in 2018, after completing a programme of testing, and engagement with MPs and their staff.
  - To fulfil our statutory obligation to conduct a review of MPs' pay in the first year of the new parliament.

## **E. Key issues and risks facing IPSA**

30. Our first challenge in 2017-18 was to deliver our part in the snap General Election of 8 June 2017, which we did without the need to recruit additional staff. First, we ensured that MPs who stood down or were defeated at the election received the necessary support to wind up their financial affairs. Second, we ensured that newly-elected MPs promptly received the financial support to enable them to exercise their parliamentary responsibilities. And third, we assured the public that all money claimed by current and former MPs during the General Election period was eligible under the rules of our Scheme.
31. A priority during 2017-18 is to strengthen our data and information management policies, training, governance and controls. We will prepare to meet the requirements of the General Data Protection Regulation security standards.
32. In addition, we will continue with the implementation of the wholesale improvements to our systems and processes, including an online portal for MPs and a fully integrated finance, payroll, HR and expenses system. This will include a comprehensive training and engagement programme for MPs and their staff.
33. Finally, we will conduct a review of MPs' pay and pensions, as we are required to by statute in the first year of the new Parliament. In the first half of 2018 we will therefore review our 2015 determination, and consider whether any new evidence should cause us to make further adjustments.

## **F. Going concern basis**

34. 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 2017-18 has been agreed by the SCIPSA and there is no reason to believe that future approvals will not be forthcoming.
35. Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## **G. Performance summary**

36. During 2016-17, IPSA continued to achieve good standards of performance in key areas. We reimbursed MPs' claims for business costs within an average of 5.5 working days, against a target of 12 days. Our payroll payments were 99.86 per cent accurate. We took an average of 107 phone calls and 84 emailed queries per day from MPs and their staff, as well as 662 daily claims for business costs.
37. During the reporting period seven of our nine key operational performance targets were fully met or exceeded, one on MP and their staff satisfaction was achieved in part, and one, on IPSA staff engagement was not met by a small margin, as set out in the table below.



Key Performance Indicator	Measure in 2016-17	Measure in 2015-16	Outcome
<b>Effective Regulation of MPs' Business Costs and Expenses</b>			
<b>Fewer than 1 per cent of MPs' claims are outside the Scheme.</b>	0.4 per cent of claims outside the Scheme.	0.6 per cent of claims outside the Scheme.	Achieved
<b>Providing Support to MPs</b>			
<b>Claims are reimbursed in fewer than 12 days on average.</b>	Reimbursement in 5.5 days on average.	Reimbursement in 5.87 days on average.	Achieved
<b>Payroll accuracy is over 99.75 per cent each month.</b>	Accuracy at 99.86 per cent.	Accuracy at 99.74 per cent.	Achieved
<b>Over 90 per cent of correspondence resolved within 5 working days</b>	95 per cent of correspondence resolved within 5 working days.	88 per cent of correspondence resolved within 5 working days.	Achieved
<b>MPs and their staff show increased satisfaction with IPSA's support</b>	40 per cent of MPs who responded to the survey for 2016 rated IPSA's service as Very Good or Good.	46 per cent of MPs who responded to the survey for 2015 rated IPSA's service as Very Good or Good.	Achieved in Part
	53 per cent of MPs' staff who responded rated IPSA's service similarly.	49 per cent of MPs' staff who responded rated IPSA's service similarly.	
<b>Assuring the Public that MPs' Business Costs and Expenses are Well Regulated</b>			
<b>Our publication of MPs' claims are over 99.75 per cent accurate</b>	99.99 per cent accuracy achieved.	100 per cent accuracy achieved.	Achieved
<b>Fewer than 1 per cent of processed claims have errors identified on review</b>	0.03 per cent of errors identified in processed claims.	0.09 per cent of errors identified in processed claims.	Achieved
<b>IPSA staff show increased engagement</b>	In the survey for 2016, 59 per cent of IPSA staff reported feeling engaged.	60 per cent of IPSA staff reported feeling engaged.	Not Achieved
<b>IPSA demonstrates effective budget management</b>	All budgets forecast to under-spend at year-end	All budgets forecast to under-spend at year-end	Achieved

38. Overall, IPSA performed strongly against its key performance indicators in 2016-17. We reimbursed MPs' claims more quickly than ever before, validated around 175,000 claims for business costs over the course of the year with 99.97 per cent accuracy, and paid 650 MPs and their 3,250 staff with 99.86 per cent accuracy, despite an average of 300 changes to the payroll each month as a result of the high turnover of staff in MPs' offices.
39. There are however two areas where IPSA did not achieve its performance objectives. First, fewer MPs who responded to our annual user survey in 2016 rated our service as 'very good' or 'good' than in 2015. Only 35 MPs responded to the survey, so we cannot place reliance on the sample as being reflective of MPs' views more widely. But we are clear that IPSA must do more in 2017-18 to support MPs and their offices in managing their budgets and business costs.



40. Second, only 59 per cent of our staff reported feeling engaged in our work, which is marginally down on last year's measure of 60 per cent. The last 12 months have been a challenging time as we have balanced the need to provide daily support to MPs with the additional demands of conducting a thorough review of our Scheme, and delivering an organisation-wide improvement programme. During 2017-18, we will do more to engage and involve our staff in setting our goals and in ensuring they have the resources and support they need to do their jobs effectively and development opportunities to progress.

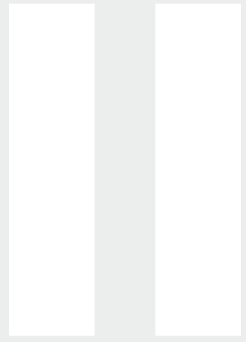
Signed

Date:

**Marcial Boo**

Chief Executive and Accounting Officer





# Part II: Accountability Report

# 1 Directors' Report

## A. IPSA's Board

41. IPSA's Board is responsible for deciding the policies that form the Scheme of MPs' Business Costs and Expenses ('the Scheme') and setting the remuneration of MPs. The Board is also responsible for setting IPSA's strategic direction. The Board meets at least monthly, except in August. Attendance records for individual Board members are included in the Governance Statement, and minutes of Board meetings are published on IPSA's website, under the 'Transparency' banner on the home page.

42. In line with requirements of the Parliamentary Standards Act 2009, the Chair and Members of IPSA during 2016-17 were as follows.

**Ruth Evans, Chair, as of 2 June 2016.**

**Sir Robert Owen**, former holder of high judicial office.

**Elizabeth Padmore**

**Rt. Hon Jennifer Willott**, former Member of Parliament, from 7 August 2016.

**Anne Whitaker**, statutory auditor

**Prof. Sir Ian Kennedy**, Chair, whose term of office came to an end on 31 May 2016

**Rt. Hon John Thurso**, former Member of Parliament, stood down on 6 August 2016.

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

43. 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

44. 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 2016-17 were as follows:

**Marcial Boo**, Chief Executive.

**Alastair Bridges**, Director of Corporate Services, from 1 August 2016.

**Linda Everet**, Acting Director of Operations, until 17 July 2016.

**Vicky Fox**, Director of MP Support Services, from 18 July 2016.

**John Sills**, Director of Regulation.

## D. Staffing

45. 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 2016-17, IPSA employed an average of 66 full-time equivalent staff, including permanent, agency and fixed-term staff, plus five Board Members, one Compliance Officer and three Lay Members. As at 31 March 2017, 43 per cent of staff were male and 57 per cent of staff female, and 32 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.

46. All IPSA employees are offered access to Health Management, an independent occupational health service which provides expert advice, counselling and support.
47. IPSA has an equality and diversity policy, which covers IPSA's commitment to encouraging equality and diversity, as well as eliminating discrimination.
48. 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 2017 all such contractors engaged by us met these conditions.

## **E. Health and Safety**

49. 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**

50. 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 59 of the Accounts.

## **G. Personal Data Related Incidents**

51. During the reporting period, in addition to 9 minor data breaches where, for example, emails were misdirected, there was one personal data-related incident which was reported to the Information Commissioner's Office. This was the result of human error. On 30 March four documents were published in error on IPSA's old website containing personal information about 3,295 staff employed by MPs. The information was removed from our website within an hour of the notification.

## **H. Complaints and Customer Service**

52. During 2016-17 we handled 12 formal complaints from MPs covering a variety of issues including information publication and payment details, eight of which were resolved within 10 working days. We aim to acknowledge complaints within two working days and provide a final response within 10 working days.

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

53. 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.
54. During the reporting period, the term of office of IPSA's existing Compliance Officer, Peter Davis, came to an end. He held the post from 5 December 2011 to 4 December 2016. After an open competition, IPSA's Nominations Committee selected Andy McDonald as IPSA's new Compliance Officer for a five-year term starting on 8 January 2017. He reports to IPSA's Board and acts wholly

independently of IPSA's executive. His separate report is at Part V.

55. In the event that the office of the Compliance Officer becomes vacant, the Parliamentary Standards Act 2009 (as amended) permits IPSA to authorise a member of the IPSA's staff to carry out the functions of the Compliance Officer during the vacancy. The Nominations Committee appointed Peter Davis to carry out the functions of the Compliance Officer as an IPSA employee, on a fixed-term basis, between 5 December 2016 and 7 January 2017.
56. During 2016-17, IPSA referred three cases to the Compliance Officer, and five MPs requested that the Compliance Officer review a determination by IPSA to refuse claims for business costs and expenses. Nineteen complaints were made to the Compliance Officer by members of the public. Further details on these cases can be found in the Compliance Officer's separate report.

## **J. Basis of Accounts**

57. The accounts for the year ended 31 March 2017 have been prepared under a direction issued by HM Treasury in accordance with the Parliamentary Standards Act 2009.

## **K. Risk Management**

58. 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.

59. 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 110-112.

## **L. Policy for payment of Suppliers**

60. 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. So the government's five-day target for small and medium enterprises (SMEs) to receive payment is not mandated, but we aim to pay valid invoices from SMEs within ten days.
61. 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 13.3 creditor days in 2016-17. This includes SMEs as well as larger enterprises. No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2015-16: £0).

## **M. Future priorities: plans for 2017-18**

62. Our immediate focus for the 2017-18 financial year is to fulfil our responsibilities to support MPs following the General Election on 8 June 2017. We will continue to implement our

action plan to strengthen IPSA's data security and information management arrangements, and will complete the programme of improvements to our systems and processes. Later in the financial year, we will conduct a review of MPs' pay and pensions, announcing our determination by June 2018, as required by statute. An overview of our priorities for the year are outlined below.

### **Effective regulation of MPs' business costs and expenses**

63. We aim for effective regulation and high compliance by ensuring that the Scheme is simple to understand, easy to administer and provides assurance that MPs are reimbursed fairly for business costs to support their parliamentary work. To achieve this in 2017-18, we implemented the new Scheme of MPs' Business Costs and Expenses on 1 April 2017 following the comprehensive review and public consultation that took place between May and October 2016.
64. The vast majority of MPs comply with the Scheme with almost all non-compliance due to error rather than misuse. The new simpler Scheme should increase compliance further by making the rules simpler and easier to apply.
65. We will continue to fulfil our regulatory role by analysing data on MPs' expenditure and conducting thematic assurance reviews of MPs' claims and spending patterns. In cases of potential non-compliance by individual MPs, we will first make additional enquiries of the MPs concerned and then, if not satisfied, report the issue to the Compliance Officer for further investigation.
66. We will continue to work with other legislatures who also set and pay politicians' pay and business costs so

that we can learn from each other's good practice. In 2016-17, we were visited by delegations from ten countries, including the United States Congress, the Norwegian Parliament and political representatives from Mozambique and Kenya. We will continue to foster positive relationships internationally, sharing our expertise and promoting the probity of the UK Parliament and its MPs.

### **Supporting MPs in the performance of their parliamentary functions**

67. Our aim is to continue to pay MPs and their staff their salaries, expenses and business costs promptly and accurately, and to implement comprehensive improvements to our systems and processes to provide better support and guidance to MPs and their staff.
68. We have done this, first, by delivering our part in the General Election 2017 successfully. We provided appropriate financial support to MPs who departed parliament, and those who were newly elected and returned, enabling them to fulfil their parliamentary duties effectively. We put MPs at the centre of our delivery by ensuring that:
  - MPs continue to be resourced appropriately to carry out their parliamentary functions throughout the dissolution period.
  - MPs who stand down or are not returned at the election are effectively supported to wind up their parliamentary affairs in accordance with the Scheme rules and within the two-month period.
  - MPs who are returned continue to be supported and resourced appropriately to carry out their parliamentary functions.

- Newly-elected MPs are supported to understand the Scheme rules, set up their parliamentary office and make claims for expenses and costs incurred.
69. We strive for excellence and continuous improvement in the way that we work by providing high-quality, accurate and consistent support to MPs throughout and after the election period, working effectively and constructively with the House of Commons to deliver a joined-up service to MPs and their staff.
  70. By the end of 2017 we will launch a secure online portal for MPs. This will enable MPs and their staff to access all financial information about their budgets, claims, costs and staffing expenditure (and any forthcoming publication about their expenditure) in near real-time from any device. These improvements will make financial transactions clearer and faster, thereby reducing the time it takes for MPs to make claims and for IPSA to reimburse them.
  71. In early 2018, we will actively engage with MPs and their staff to prepare them for the launch of our new integrated finance, HR, payroll and expenses system. This will include roadshows, training sessions, online how-to videos, guides and continuous support, as well as face-to-face inductions both in Westminster and on constituency visits across the country. We will also provide MPs and their staff with an opportunity to trial the new system in our on-site 'model office' and remotely. We will aim to ensure that every MP's office is proficient in the use of the new system from day one and can start to use it immediately.
  72. Finally in 2018, we will implement a more comprehensive approach to the management of data and information

so that we have increased confidence that our data are accurate, secure and appropriately accessible by IPSA, MPs and the public.

### Assuring the public

73. We will continue to work transparently by publishing all MPs' business costs and expenses, regularly consulting interested parties, and enabling the public easily to examine MPs' use of taxpayers' money.
74. To achieve this in 2017-18, we will seek further opportunities to explain how IPSA regulates MPs' business costs and expenses independently, transparently and fairly. We will continue to publish MPs' costs every two months and publish all data for the preceding financial year on an annual basis.
75. We launched our new IPSA website in 2016-17 so that the public can more easily access the data that we hold on MPs' business costs and expenses. We will continue to improve the website in 2017-18. We will encourage more MPs to use our website to explain to the public how they have used taxpayers' money by inviting them to provide commentary on how they have spent public funds to serve their electorate and perform their parliamentary functions. We trialled this approach in 2015-16, with 40 MPs volunteering a commentary for their page on our website. We will invite all MPs to do the same when we publish MPs' 2016-17 expenditure in the autumn of 2017.
76. We will continue to engage the public and other interested parties through traditional and social media. To foster further engagement and to understand better the public's views about MPs' business costs, we will launch an annual public survey to measure public



perceptions of IPSA and the impact of our work. We will draw on that information to design further engagement activities for the public in future.

77. We will also conduct thematic assurance reviews of MPs' claiming patterns and specific areas of expenditure. Starting in the autumn of 2017, we will publish the findings of our assurance reviews on an annual basis. The annual assurance report will summarise our work from the previous financial year, including any actions we took and outcomes achieved, in order to inform the public of our work and to provide assurance that we are fulfilling our regulatory functions effectively.

### **An effective organisation**

78. Our aim is for IPSA to be a high-performing organisation that achieves its goals cost-effectively. We want our workforce to have opportunities for growth and development and the motivation, skills and capacity to deliver our objectives.
79. We will enable our staff to be fully engaged in what we do by working collaboratively as one team to develop and deliver IPSA's people strategy. This strategy defines our culture and values of independence, honesty, openness, accountability and fairness. We will work to embed a culture where professionalism, accountability, responsibility, continuous improvement and quality are at the centre of our work and interactions with MPs and their offices, and with internal colleagues and other external stakeholders.
80. We will use data to monitor our operational and corporate activities each month. We will measure our performance against targets in each

business area to identify where issues need to be addressed. We will review our key performance indicators in the light of the improvements that we make to our systems and processes to ensure they challenge us as an organisation and reflect our new ways of working.

## **N. Financial Performance**

81. Following scrutiny by the Speaker's Committee for the IPSA, parliamentary approval for IPSA's 2016-17 spending was agreed. This consisted of two subheads:

### **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.

82. A detailed breakdown is shown in Note 3. The main factors behind the Subhead A variance against Estimate was largely 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.
83. Total resource expenditure against Subhead B showed a variance against

Estimate with underspends on salaries, office costs and accommodation as well as non-cash depreciation.

## **0. Events after the reporting period**

84. There has been one non-adjusting event after the reporting period. On 19 April, Parliament voted to hold a General Election on 8 June. Prior to, during and after the election, IPSA has delivered a programme of activity to support MPs through the transition to the next Parliament, including all MPs who stood down or who were defeated and all new MPs elected in June, for which additional funds were required. On 25 April, the Speaker's Committee for IPSA approved additional funds for 2017-18 of £20 million to ensure that we had a sufficient budget to fulfil our responsibilities relating to the General Election.

## 2. The Statement of Accounting Officer's Responsibilities

85. 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.
86. 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.
87. The IPSA Board have 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.
88. 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.
89. 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.

## 3. Governance Statement

### A Introduction

- 90 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.
91. 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.
92. I have been appointed as the permanent Chief Executive and Accounting Officer by IPSA's Board effective from 3 June 2014.

### B. Governance

93. The PSA provides that IPSA's funding is subject to scrutiny by the 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.
94. The PSA appointed the Comptroller and Auditor General, Head of the National Audit Office, as the external auditor for IPSA.
95. Since 1 April 2016, internal audit services have been provided under a co-sourced arrangement. IPSA's Head of Internal Audit is supported by the services of 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*

96. As set out above, IPSA's Board comprises the members of IPSA as appointed under the PSA. As Chief Executive, I am responsible for carrying out the administration functions on behalf of the Board in accordance with its general directions.
97. The regulatory functions are carried out separately from the administration functions, with the Board retaining overall responsibility for the preparation and revision of the Scheme and setting MPs' pay and pensions.
98. 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: recruitment*

99. Under the PSA, one Member of the IPSA Board must be a person who has been (but is no longer) a member of the House of Commons (the "Parliamentary Member"). On 1 December 2015, the House of Commons agreed a Humble

Address asking Her Majesty to appoint Rt. Hon John Thurso, former Member of Parliament for Caithness, Sutherland and Easter Ross, to the Independent Parliamentary Standards Authority from 1 January 2016 to 31 December 2020, as the Parliamentary Member. Viscount Thurso's appointment was recommended to the House following a fair and open competition overseen by an independent panel, and with the agreement of the Speaker's Committee for IPSA.

100. In April 2016, Viscount Thurso was elected to the House of Lords in a by-election of Liberal Democrat peers. On 8 May 2016, Viscount Thurso wrote to Mr Speaker, under Schedule 1 Part 1 para 5(2) of the Parliamentary Standards Act, to tender his resignation from the Board of IPSA. His last day as a member of the IPSA Board was 6 August 2016.

101. Although this is not a Ministerial appointment, the Speaker has regard to the Commissioner for Public Appointments' Code of Practice for Ministerial Appointments to Public Bodies when making appointments to IPSA. The Code of Practice on Public Appointments states that "Where a vacancy occurs within 12 months of the conclusion of a previous appointments process, and the role and person specification for both posts are the same, Departments may put forward appointable candidates from the reserve list from the first competition to the Minister for appointment to the new vacancy."

102. The Speaker's Committee for IPSA met on 14 June to discuss how to proceed. It agreed to offer the position of Parliamentary Member of the IPSA Board to Rt. Hon Jennifer Willott, former Member of Parliament for Cardiff Central, who was identified as

an appointable candidate in the previous recruitment process. Rt. Hon Jennifer Willott was appointed to IPSA's Board for the period from 7 August 2016 to 31 December 2020.

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

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

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

105. The ARAC met six times during the reporting period.

*The Remuneration and Nominations Committees*

106. IPSA's Board is also supported by the Remuneration Committee and the Nominations Committee, which meet as required. The Remuneration Committee, chaired by Elizabeth Padmore, met four times during 2016-17, 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 is chaired by Ruth Evans and is responsible for the appointment of the Chief Executive and the Compliance Officer. The Nominations Committee

met once in 2016-17, to appoint IPSA's Compliance Officer.

107. 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 2016 – 31 March 2017			
<b>Member</b>	<b>(11 meetings)</b>	<b>(6 meetings)</b>	<b>(4 meetings)</b>	<b>(1 meetings)</b>
Elizabeth Padmore <b>Remuneration Committee Chair</b>	11	6	4	1
Anne Whitaker <b>Audit and Risk Committee Chair</b>	11	6	4	1
Sir Robert Owen	11	6	4	1
	2 June 2016 – 31 March 2017			
<b>Member</b>	<b>(9 meetings)</b>	<b>(4 meetings)</b>	<b>(4 meetings)</b>	<b>(1 meetings)</b>
Ruth Evans <b>Board Chairman</b>	9	4	4	1
	1 April 2016 – 6 August 2016			
<b>Member</b>	<b>(4 meetings)</b>	<b>(3 meetings)</b>	<b>(1 meetings)</b>	<b>(0 meetings)</b>
Rt. Hon John Thurso	3	3	1	0
	1 April 2016 – 31 May 2016			
<b>Member</b>	<b>(2 meetings)</b>	<b>(2 meetings)</b>	<b>(0 meetings)</b>	<b>(0 meetings)</b>
Sir Ian Kennedy <b>Board Chairman</b>	2	2	0	0
	7 August 2016 – 31 March 2017			
<b>Member</b>	<b>(7 meetings)</b>	<b>(3 meetings)</b>	<b>(3 meetings)</b>	<b>(1 meetings)</b>
Rt. Hon Jennifer Willott	7	3	3	1

108. 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.

*Leadership Team: Scope of Responsibilities*

109. There are a number of established arrangements in place that provide scrutiny and management oversight of the delivery of IPSA's operations. These derive their authority from the Senior Management Team (SMT) which comprises all my directors and senior managers. The SMT meets regularly to manage current and emerging business issues.

## **C. Risk and Control**

*Risk Management*

110. 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 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.

111. Our corporate risk register at March recognised the following categories of risk:

- Current processes and controls may not be suitably robust leading to poor service delivery and reputational damage;
- IPSA Online does not deliver expected benefits on time and to cost;
- A snap election would impact on IPSA's ability to undertake business as usual and deliver IPSA Online to time and cost;
- Data security could be compromised if IPSA has poor data management and cyber security
- Issues may arise with the contract delivering safety arrangements to MPs which could have a reputational impact;
- A poor relationship with some MPs might hamper the effective regulation of business costs and damage IPSA's reputation;
- High staff turnover might impact upon IPSA's effectiveness.

112. There are full mitigation plans in place for all these risks. An example was IPSA's risk management arrangements relating to the potential impact of a snap General Election. In mid-March 2017, many thought the prospect of an immediate General Election remote. IPSA nonetheless identified it as a risk, and put in place contingency plans to mitigate the risk, drawing on lessons learned from the General Election in 2015. When, subsequently, a General Election was called, IPSA was well placed to respond effectively as a result of our risk mitigation.

*Internal Audit*

113. In 2016-17, seven internal audits were carried out. This is two fewer than in



2015-16 but in line with the number carried out in 2014-15. This was in accordance with the Head of Internal Audit's strategy, as approved by the Audit and Risk Assurance Committee, to concentrate on a smaller number of audits that had greater depth.

114. The results of the audits reflected an improvement from 2015-16 where more of the audits were in the 'improvements required' category. In particular, a report on IPSA's financial controls, although reflecting longstanding issues with financial systems, showed that many of the issues identified by Internal Audit and by IPSA's finance team in 2014-15 had been addressed or included in the IPSA Online improvement programme. Overall, therefore, taken together with the progress in implementing previous internal audit recommendations, information from Senior Management Team reports and Board papers and the results of the annual financial audit of the Accounts carried out by the National Audit Office, the Head of Internal Audit concluded that IPSA's framework of governance, risk management and control is broadly adequate and effective with some improvements required.

115. The Head of Internal Audit also highlighted the following areas for attention and improvement in 2017-18:

- Importance of the IPSA Online Programme: Audits have highlighted that current financial and associated systems have weaknesses that require manual workarounds and do not provide the management information usually available. This has resulted in a greater risk of mistakes (for example in the financial information provided to MPs) and weaknesses in the way some issues (for example, debt) are managed. Manual workarounds

are also inefficient as evidenced by the substantial management input required to manage debt. Although weaknesses in IPSA's systems have been addressed by manual workarounds they will only be fully remedied when the new systems procured as part of the IPSA Online programme become operational. It is therefore important to the robustness and efficiency of IPSA's financial systems that the IPSA Online programme is completed on time and delivers the required functionality. In the meantime, it is important that management continues to implement and monitor the operation of manual workarounds.

- Increasing the robustness of controls and procedures: Because it is a relatively small organisation, IPSA is more than usually at risk when key personnel leave or move posts. IPSA should continue to address this risk in a number of ways:
  1. Good governance and housekeeping: this includes staff members having clear job roles and job descriptions so that new staff understand their responsibilities and that any gaps arising when staff leave are highlighted.
  2. Comprehensive and clear policies and guidance that set out IPSA's approach. Audits in 2016-17 have indicated again that IPSA has not always documented its procedures well. Although procedures have been reviewed and identified as part of the IPSA Online programme, there are still areas where these have to be set out in formal documentation such as in an up-to-date Finance Manual or Programme Management Manual.



3. A data security breach occurred in March 2017. We will ensure that data security, including cyber security, will be a priority for IPSA in 2017-18. In addition, complying with the new General Data Protection Regulations, due to come into force in May 2018, will be a major challenge. As a result of the incident, we are strengthening our policies and procedures and have put in place immediate changes to reduce the risk of further breaches. In particular, we are implementing a comprehensive action plan to improve data and information management, along with any further recommendations issued by the ICO. This is one of our top priorities for 2017-18. We will ensure, through both internal and external validation, that the plan is completed fully and robustly.

#### *Data and Information Security*

116. 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.

#### **D. Corporate Governance Code**

117. 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.

#### **E. Assessment of Effectiveness**

118. By relying on the framework described above, I am able to assess the effectiveness of the control environment in place to ensure that the resources for which I am responsible are subject to sound management and control.

119. I am satisfied that the governance framework, corporate governance compliance and risk assessment arrangements ensure that no material or significant risks threaten the achievement of IPSA's key objectives and policies. We are, however, vigorous in identifying weaknesses and addressing them. IPSA's financial and associated systems were for good reason set up quickly when IPSA was established and now need to be improved if we are to reflect best practice and deliver improvements in service to MPs. The arrangements that we have in place to protect the sensitive data that we hold about MPs and their staff also need to be improved. This work is currently being done as a matter of urgency. I am satisfied that IPSA's response to the weaknesses highlighted is sufficient, robust and well-managed, with my directors and senior managers held to account for the progress of corrective action.

120. 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 NAO as our external auditors

in their management letter and other reports, and IPSA's management assurance processes under the internal control framework, including regular reports from the Head of Internal Audit. 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 these statements.

## 4. Remuneration and Staff Report

### A Remuneration Report

121. The following information provides details of the remuneration and pension interests of IPSA's Board Members, IPSA's Directors and the Lay Members of the Speaker's Committee for IPSA (SCIPSA). The information in the sections B, C and D has been audited.

122. 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

123. Marcial Boo was appointed as the permanent Chief Executive from 3 June 2014.

124. IPSA Board and Remuneration Committee determine the Chief Executive's terms and conditions of employment including salary.

#### Chair and Board Members

125. 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.

126. The remuneration for the Chair and Board Members is non-pensionable.

127. 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

128. 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.

129. 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% pay increase to employees in 2016-17, plus small additional amounts to cover the impact on employees of changes to National Insurance.

130. The remuneration of all Executive Directors is determined by the Remuneration Committee of the Board, chaired by Elizabeth Padmore.

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

131. 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

of IPSA's Chair, Board Members and Directors, and of the Lay Members of SCIPSA.

132. The following tables provide details of the remuneration and pension interests

### Disclosure of IPSA Chair and Board Members' Remuneration

Name	Appointed	End Date	Remuneration 2016-17 [1]	Remuneration 2015-16	Benefits in kind in 2016-17 [2],[3]	Benefits in kind in 2015-16 [2],[3]
			£'000	£'000	£	£
Prof Sir Ian Kennedy <b>Chair</b>	04/11/09	01/06/16	5-10	30-35	Nil	Nil
Ruth Evans <b>Chair</b>	02/06/16	31/05/21	35-40	Nil	300	Nil
Sir Neil Butterfield <b>Board Member</b>	11/01/13	31/12/15	Nil	5-10	Nil	1,200
Sir Robert Owen <b>Board Member</b>	01/01/16	31/12/20	10-15	0-5	900	100
Elizabeth Padmore <b>Board Member</b>	11/01/13	10/01/18	15-20	10-15	400	300
Anne Whitaker <b>Board Member</b>	11/01/13	10/01/18	5-10	5-10	Nil	Nil
Prof Anthony Wright <b>Board Member</b>	11/01/13	31/12/15	Nil	0-5	Nil	700
Rt Hon John Thurso <b>Board Member</b>	01/01/16	08/08/16	0-5	0-5	2,000	2,000
Rt Hon Jennifer <b>Willott Board Member</b>	07/08/16	31/12/20	5-10	Nil	Nil	Nil

#### Notes:

[1] Total salary reflects payments made for Board time claimed by the Board members and not necessarily the total time contributed by that member in performing their role on IPSA Board.

[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 in the table do not include the tax element covered by IPSA as part of a PAYE Settlement Agreement it has in place with HMRC.

[3] Both 2016-17 and 2015-16 figures have been rounded to the nearest £100.

## Disclosure of IPSA CEO and Directors' Remuneration for 2016-17

Name	Appointed	End Date (when not ongoing)	Salary 2016-17 £'000	Bonuses paid 2016-17 £'000	Benefits in kind 2016-17 £'000	Pension Benefits 2016-17 [1] £'000	Total 2016-17 £'000
<b>Marcial Boo CEO</b>	03/06/14	N/A	120-125	Nil	Nil	38	160-165
<b>John Sills Director of Regulation</b>	01/02/10	N/A	95-100	Nil	Nil	24	120-125
<b>Alastair Bridges Director of Corporate Services</b>	01/08/16	N/A	65-70 (105-110 full year equivalent)	Nil	Nil	99	165-170
<b>Linda Everet Acting Director of MP Support Services</b>	29/02/16	17/07/16	20-25 (70-75 full year equivalent)	Nil	Nil	Nil	20-25
<b>Victoria Fox Director of MP Support Services [2]</b>	18/07/16	N/A	55-60 (85-90 full year equivalent)	Nil	Nil	112	170-175

### Notes:

[1] The Pension Benefits 2016-17 are actuarial figures provided by MyCSP the Civil Service Pension provider and represent notional benefits earned in the last year.

[2] Victoria Fox increased her working hours during 2016-17. The full year equivalent is therefore based on her increased hours as at 31 March 2017.

In 2016-17 a payment of £11,873 was made to HMRC to cover a tax liability relating to a Director who was made redundant in 2014-15.

## Disclosure of IPSA CEO and Directors' Remuneration for 2015-16

Name	Appointed	End Date (when not ongoing)	Salary 2015-16 £'000	Bonuses paid 2015- 16 £'000	Benefits in kind 2015-16 £'000	Pension Benefits 2015-16 £'000	Total 2015-16 £'000
<b>Marcial Boo CEO</b>	03/06/14	N/A	120-125	Nil	Nil	47	165-170
<b>John Sills Director of Regulation</b>	01/02/10	N/A	95-100	Nil	Nil	46	140-145
<b>Judith Toland Director of Operations and Change [1]</b>	11/02/14	26/02/16	140-145 (120-125 full year equivalent plus 25-30 PILON)	Nil	Nil	38	180-185
<b>Linda Everet Acting Director of Operations</b>	29/02/16	N/A	5-10 (70-75 full year equivalent)	Nil	Nil	3	5-10

### Notes:

[1] Judith Toland's salary included £28,249 for payment in lieu of notice.

## Salary

133. '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

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

135. During the period to 31 March 2017, no benefits in kind were given to the Chair, Board Members, Lay Members, CEO or Directors.

## Bonuses

136. 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

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

Remuneration banding	Number of individuals in banding	
	2016-17	2015-16
£70,000 – £75,000	1	1
£85,000 – £90,000	1	0
£90,000 – £95,000	0	1
£95,000 – £100,000	1	0
£105,000 – £110,000	1	0
£120,000 – £125,000	1	2
<b>Total</b>	<b>5</b>	<b>4</b>

## Disclosure of SCIPSA Lay Members' Remuneration for 2016-17

Name	Appointed	End Date	Total Remuneration in 2016-17 £'000	Total Remuneration in 2015-16 £'000
Dame Janet Gaymer <b>Lay Member</b>	26/01/11	25/01/16	0-5	0-5
Elizabeth McMeikan <b>Lay Member</b>	26/01/11	25/01/15	Nil	0-5
Professor Monojit Chatterji <b>Lay Member</b>	26/01/14	26/01/17	0-5	0-5
Ken Batty <b>Lay Member</b>	28/01/15	27/01/19	0-5	0-5
Bronwen Curtis <b>Lay Member</b>	06/01/16	05/01/19	0-5	Nil
Enid Rowlands <b>Lay Member</b>	24/11/15	03/03/16	0-5	Nil

### C. Fair Pay Disclosures

138. Reporting bodies are required by the Government Financial Reporting Manual (FRM) to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

139. The banded remuneration of the highest paid director in IPSA in the financial year 2016-17 was £120,000-£125,000 (2015-16: £120,000 - £125,000). This was calculated as the highest full-time equivalent annual salary. In 2016-17, this was 3.9 times (2015-16: 3.9) the median full-time equivalent remuneration of the workforce, which was £31,794 (2015-16: £31,424).

140. In 2016-17 (2015-16: 0), no employee received remuneration in excess of the highest paid director. Full time equivalent remuneration ranged from £18,000 to £123,000 (2015-16: £20,000 to £122,000).

141. 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.

Remuneration Ratio	2016-17	2015-16
Band of Highest Paid Director's Remuneration (£'000)	120-125	120-125
Median Remuneration (£'000)	31.8	31.4
Ratio	3.9	3.9

## D. Pension Information for Directors

142. 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 2017 (and related lump sum) (£'000)	Real increase in pension and related lump sum at pension age (£'000)	CETV at start date 1 April 2016 (£'000)	CETV at end date 31 March 2017 (£'000)	Real increase in CETV funded by employer (£'000)
Marcial Boo	5-10	0-2.5	58	86	17
John Sills	25 - 30 plus a lump sum of 85 - 90	0 - 2.5 plus a lump sum of 2.5 - 5	612	667	24
Linda Everet	5-10	0-2.5	83	83	(1)
Victoria Fox	15 - 20 plus a lump sum of 45 - 50	5 - 7.5 plus a lump sum of 10 - 12.5	207	296	78
Alastair Bridges	35 - 40 plus a lump sum of 105 - 110	2.5 - 5 plus a lump sum of 12.5 - 15	590	681	82

### Civil Service Pensions

143. Pension benefits are provided through the Civil Service pension arrangements.

144. 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 others in the scheme such as IPSA's employees, joined alpha. Prior to that date, scheme members participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three 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.

145. 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 staff show pension earned in PCSPS or alpha, as appropriate. Where the staff member 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).

146. Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of 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.

147. 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 staff show pension earned in PCSPS or alpha, as appropriate. Where the staff member 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.)

### Cash Equivalent Transfer Values

148. 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.
149. 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

150. 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

151. Between 1 April 2016 and 31 March 2017, IPSA employed 9 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

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:

	2016-17				2015-16		
	Total	Permanent staff	Seconded Staff	Agency Staff	Chairman & IPSA Board	SCIPSA Lay Members	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	2,570	2,471	0	0	96	3	2,393
Social security costs	277	269	0	0	8	0	209
Other pension costs	506	506	0	0	0	0	450
<b>Sub Total</b>	<b>3,353</b>	<b>3,246</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>3</b>	<b>3,052</b>
Agency staff	413	0	0	413	0	0	668
Less recoveries in respect of outwards secondments	(64)	(64)	0	0	0	0	
<b>Total net costs*</b>	<b>3,702</b>	<b>3,182</b>	<b>0</b>	<b>413</b>	<b>104</b>	<b>3</b>	<b>3,720</b>

\* No staff costs have been capitalised ( 2015-16 £nil)

#### Notes:

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

152. 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/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)).
153. For 2016-17, employer’s contributions of £506,137 were payable to the civil service pension schemes (2015-16: £450,319) at one of four rates in the range 20.0 to 24.5 per cent (2015-16: 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 2016-17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.
154. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer’s contributions of £nil (2015-16: £nil) were paid. Employer contributions are age-related and range from 8 to 14.75 per cent (2015-16: 8 to 14.75 per cent) of pensionable pay. The employer also matches employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £nil (2015-16: £nil) of pensionable pay, were payable to the Civil Service pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting date were £nil. Contributions prepaid at that date were £nil.

## Average number of persons employed and staff composition

155. 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 2017. The gender analysis of the full time equivalent persons (which has not been audited) was as follows.

	2016-17 Number				Chairman & IPSA Board	Compliance Officer	SCIPSA Lay Members
	Permanent Staff	Agency Staff	Fixed Term Staff	Total IPSA staff			
<b>Male</b>	21	1	7	29	1	1	2
<b>Female</b>	27	3	7	37	4	0	1
<b>Total</b>	<b>48</b>	<b>4</b>	<b>14</b>	<b>66</b>	<b>5</b>	<b>1</b>	<b>3</b>

	2015-16 Number				Chairman & IPSA Board	Compliance Officer	SCIPSA Lay Members
	Permanent Staff	Agency Staff	Fixed Term Staff	Total IPSA staff			
<b>Male</b>	20	10	6	36	3	1	2
<b>Female</b>	28	6	5	39	2	0	1
<b>Total</b>	<b>48</b>	<b>16</b>	<b>11</b>	<b>75</b>	<b>5</b>	<b>1</b>	<b>3</b>

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 13% (2015-16: 12%).

## Reporting of Civil Service and Other Compensation Schemes – Exit Packages

Exit package cost band	Number of voluntary departures agreed	
	2016-17	2015-16
<£10,000	1	0
£10,000 - £25,000	0	0
£25,000 - £50,000	0	0
£50,000 - £100,000	0	1
£100,000 - £150,000	0	0
£150,000 - £200,000	0	0
Total number of exit packages [1]	1	1
<b>Total cost /£'000s</b>	<b>3</b>	<b>62</b>

### Notes:

[1] The 2015-16 exit package includes £28,249 PILON, see notes on page 36.

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, £1,900 was paid out in R&R awards during the reporting period (2015-16: £2,097). There were a higher number of awards in 2015-16 of a relatively low value to recognise all the members of some teams for their role in the 2015 General Election.

Total value of rewards received	Number of people in band	
	2016-17	2015-16
Under £50	0	23
£51 to £100	0	0
£101 to £150	0	3
£151 to £200	0	0
£200 to £250	8	5
<b>Total number of recipients</b>	<b>8</b>	<b>31</b>

## Sickness absence

159. Over the 2016-17 financial year, sickness absence rates within IPSA (monitored monthly) was on average 1.5% (2015-16: 1.2%).

## 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 2016-17 IPSA spent £400,000 on consultancy and advice services (2015-16: £56,000). This was made up of:

- Human Resources advice, reviews and surveys: £24,000
- Information Technology projects: £37,000
- IPSA Online project: £339,000 for specialist services to assist with the redesign and modernisation of IPSA's IT systems, processes and ways of working which will culminate in an online portal for MPs and a fully integrated finance, payroll, HR and expenses system.

Signed

Date:

Marcial Boo  
Chief Executive and Accounting Officer

# 5. Parliamentary Accountability and Audit Report

## A. Statement of Parliamentary Supply

	SOPS Note	2016-17				2015-16	
		Estimate		Outturn		Outturn	
		Voted	Total	Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Departmental Expenditure Limit</b>							
-Resource	1.1	186,280	186,280	174,903	174,903	11,377	175,631
-Capital	1.2	2,665	2,665	1,485	1,485	1,180	601
<b>Annually Managed Expenditure</b>						0	
-Resource	1.1	500	500	(1,233)	(1,233)	1,733	(638)
-Capital	1.2	0	0	0	0	0	0
<b>Total Budget</b>		<b>189,445</b>	<b>189,445</b>	<b>175,155</b>	<b>175,155</b>	<b>14,290</b>	<b>175,594</b>
<b>Non-Budget</b>							
-Resource	1.1	0	0	0	0	0	0
<b>Total</b>		<b>189,445</b>	<b>189,445</b>	<b>175,155</b>	<b>175,155</b>	<b>14,290</b>	<b>175,594</b>
Total Resource	1.1	186,780	186,780	173,670	173,670	13,110	174,993
Total Capital	1.2	2,665	2,665	1,485	1,485	1,180	601
<b>Total</b>		<b>189,445</b>	<b>189,445</b>	<b>175,155</b>	<b>175,155</b>	<b>14,290</b>	<b>175,594</b>

		2016-17	2016-17	2016-17	2015-16
	SOPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
		£'000	£'000	£'000	£'000
<b>NET CASH REQUIREMENT 2015-16</b>					
Net cash requirement	3	188,044	175,478	12,566	175,349

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 24.

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

IPSA has no Non-Voted Expenditure.

The notes on pages 47 to 49 form part of this statement.

# Notes to the Statement of Parliamentary Supply

## SOPS1. Net Outturn

### SOPS1.1 Analysis of Net Resource Outturn by Section

	2016-17			2015-16		
	£'000			£'000		
	Outturn			Estimate		Outturn
	Programme			Net Total	Net Total compared to Estimate	Total
Gross	Income	Net				
<b>Spending in Departmental Expenditure Limit</b>						
<i>Voted:-</i>						
A. MPs' Pay, staffing, business costs and expenses	168,562	(166)	168,396	178,697	10,301	169,230
B. IPSA operations (core costs)	6,736	(229)	6,507	7,583	1,076	4,825
C. IPSA Operations (project costs)	0	0	0	0	0	1,339
D. Information Commissioner Expenditure on receipts	0	0	0	0	0	169
E. IPSA Recruitment of IPSA Board	0	0	0	0	0	68
<b>Voted Departmental Expenditure</b>	<b>175,298</b>	<b>(395)</b>	<b>174,903</b>	<b>186,280</b>	<b>11,377</b>	<b>175,631</b>
<b>Annually Managed Expenditure</b>						
<i>Voted:-</i>						
F. Provisions and Impairments	(1,233)	0	(1,233)	500	1,733	(638)
<b>Voted Annually Managed Expenditure</b>	<b>(1,233)</b>	<b>0</b>	<b>(1,233)</b>	<b>500</b>	<b>1,733</b>	<b>(638)</b>
<b>Total</b>	<b>174,065</b>	<b>(395)</b>	<b>173,670</b>	<b>186,780</b>	<b>13,110</b>	<b>174,993</b>



## SOPS1.2 Analysis of Net Capital Outturn by Section

	2016-17			2015-16		
	£'000			£'000		
	Outturn			Estimate	Outturn	
<b>Spending in Departmental Expenditure Limit</b>	Programme			Net Total compared to Estimate	Total	
	Gross	Income	Net			Net Total
<i>Voted:-</i>						
A. MPs' pay, staffing, business costs and expenses	180	(94)	86	315	229	161
B. IPSA Operations (core costs)	1,399	0	1,399	2,350	951	440
<b>Voted Departmental Expenditure</b>	<b>1,579</b>	<b>(94)</b>	<b>1,485</b>	<b>2,665</b>	<b>1,180</b>	<b>601</b>
<b>Spending in Annually Managed Expenditure</b>						
<i>Voted:-</i>						
<b>Voted Annually Managed Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>1,579</b>	<b>(94)</b>	<b>1,485</b>	<b>2,665</b>	<b>1,180</b>	<b>601</b>

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 2015-16 and 2016-17.

## 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
<b>Resource Outturn</b>	1.1	186,780	173,670	13,110
<b>Capital Outturn</b>	1.2	2,665	1,485	1,180
<b>Accruals to cash adjustments:</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(771)	(453)	(318)
New provisions and adjustments to previous provision		(500)	1,233	(1,733)
Supported capital expenditure (revenue)		0	0	0
Other non-cash items		(80)	(87)	7
<i>Adjustments to reflect movements in working balances</i>				
Increase/(decrease) in inventories		0	0	0
Increase/(decrease) in receivables [1]		250	209	41
(Increase)/decrease in payables		(300)	(579)	279
Use of provisions		0	0	0
		<b>(1,401)</b>	<b>323</b>	<b>(1,724)</b>
<b>Removal of non-voted budget items:</b>				
Consolidated Fund Standing Services		0	0	0
Other adjustments				
<b>Net cash requirement</b>		<b>188,044</b>	<b>175,478</b>	<b>12,566</b>

### Notes:

[1] The movement in receivables includes an adjustment relating to the budgetary treatment of Supply.

## SOPS4. Income payable to the Consolidated Fund

### SOPS4.1 Analysis of Income Payable to the Consolidated Fund

In addition to income retained by IPSA, the following income was received which is payable to the Consolidated Fund.

	Outturn 2016-17 £'000		Outturn 2015-16 £'000	
	Income	Receipts	Income	Receipts
Excess capital receipts surrenderable to the Consolidated Fund	0	(42)	0	0
<b>Total Amount Payable to the Consolidated Fund</b>	<b>0</b>	<b>(42)</b>	<b>0</b>	<b>0</b>

IPSA received repayments of MP deposit loans above the level expected in the 2016-17 Estimate. These capital receipts of £42,000 received in 2016-17 could not be retained by IPSA and is therefore payable over to the Consolidated Fund as at 31 March 2017.

## B. Parliamentary Accountability Disclosures

### B.1 Losses and Special Payments

#### B.1.1 Losses Statement

Category of loss	2016-17		2015-16	
	Value of Cases (£'000)	Number of Cases	Value of Cases (£'000)	Number of Cases
Other write-offs	4	10	2	33
Receivables adjustments	0	0	0	0
<b>Total</b>	<b>4</b>	<b>10</b>	<b>2</b>	<b>33</b>

#### B.1.2 Special Payments Statement

Category of special payment	2016-17		2015-16	
	Value of Cases (£'000)	Number of Cases	Value of Cases (£'000)	Number of Cases
Historical tax on redundancy payment [1]	12	1	0	0
Ex gratia	9	5	0	0
<b>Total</b>	<b>21</b>	<b>6</b>	<b>0</b>	<b>0</b>

**Notes:**

[1] This is a payment to HMRC to cover a tax liability relating to a Director who was made redundant in 2014-15

### 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:

**Marcial Boo**

Chief Executive and Accounting Officer

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

I certify that I have audited the financial statements of the Independent Parliamentary Standards Authority (IPSA) for the year ended 31 March 2017 under the Parliamentary Standards Act 2009. The financial statements comprise: IPSA's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and certify the financial statements in accordance with the Parliamentary Standards Act 2009. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether

caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the IPSA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of IPSA's affairs as at 31 March 2017 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Parliamentary Standards Act 2009 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Parliamentary Standards Act 2009; and

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

## Matters on which I report by exception

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

- adequate accounting records have not been kept or 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 Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Sir Amyas C E Morse

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

13 November 2017





# Part III: Financial Statements

## A. Statement of Comprehensive Net Expenditure

FOR THE YEAR ENDED 31 MARCH 2017			
		2016-17	2015-16
	Note	£'000	£'000
		IPSA	IPSA
<b>MPs' Business costs and expenses scheme</b>			
MP and MP Staff pay costs	3	139,241	141,362
MP and MP Staff expenses	3	29,321	27,982
Income	5	(166)	(114)
<b>IPSA operational costs (including additional FOIA expenditure and IPSA project costs)</b>			
Staff costs	4	3,702	3,720
Other costs	4	1,801	2,043
Income	5	(229)	0
<b>Net operating expenditure</b>		<b>173,670</b>	<b>174,993</b>
Total operating expenditure		174,065	175,107
Total operating income		(395)	(114)
<b>Net operating expenditure</b>		<b>173,670</b>	<b>174,993</b>
<b>Comprehensive net expenditure for the year ended</b>		<b>173,670</b>	<b>174,993</b>

The notes on pages 59 to 75 form part of these accounts.



## B. Statement of Financial Position

AS AT 31 MARCH 2017					
		2016-17		2015-16	
	Note	£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	6	857		950	
Intangible assets	7	1,528		492	
<b>Total non-current assets</b>			<b>2,385</b>		<b>1,442</b>
<b>Current assets</b>					
Trade and other receivables	9	2,508		2,259	
Cash and cash equivalents	10	96		52	
<b>Total current assets</b>			<b>2,604</b>		<b>2,311</b>
<b>Total assets</b>			<b>4,989</b>		<b>3,753</b>
<b>Current liabilities</b>					
Trade and other payables	11	(7,667)		(7,088)	
Provisions	12	0		(1,233)	
Other liabilities	11	(96)		(52)	
<b>Total current liabilities</b>			<b>(7,763)</b>		<b>(8,373)</b>
<b>Total assets less current liabilities</b>			<b>(2,774)</b>		<b>(4,620)</b>
<b>Non-current liabilities</b>					
Provisions	12	(150)		(150)	
<b>Total non-current liabilities</b>			<b>(150)</b>		<b>(150)</b>
<b>Total assets less total liabilities</b>			<b>(2,924)</b>		<b>(4,770)</b>
<b>Taxpayers' equity:</b>					
General fund		(2,924)		(4,770)	
<b>Total equity</b>			<b>(2,924)</b>		<b>(4,770)</b>

Signed

Date:

**Marcial Boo**

Chief Executive and Accounting Officer

## C. Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2017			
		2016-17	2015-16
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(173,670)	(174,993)
<b>Adjustments for non-cash transactions</b>			
Depreciation	4	453	768
Loss on disposal of non-current assets	4	3	20
External Audit	4	80	80
Provisions not required written back	12	(1,233)	(638)
Bad debts written off	4	4	2
(Increase)/Decrease in trade and other receivables	9	(249)	28
Less movement in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(4)	0
Increase/(Decrease) in trade and other payables	11	623	(138)
Less movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	11	(44)	(15)
Provision used	12	0	(23)
<b>Net cash outflow from operating activities</b>		<b>(174,037)</b>	<b>(174,909)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(173)	(279)
Purchase of intangible assets	7	(1,226)	(161)
<b>Net cash outflow from investing activities</b>		<b>(1,399)</b>	<b>(440)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		175,480	175,300
<b>Net financing</b>		<b>175,480</b>	<b>175,300</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>44</b>	<b>(49)</b>
Payments of amounts due to the Consolidated Fund		0	0
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>44</b>	<b>(49)</b>
Cash and cash equivalents at the beginning of the period		52	101
Cash and cash equivalents at the end of the period	10	96	52

## D. Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2017			
		General Fund	Total Reserves
	Note	£'000	£'000
<b>Balance at 1 April 2015</b>		<b>(5,206)</b>	<b>(5,206)</b>
Net Parliamentary Funding – drawn down		175,300	175,300
Net Parliamentary Funding - deemed supply		101	101
Supply payable adjustment	11	(52)	(52)
Comprehensive Net Expenditure for the Year		(174,993)	(174,993)
<b>Non-Cash Adjustments</b>			
Non-cash charges – auditor’s remuneration	4	80	80
<b>Balance at 31 March 2016</b>		<b>(4,770)</b>	<b>(4,770)</b>
<b>Balance at 1 April 2016</b>		<b>(4,770)</b>	<b>(4,770)</b>
Net Parliamentary Funding – drawn down		175,480	175,480
Net Parliamentary Funding - deemed supply		52	52
CFER payable to the Consolidated Fund	11	(42)	(42)
Supply payable adjustment	11	(54)	(54)
Comprehensive Net Expenditure for the Year		(173,670)	(173,670)
<b>Non-Cash Adjustments</b>			
Non-cash charges – auditor’s remuneration	4	80	80
<b>Balance at 31 March 2017</b>		<b>(2,924)</b>	<b>(2,924)</b>

## E. Notes to Financial Statements

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2016–17 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 2016-17 (HC966) was approved on 20 April 2016. 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	5 years

## 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 objective 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 2017, MPs may submit a claim up to 90 days after incurring the expenditure. The outstanding balance of claims for MPs' expenses arising out of 2016-17 has been accrued for in these accounts. Usually an estimate is made for claims allowed after the 60 day cut-off date (because they meet the criteria for exemptions), and included in the accrual.

### 1.15 Recognition of MPs' claims

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

Rental and other payments which are made direct by IPSA on the MP's behalf and which are for longer than one month in advance

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

### 1.16 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 known and could be material to the accounts: IPSA has therefore, chosen not to early adopt 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 9 Financial Instruments	1 January 2018	2018-19	Change: This change simplifies the classification and measurement of financial assets, as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under IAS 39 Financial Instruments: Recognition and Measurement. Impact: IPSA does not hold financial instruments so no impact expected.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	2018-19	Change: The changes set out steps for revenue recognition along with requirements for accounting for contract costs. The aim of the change is to report information that is more useful about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The initial adoption of IFRS 15 will be retrospective but as an opening balance adjustment as at 1 April 2018. Impact on the Organisation: IPSA does not recognise any contract revenue so no impact expected.
IFRS 16 Leases	1 January 2019	2019- 20 (Subject to EU adoption and consultation)	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. Impact on the Organisation: IPSA does not hold significant operating leases. Consequently, IPSA does not anticipate any material effect of bringing on-balance sheet former operating leases through applying the new standard.
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	2018-19 (Subject to EU adoption)	Change: The proposed changes amend how to account for deferred tax assets related to debt instruments measured at fair value. Impact: IPSA does not pay corporation tax and does not therefore recognise deferred tax. No impact expected.

## 2. Statement of Operating Expenditure By Operating Segment

IPSA's operating segments correspond with the Subhead detail of the 2016-17 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.

2016-17			
	Subhead A	Subhead B	Total
	MPs' Pay, staffing, business costs and expenses	IPSA operations – core costs (including provisions)	
	£'000	£'000	£'000
Gross Expenditure	168,562	5,503	174,065
Income	(166)	(229)	(395)
Net Expenditure	168,396	5,274	173,670
Assets	0	4,989	4,989
Liabilities	0	(7,913)	(7,913)
Net capital	0	(2,924)	(2,924)

2015-16						
	Subhead A	Subhead B	Subhead C	Subhead D	Subhead E	Total
	MPs' Pay, staffing, business costs and expenses	IPSA Operations – core costs (including provisions)	IPSA Operations (Project Costs)	Information Commissioner Expenditure on receipts	IPSA Recruitment of IPSA Board	
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Expenditure	169,344	4,187	1,339	169	68	175,107
Income	(114)	0	0	0	0	(114)
Net Expenditure	169,230	4,187	1,339	169	68	174,993
Assets	0	3,753	0	0	0	3,753
Liabilities	0	(8,523)	0	0	0	(8,523)
Net capital	0	(4,770)	0	0	0	(4,770)

### 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. In 2016-17 this included our IPSA Online project costs



Subhead C: Operations (IPSA Project Costs)  
- the non-recurring costs associated with areas of work outside of core operational tasks, was £nil, including General Election work (2015-16 £1,339k).

Subhead D: Information Commissioner expenditure on receipts - is the costs incurred in the publication of receipts

Subhead E: Recruitment to IPSA Board – costs associated with the recruitment of Board members during the year.

At the time of setting our 2016-17 Estimate the decision was taken to reduce our subheads to two, one covering all costs associated with MPs and the other covering all IPSA's operational costs.

### 3.1 MPs' Business Costs

	2016-17		2015-16	
	£'000	£'000	£'000	£'000
<b>MPs' Business Costs and Expenses Scheme</b>				
MP Salary cost	49,822		51,263	
MP Staff Salary cost	69,726		63,850	
MP National Insurance	6,147		5,316	
MP Staff National Insurance	6,271		5,909	
MP Staff Superannuation	6,853		6,304	
MP Winding Up Costs	422		8,720	
		139,241		141,362
<b>Capped Budgets</b>				
<b>Accommodation Expenses and Office Expenditure</b>				
Property rent	10,888		10,150	
Utility costs	734		642	
Council Tax	567		472	
Service charges	93		115	
Rates	152		133	
Other premises costs (including security costs)	2,295		715	
Insurance	273		450	
Professional services	2,075		1,881	
Stationery and other office supplies	1,822		1,932	
Telephone and internet	1,193		1,192	
Pooled services	1,106		1,200	
Computers	746		851	
Office furniture	109		163	
Photocopiers and televisions	214		340	
Publicity, advertising and communications	208		196	
Website design and hosting	143		160	
Other	512		854	
<b>Total capped expenditure</b>		23,130		21,446
<b>Uncapped Budgets</b>				
Travel Car	1,085		1,358	
Air	1,319		1,152	
Rail	2,407		2,284	
Taxi	92		60	
Other	93		113	
Hotels	933		1,147	
Food and drink	73		60	
Training	34		62	
Parking	143		129	
Other (including MP training, telephony, insurance)	12		171	
<b>Total Uncapped</b>		6,191		6,536
<b>Total MPs' Business Costs and Expenses Scheme</b>		168,562		169,344

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

### 3.2 Reporting of MP Staff Exit Packages

2016-17						
Exit Package Summary	Number of MP Staff Departures Agreed			Value of Exit Package (£'000)		
	Standing down MPs	Sitting MPs	Total	Standing down MPs	Sitting MPs	Total
£0 - £4,999	16	53	69	30	109	139
£5,000 - £9,999	2	5	7	19	34	53
£10,000 - £14,999	2	1	3	22	11	33
£15,000 - £19,999	2	0	2	40	0	40
£20,000 - £24,999	3	0	3	67	0	67
£25,000 - £29,999	0	1	1	0	29	29
<b>Total</b>	<b>25</b>	<b>60</b>	<b>85</b>	<b>178</b>	<b>183</b>	<b>361</b>

2015-16*						
Exit Package Summary	Number of MP Staff Departures Agreed			Value of Exit Package (£'000)		
	Defeated MPs	Non-Defeated MPs	Total	Defeated MPs	Non-Defeated MPs	Total
£0 - £4,999	342	55	397	848	132	980
£5,000 - £9,999	139	13	152	981	84	1,065
£10,000 - £14,999	65	7	72	832	80	912
£15,000 - £19,999	49	1	50	865	17	882
£20,000 - £24,999	22	0	22	494	0	494
£25,000 - £29,999	32	2	34	883	58	941
£30,000 - £34,999	5	2	7	155	67	222
£35,000 - £39,999	1	0	1	37	0	37
<b>Total</b>	<b>655</b>	<b>80</b>	<b>735</b>	<b>5,095</b>	<b>438</b>	<b>5,533</b>

\*Additional elements have been included in this note to enhance the disclosure of the redundancy package.

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 MP Office restructuring.

### 3.3 MP Resettlement payments

2015-16		
MP Resettlement package summary	Number of Resettlement packages	Value of Resettlement packages (£'000)
£0 - £4,999	0	0
£5,000 - £9,999	0	0
£10,000 - £14,999	1	11
£15,000 - £19,999	2	34
£20,000 - £24,999	1	22
£25,000 - £29,999	32	894
£30,000 - £34,999	54	1,811
<b>Total</b>	<b>90</b>	<b>2,772</b>

There have been no MP resettlement payments in 2016-17.

#### 4. IPSA Operational Costs

	2016-17		2015-16	
	£'000	£'000	£'000	£'000
<b>Staff costs*</b>				
Wages and salaries	2,506		2,393	
Social security costs	277		209	
Other pension costs	506		450	
Agency staff	413		668	
<b>Total staff costs</b>		<b>3,702</b>		<b>3,720</b>
Rent, rates and service charges		582		611
Other property costs		79		101
IT services and telephony		840		533
Legal		162		83
Pension advice and administration		0		16
Internal Audit services		66		59
Recruitment and advertising		109		144
FOIA costs		0		3
Printing, postage and stationery		65		83
Professional services		400		22
<b>Non - cash items:</b>				
Depreciation		263		360
Amortisation		190		408
(Profit)/Loss on Disposals		3		20
External Audit **		80		80
Bad Debts Written Off		4		2
New provisions & adjustments to previous provisions		(1,233)		(638)
<b>Other</b>		<b>191</b>		<b>156</b>
<b>Total IPSA Operational costs</b>		<b>5,503</b>		<b>5,763</b>

#### Notes

\* Further analysis of staff costs is located in the Staff Report on page 41.

\*\* External Audit provided no non-audit services.

## 5. Income

	2016-17	2015-16
	£'000	£'000
Speakers scheme (cost of some MPs' internships)	(166)	(114)
Sublet Rental Income	(229)	0
	<b>(395)</b>	<b>(114)</b>

## 6. Property, Plant and Equipment

	Leasehold Refurbishment	Information Technology	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2016	658	1,424	207	2,289
Additions*	(2)	175	0	173
Disposals	0	0	(5)	(5)
<b>At 31 March 2017</b>	<b>656</b>	<b>1,599</b>	<b>202</b>	<b>2,457</b>
<b>Depreciation</b>				
At 1 April 2016	123	1,120	96	1,339
Charged in year	156	80	27	263
Disposals	0	0	(2)	(2)
<b>At 31 March 2017</b>	<b>279</b>	<b>1,200</b>	<b>121</b>	<b>1,600</b>
<b>Carrying amount at 31 March 2016</b>	<b>535</b>	<b>304</b>	<b>111</b>	<b>950</b>
<b>Carrying amount at 31 March 2017</b>	<b>377</b>	<b>399</b>	<b>81</b>	<b>857</b>
<b>Cost or valuation</b>				
At 1 April 2015	491	2,988	229	3,708
Additions	167	97	15	279
Disposals	0	(53)	(53)	(106)
Reclassifications**	0	(1,608)	16	(1,592)
<b>At 31 March 2016</b>	<b>658</b>	<b>1,424</b>	<b>207</b>	<b>2,289</b>
<b>Depreciation</b>				
At 1 April 2015	0	2,191	83	2,274
Charged in year	123	193	44	360
Disposals	0	(42)	(42)	(84)
Reclassifications**	0	(1,222)	11	(1,211)
<b>At 31 March 2016</b>	<b>123</b>	<b>1,120</b>	<b>96</b>	<b>1,339</b>
<b>Carrying amount at 31 March 2015</b>	<b>491</b>	<b>797</b>	<b>146</b>	<b>1,434</b>
<b>Carrying amount at 31 March 2016</b>	<b>535</b>	<b>304</b>	<b>111</b>	<b>950</b>

All assets are owned.

### Notes

\* This negative balance relates to a credit note which was received in 2016-17 for an asset that was capitalised in 2015-16.

\*\* In 2015-16 a review of the fixed asset register was undertaken and as part of this it was identified there was a group of assets which had been classified as information technology assets rather than intangible assets. Hence a reclassification has been made to correct this. Additionally, other asset adjustments were identified.

## 7. Intangible Assets

Intangible assets comprise software and website development costs.

	Software and website costs	Assets under construction	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 April 2016	2,446	0	2,446
Additions	122	1,104	1,226
<b>At 31 March 2017</b>	<b>2,568</b>	<b>1,104</b>	<b>3,672</b>
<b>Amortisation</b>			
At 1 April 2016	1,954	0	1,954
Charged in year	190	0	190
<b>At 31 March 2017</b>	<b>2,144</b>	<b>0</b>	<b>2,144</b>
<b>Carrying amount at 31 March 2016</b>	<b>492</b>	<b>0</b>	<b>492</b>
<b>Carrying amount at 31 March 2017</b>	<b>424</b>	<b>1,104</b>	<b>1,528</b>
<b>Cost or valuation</b>			
At 1 April 2015	679	0	679
Additions	161	0	161
Reclassifications*	1,606	0	1,606
<b>At 31 March 2016</b>	<b>2,446</b>	<b>0</b>	<b>2,446</b>
<b>Amortisation</b>			
At 1 April 2015	336	0	336
Charged in year	408	0	408
Reclassifications*	1,210	0	1,210
<b>At 31 March 2016</b>	<b>1,954</b>	<b>0</b>	<b>1,954</b>
<b>Carrying amount at 31 March 2015</b>	<b>343</b>	<b>0</b>	<b>343</b>
<b>Carrying amount at 31 March 2016</b>	<b>492</b>	<b>0</b>	<b>492</b>

### Notes

\* In 2015-16 a review of the fixed asset register was undertaken and as part of this it was identified there was a group of assets which had been classified as information technology assets rather than intangible assets. Hence a reclassification has been made to correct this. Additionally, other asset adjustments were identified.



## 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

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

### Credit Risk

Given the nature of IPSA's activities, the user base of MPs and their staff and the powers 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

	2016-17	2015-16
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade receivables	294	112
Deposits and advances	753	713
Other receivables	142	120
Prepayments and accrued income	1,319	1,314
<b>Total</b>	<b>2,508</b>	<b>2,259</b>

## 10. Cash and Cash Equivalents

	2016-17	2015-16
	£'000	£'000
Balance at 1 April	52	101
Net change in cash and cash equivalent balances	44	(49)
<b>Balance at 31 March</b>	<b>96</b>	<b>52</b>
<b>The following balances at 31 March were held at:</b>		
Government Banking Service	96	52
<b>Total balance at 31 March</b>	<b>96</b>	<b>52</b>

There were no cash equivalents held by IPSA at 31 March 2017 or 31 March 2016.

## 11. Trade Payables and Other Current Liabilities

	2016-17	2015-16
	£'000	£'000
<b>Amounts falling due within one year</b>		
Taxation and social security	3,583	3,386
Payables	1,265	1,109
Accrual for Member and Member staff expenses	2,241	1,811
Other accruals and deferred income	578	782
	<b>7,667</b>	<b>7,088</b>
Amounts issued from the Consolidated Fund for Supply but not spent at year end	54	52
Consolidated Fund Extra Receipts received due to be paid to the Consolidated Fund	42	0
<b>Total</b>	<b>7,763</b>	<b>7,140</b>

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

## 12. Provisions for Liabilities and Charges

	2016-17	2015-16
	£'000	£'000
Balance at 1 April	1,383	2,044
Provisions not required written back [1]	(1,233)	(638)
Provisions used in year	0	(23)
<b>Balance at 31 March</b>	<b>150</b>	<b>1,383</b>

	Dilapidations	Total
<b>Analysis of expected timing of cash flows</b>		
Not later than one year	0	0
Later than one year and not later than five years	150	150
Later than five years	0	0
<b>Balance at 31 March 2017</b>	<b>150</b>	<b>150</b>

A dilapidation provision for £150k has been made to restore IPSA's leasehold property at Millbank to its original state at the end of the lease in March 2019.

### Notes

[1] IPSA had in 2015-16 held a provision for the potential costs associated with the publication of all MP expenses receipts. Limited costs have arisen since the Court of Appeal ruling and the decision has been taken to write back the provision.

## 13. Capital and other commitments

### 13.1 Capital commitments

	2016-17	2015-16
	£'000	£'000
Contracted capital commitments at 31 March 2017 not otherwise included in these financial statements:		
Property, plant and equipment	130	4
Intangible assets	1,847	0
<b>Total</b>	<b>1,977</b>	<b>4</b>

Capital commitments at 31 March 2017 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.

	2016-17	2015-16
	£'000	£'000
<b>Buildings</b>		
Not later than one year	325	325
Later than one year and not later than five years	325	650
Later than five years	0	0
<b>Printer</b>		
Not later than one year	2	0
Later than one year and not later than five years	2	0
Later than five years	0	0
<b>Total</b>	<b>654</b>	<b>975</b>

As at 31 March 2017 there are two operating lease commitments: The first is relating to the rental property at Millbank. The total rental expenditure, including the apportionment of a 12 month rent free period over the duration of the lease, recognised was £259k (2015-16: £259k). The second is relating to the printer and photocopiers rental at Millbank. The total rental expenditure recognised was £1k (2015-16: £nil.)

#### 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 has a potential liability estimated at £50,000 in relation to the possibility that the Information Commissioner's Office will impose a fine following their investigation of the data breach which took place on 30 March 2017 (£nil as at 31 March 2016).

#### 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.

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 2016-17 FReM (2015-16: £nil).

#### 17. Events after the reporting period

There has been one non-adjusting event after the reporting period. On 19 April, Parliament voted to hold a snap General Election on 8 June.

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

# IV

## Accounts Direction

## 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



# Annual Report by the Compliance Officer for IPSA

# 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
  - a. 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
  - a. 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 2016-17

4. The 2016-17 financial year saw a slight drop in both the number of complaints being made and reviews being requested. Further information on both complaints and reviews can be found below.
5. Following a competitive selection process, I was appointed by the Board of IPSA in December 2016. 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 December 2021. I took over the role from Peter Davis in January 2017, whose fixed-term expired in November 2016. The majority of this report relates to activities conducted before I took up post.
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. Such appeals are heard in a First-Tier Tribunal (Tax). In January 2017, I attended a hearing at the Royal Courts of Justice relating to an appeal by Liam Byrne MP against a decision made by my predecessor in February 2016. Following the hearing, the Judge allowed the appeal. Further information can be found below.
7. My predecessor maintained, and I sought to continue, a good relationship with both IPSA and other regulatory bodies (including regional police forces) during the year. As with previous financial years, both my predecessor and I continued to provide assistance to the Metropolitan Police with ongoing enquiries. Further



information on my relationship and contact with the police and other bodies can be found below.

### C. Budget for 2016-17

8. Under the legislation, IPSA is required to provide the Compliance Officer with adequate resources to discharge his functions. 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 budget for the Compliance Office in 2016-17 was £121,000.00. This was broken down as follows:

Expenditure	Outturn in 2015-16	Projected spend in 2016-17 (Budget)	Outturn in 2016-17
	£,000	£,000	£,000
Staffing	77	90	74
Legal costs	22	31	47
Expenses	0	0	0

### D. Relationship with IPSA

10. As Compliance Officer, I am not an employee or officer of IPSA but have an independent, statutory role. I seek to demonstrate objectivity and neutrality in my relationships with MPs, IPSA, complainants and other agencies and stakeholders.
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 his functions. Compliance Office staff act solely on the instruction of the Compliance Officer and their functions are entirely separate from the executive branch of IPSA.

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 (three days per week). The Investigations Officer is an IPSA employee and is afforded the same rights as other IPSA personnel. Previously, the Investigations Officer has also conducted a separate role within IPSA for the remaining two days a week, which ensures that support for the Compliance Office is available throughout the week, if necessary.
13. With the departure of my predecessor in November 2016, the Investigations Officer also took up a new full-time role within IPSA. He continued to provide support to the office while a recruitment process was undertaken, and in April 2017 a new Investigations Officer was appointed, who now undertakes the role on a part-time basis, with no further support to IPSA.

### E. Relationship with MPs

14. Despite the nature of the role, my predecessor developed constructive, professional relationships with MPs based on mutual respect. As I settle into my new role I will 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, without needing 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, to date, been required.
15. As with my predecessor, 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, like the rest of us, busy in their professional and personal lives; occasionally prone to oversights, accidents or mistakes.

16. Where genuine mistakes are identified as the underlying cause of a complaint, I will seek 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.

## **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 Metropolitan Police Service (MPS) and the Director of Public Prosecutions; and
- The Parliamentary Commissioner for Standards.

I have had several constructive meetings with these key stakeholders since assuming my role in January 2017.

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 should 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. My predecessor initiated early discussions with the MPS regarding the possibility of refreshing the joint working agreement currently in place between the Compliance Officer, IPSA, the MPS and the Director of Public Prosecutions. I intend to follow up these discussions in 2017-18 following the appointment of a new Head of the MPS Special Enquiry Team.
22. As noted in previous reports, in 2014-15, my predecessor felt it necessary for the first time to refer a small number of cases to the police, in accordance with the Joint Working Statement referred to above. Whilst it may be of interest that the Compliance Officer has made such a referral, 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 in a considerably better position to prove – or disprove – an allegation than the Compliance Officer is; making them best placed to undertake any criminal enquiry.
23. Furthermore, I take my obligations under the Data Protection Act (DPA) 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.
24. 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.

## **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.
- 27. In 2014, my predecessor assisted IPSA in drafting a third iteration. A public consultation was held in the summer of 2014 and the Third Edition of the Procedures for Investigation by the Compliance Officer for IPSA became effective on 1st January 2015.
- 28. At the time of reporting, there are no plans to amend the Procedures. However, I will continue to monitor their effectiveness in ensuring the functions of the Compliance Officer are robustly exercised.
- 29. The current procedures can be viewed at [www.parliamentarycompliance.org.uk](http://www.parliamentarycompliance.org.uk).

## **H. Complaints and Investigations**

- 30. 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.
- 31. 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).
32. Further, as part of its regular operations, IPSA conducts regular 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 are often referred to the Compliance Officer for consideration.
  33. Lastly, the Compliance Officer may decide to look at an issue on his or her own initiative.
  34. During the reporting period, 22 complaints were handled, from 19 individuals. In addition, IPSA made three referrals.
  35. 10 complaints related to Travel costs, eight related to Office Costs and six related to Staffing. One remaining complaint related to the MPs' Code of Conduct which falls outside the remit of the Compliance Officer.
  36. The majority of complaints (19) were made by members of the public. As noted above, IPSA were responsible for three referrals while two complaints were made by journalists and one complaint was made by an MP's staff member.
  37. In all but one case, there was no evidence to suggest a breach of the Scheme had occurred and the case was closed following an assessment of the available evidence. Neither I nor my predecessor found any wilful attempt to breach the Scheme's rules.
  38. In one case, a complaint was made by a member of the public that Simon Danczuk MP had made a claim for £186.68 for a flight from Alicante to Gatwick on 20 May 2015 which was not allowable under the Scheme. Initial enquiries by the Compliance Officer revealed that the MP had been on holiday in Spain and had booked a flight to the UK to facilitate his attendance at Westminster in order to be sworn in, following his re-election as an MP on 7 May 2015. The Scheme does not provide for such circumstances and the claim was therefore not allowable under the Scheme. However, prior to being contacted by the Compliance Officer, the MP repaid the claim to IPSA in full.
  39. In such an instance, the opening of a formal investigation served no purpose; the MP had already acknowledged the error and repaid the expense. Nonetheless, a breach of the Scheme had occurred and so while my predecessor utilised the discretion afforded to him under the Procedures not to open an investigation, full details of the complaint and the subsequent repayment were published on the website: <http://www.parliamentarycompliance.org.uk/Pages/All-News-Items.aspx>.
  40. 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. For instance, one complaint alleged that a staff member paid through IPSA was campaigning during contracted hours. Following notification of the complaint, the MP's office was able to confirm that the staff member in question had taken annual leave.
  41. In a small number of cases, complaints relate to a misunderstanding of the information published by IPSA. For instance, one complaint alleged that an MP had claimed mileage costs from the constituency to London in breach of the Scheme, as they had also claimed for a rail ticket for the same journey on the

same day. In fact, the MP had been forced to carry out the journey by car as the train in question had been cancelled. The rail journey had been refunded in full, but had not yet been published by IPSA.

42. In such cases, no purpose is served by the opening of a formal investigation, which would not serve the purpose of the investigation mechanism as intended by the legislation or procedures.
43. 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/Complaints-handled>.
44. 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/open-and-closed-investigations>.
45. Figures outlining complaints received and cases handled by the Compliance Office during 2016-17 are shown below.

Table 1: Summary of the 28 cases handled during 2016-17

Cases carried forward from 2015-16	Cases opened during 2016-17 by quarter				Total cases opened during 2016-17	Cases closed during 2016-17	Cases carried forward to 2017-18
	Q1	Q2	Q3	Q4			
3	8	6	5	6	25	24	4

Table 2: Outcome of the 21 cases closed during 2016-17

Outcome of the 21 cases closed	
Assessments closed	21
Investigations closed	3

Table 3: Breakdown of the sources of the 25 cases opened during 2016-17

Source of the 25 cases opened	
IPSA	3
Member of the public	19
Journalist	2
MP Staff	1

## I. Reviews

46. 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.
47. During 2015-16 period, eleven reviews were requested by nine MPs, far exceeding any previous financial year. During the 2016-17 period, five MPs requested reviews.
48. In two of the five reviews requested during the financial year, my predecessor accepted the appeal and overturned the decision (in full or in part) by IPSA to refuse the original claims. In two other cases, the appeals were rejected in full and it was agreed that the original determinations made by IPSA were correct. At the time of reporting, one review is ongoing.



49. Details of reviews conducted by the Compliance Officer are published on the website<sup>1</sup> and are available at the following address:  
<http://www.parliamentarycompliance.org.uk/transparency/Pages/completed-reviews>.

### Tribunal case

50. In December 2015, my predecessor received a request by Liam Byrne MP to review a determination by IPSA to refuse payment for a claim for contact cards, distributed to constituents. These cards contained the contact details of the MP, alongside those of local councillors.
51. IPSA initially refused payment on the basis that the cards were in the branding of the Labour Party and contained Labour councillors' details, and were therefore not 'wholly, exclusively and necessarily' parliamentary.
52. Upon review by the previous Compliance Officer, it was determined that the use of the Labour Party's colours and fonts was irrelevant, as no reference was otherwise made to the party. Nonetheless, the Compliance Officer decided that it was not IPSA's role to fund the dissemination of information relating to councillors, the costs of which should be borne by the relevant council. As such, his review determined the MP should be paid 50% of the costs.
53. Mr Byrne appealed this to a First-Tier Tribunal and a hearing was held on 10 January 2017 at the Royal Courts of Justice in London. This was just the second time since IPSA and the Compliance Officer were established in 2010 that an MP has taken a claim to a tribunal. The judgement of 18 January

2017<sup>2</sup> allowed the appeal, on two main grounds.

1. It was within the discretion afforded to Mr Byrne under the Office Costs Expenditure (OCE) chapter of the Seventh Edition of the Scheme to determine that disseminating useful information (such as that of local councillors) was a parliamentary function, and
  2. while the councillors could have contributed towards the costs of the cards under the Birmingham City Council scheme, this did not mean that the costs were 'claimable from another source'.
54. Following the judgement, after discussions with IPSA and having taken legal advice, I made the decision not to appeal further.
55. Due consideration was given to any impact this judgement would have on the operation of the Scheme. At the time of the hearing, IPSA was already undergoing a comprehensive review of the Scheme, which included a public consultation. As part of this review, it had already been proposed that MPs should be provided with more discretion under the Office Costs budget to claim for costs which they considered 'parliamentary'. These proposals were agreed by IPSA's Board around the time of the hearing and subsequently formed part of the new Ninth Edition of the Scheme, taking effect from April 2017. As such, it was decided that the judgement would not have any impact looking forward on the operation of the Scheme.
56. During the course of the legal process initiated by Mr Byrne against the Compliance Officer, the Compliance

<sup>1</sup> 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.

<sup>2</sup> The full judgement can be found on the website of the Finance and Tax Tribunal at: <https://www.gov.uk/tax-tribunal-decisions>.

Officer received legal support from Bates Wells Braithwaite (BWB). In the region of £52,000 costs were incurred on services provided by BWB associated to the appeal.

## I. Accommodation

57. 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.
58. 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, data and documentation.

## J. Looking ahead

59. 2017-18 will constitute my first full year as Compliance Officer. In essence, I intend to continue the well-established processes embedded by my predecessor. With the introduction of changes to the Scheme in April 2017, there are likely to be some changes in MPs', IPSA's, the general public's and indeed, potentially my interpretation of the amended Scheme. I will seek to work with all parties to ensure that as previously, all compliance, regardless of provenance will be given the same independent and proportionate approach as in previous years.
60. As with recent years, the staffing arrangements of the office will continue to constitute 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.

61. The General Election in June 2017 creates a number of new MPs, many of whom have little or no exposure to the requirements of the Scheme and potentially the Compliance Officer function. I will write to all new MPs offering contact and advice, should they so require. I hope that this will promote the ethics of approachability, proportionality and mutual understanding.
62. Therefore, during 2017-18, I seek to:
- 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.

**Andy McDonald**

Compliance Officer for IPSA

[compliance@theipsa.org.uk](mailto:compliance@theipsa.org.uk)





ISBN 978-1-911619-00-0

CCS11173759207