

# Annual Report and Accounts

## 2009/2010



# **Independent Parliamentary Standards Authority**

## **Annual Report and Accounts 2009/2010**

Presented to Parliament pursuant to Schedule 1 to the Parliamentary Standards Act 2009.

Ordered by the House of Commons to be printed on 22 November 2010

© Crown copyright 2010

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

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

This publication is also available on <http://www.official-documents.gov.uk/>

ISBN: 9780102969429

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

ID 2401900                      11/10

Printed on paper containing 75% recycled fibre content minimum.

# IPSA Annual Report and Accounts 2009/2010

## Contents

1. IPSA timeline of key events	3
2. Chairman's introduction	4

## PART I: ANNUAL REPORT

3. Chief Executive's report	
a. External Assessment of the Establishment of IPSA	5
b. Parliamentary Standards Act	6
c. Implementation Programme	7
d. Development of the Expenses Scheme	9
e. IPSA and the new Parliament	10
f. Looking ahead	11
4. IPSA – who we are, what we do	
a. The IPSA Board	12
b. The IPSA Senior Leadership Team	14
c. Sustainability	14
d. Employment practices	14
e. Speaker's letter re IPSA Estimate	16

## PART II: ANNUAL ACCOUNTS

5. Statement of Accounts	
a. Introduction	20
b. Foreword	21
c. Management Commentary	22
d. Remuneration Report	29

e. Statement of Accounting Officer's Responsibilities	35
f. Statement on Internal Control	36
g. 2009-2010 IPSA (Parliamentary Supply) Accounts	41
h. 2009-2010- IPSA Accounts	63
6. Accounts Direction	80

## 1. Timeline of Key Events

2009	
May	Daily Telegraph publishes details of MPs' expenses
June	Committee on Standards in Public Life (CSPL) asked to carry out review of MPs' expenses and allowances
July	Parliamentary Standards Bill creating IPSA published and taken through Parliament, receiving Royal Assent before the summer recess
September	IPSA's interim Chief Executive appointed
November	IPSA Chairman appointed; CSPL publishes its report on its review of MPs' expenses and allowances
December	IPSA Board members announced
2010	
January/February	IPSA consultation on MPs' expenses and allowances
March	Publication of IPSA's new rules on MPs' expenses
April	General Election campaign
May	IPSA becomes operational on 7 May, the day after the General Election; IPSA begins paying MPs' salaries
June	IPSA begins reimbursing MPs for expenses
July	Speaker's Committee on IPSA approves IPSA's 2010–11 budget

## 2. CHAIRMAN'S INTRODUCTION

The revelations in 2009 about some MPs' claims for expenses shook the public's confidence, not just in some MPs, but in all MPs and in our democratic institutions.

To begin to restore the public's confidence, change was needed and Parliament legislated accordingly, creating a body independent of Parliament and Government to establish a new set of rules on MPs' expenses. This body is the Independent Parliamentary Standards Authority (IPSA).

As IPSA's first Chairman, I am delighted to introduce our first Annual Report. I am pleased by what we have been able to achieve in the short period since our creation and the even shorter period since we started our operations on 7 May 2010, the day after the General Election.

We were given a clear mandate by Parliament to respond – in very short time – to the revelations in 2009 and to effect immediate changes. This we have done. We have established a new set of rules on MPs' expenses, drawing on the report of the Committee on Standards in Public Life. IPSA's rules received the backing of the leadership of the three major parties and of the public. The expenses issue as an issue has been addressed. There is now a system based on clear rules. The system itself is fair, workable and transparent.

We have built a new organisation from scratch, delivering a new service based on a new scheme. Each day we receive in the region of 700-800 individual claims, some 200 telephone queries and over 100 written enquiries.

Our performance in the first few weeks after the election in providing the service that MPs and the public are entitled to expect from us was not always of the standard we would want. We acknowledged this and addressed the early teething problems. We remain focussed on delivering improvements in the service that we provide whilst realising efficiencies.

Parliament has also given IPSA the responsibility of setting MPs' pay and pensions in the future. Over the next year, we will begin to consider these matters, in the context of the current economic climate and the freeze on pay in the public sector and as part of the wider fundamental question: what does a 21<sup>st</sup> Century legislator need by way of support from the public purse in order properly to fulfil his or her duties?

I extend my thanks to all those who have engaged so actively and vigorously with IPSA over the past months and without whom the impressive achievements to date would not have been possible. First and foremost amongst these are IPSA's hugely dedicated staff, in both the implementation programme and in the new organisation, to whom the Board owe a debt of gratitude. I would also like to thank my fellow Board members for the commitment, energy and collaboration they have shown which has allowed us to achieve so much in such a short time.

IPSA is one of the steps that Parliament saw as necessary on the road to rebuilding public confidence in Parliament and our democratic institutions. IPSA alone cannot do this. We look forward to working with Parliament and the public on this journey.



Professor Sir Ian Kennedy

## **PART I: ANNUAL REPORT**

### **3. CHIEF EXECUTIVE'S REPORT**

1. My report as Chief Executive covers activities undertaken by IPSA in the period since its creation to 31 March 2010, the period of the Accounts. It also comments on activities from the end of the financial period to date.
2. The idea of creating an independent regulator of MPs' expenses was first floated in May 2009. By the end of the year, that idea had not only been translated into legislation, but, more challengingly, that legislation had also been substantially implemented.
3. To move from a standing start – a greenfield site – so quickly through policy creation to implementation is not just unusual: it is all but unprecedented.
4. Moving at such a speed has meant that numerous challenges have been faced. There have been a number of significant achievements and these are recorded here chronologically. Starting with the creation of IPSA through the Parliamentary Standards Act 2009, the period under report has seen the establishment of an implementation programme, swift recruitment of staff, appointment of a Board, building of new systems and processes, securing of premises, transfer of staff from the House of Commons, consultation on a new set of rules for MPs' expenses, and the publication of a scheme setting out those rules on 29 March 2010. Moving at such speed also meant that IPSA did not always get things right. Listening to those using the system, and making necessary adjustments have also been an important part of our work.
5. It has been an extraordinary period, and the scope of the challenges and of our record of meeting them merits attention. But before going further, it is important to recognise the contribution of so many, both in IPSA and outside, who worked to ensure that the new Authority was prepared to commence operations at the time of the General Election. Without their extraordinary diligence and sheer hard work, it is inconceivable that these ambitious goals could have been realised.

### **External assessment of the establishment of IPSA**

6. Throughout the implementation period, the Office of Government Commerce (OGC) monitored the direction and planned outcomes of the Programme, together with the progress of its constituent projects to ensure that it was on track for successful delivery. Each review provided the Programme team with valuable assurance about its direction and made practical recommendations to ensure delivery.
7. Following its final review in June 2010, the OGC concluded:



***“At the time of the first Gateway Review, in October 2009, the task looked well nigh impossible: to deliver accommodation, IT, systems and processes to a new organisation, and to staff it up ready for full operation. The rationale for that new organisation was to devise and deliver a Scheme for MPs expenses, but it had no Board members to determine what that Scheme should be, and the Programme Team itself was still being formed.***

*All this was to happen against a turbulent political background, with ostensible agreement on the way forward, which masked a great deal of concern amongst MPs, and opposition from many, considerable media interest, and uncertainty amongst House of Commons staff involved with the system then existing. The Programme had a fixed target by which to deliver – the requirement was that the new system should be operational as the new Parliament gathered after the General Election – but with no certainty about the date of the Election.*

***Eight months later, the impossible has been delivered.*** *This has required a willingness to work long and hard for protracted periods, and to take decisions rapidly ... Today, the new premises are occupied and suitable, fully fitted out with IT and telephony; a Scheme has been devised, consulted upon and put in place; some staff have been transferred from the House, with arrangements in place for the remainder to transfer in August; staff terms and conditions have been established; payments of salaries and expenses to MPs and their staff have been made; and plans for publication of expenses are well in hand.*

***The opposition of some has not gone away, and this has had the effect of increasing workload, and the inevitable teething troubles of a new organisation have given the naysayers grounds on which to base their complaints. But this has been a success story, and deserves to be recognised as such.”***

**Office of Government Commerce Gateway Review, June 2010**  
(for full text see [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk) )

## The Parliamentary Standards Act

8. The Independent Parliamentary Standards Authority (IPSA) is a new statutory body, independent from Parliament, Government and political parties. It was established by the Parliamentary Standards Act, which passed into law on 21 July 2009. Parliament legislated to establish IPSA following the public outcry after details of MPs’ expenses claims were made public, first in the press and subsequently by the House of Commons. The Act was introduced by the previous Government, but also received the support of the two largest parties then in opposition. Between introduction and Royal Assent, the Act passed through both Houses of Parliament in only a matter of weeks.
9. IPSA’s primary functions as set out in the Act were:
  - setting a regime of expenses for MPs;
  - administration of that regime; and
  - payment of salaries of MPs and their staff.
10. Following a series of recommendations from the Committee on Standards in Public Life (CSPL), the then government, with the support of the two parties that now form the current administration, agreed to make early revisions to the Parliamentary Standards Act. Those revisions were made through the Constitutional Reform and Governance Act 2010, which received Royal Assent on 8 April 2010. The principal additional function passed to IPSA by that Act was responsibility to determine MPs’ salaries and pension arrangements.
11. The Act also created provision for a new statutory office-holder, the Compliance Officer, whose principal function is to investigate claims that an MP may have been paid an expense to which he or she was not entitled.

## **IPSA Implementation Programme**

### **Establishment of the programme**

12. Following the passage of the Parliamentary Standards Act in July 2009 it quickly became clear that, if IPSA were to be truly independent of both Parliament and Government, neither Parliament nor Government could be responsible for setting up the organisation, as there would be too much potential for conflicts of interest.
13. The Act provided for the Speaker of the House of Commons to appoint an interim chief executive for IPSA without any requirement for a full public competition. The Speaker appointed me as interim Chief Executive in early September. At this stage, the primary responsibility was to build the IPSA Implementation Programme.
14. We are all, in IPSA, grateful to the Ministry of Justice for all its support in these initial stages and subsequently. The team which established the IPSA Implementation Programme was largely derived from the Ministry of Justice, with the relevant individuals seconded to IPSA so that it was clear that they were not reporting to the Ministry of Justice, to ministers or to the Government. The Ministry also provided IPSA with short-term accommodation for those staff. The support of the Ministry of Justice was therefore crucial in allowing IPSA to make progress at the necessary high speed for successful delivery.

### **Appointment of the IPSA Board**

15. The Parliamentary Standards Act provided that the Board would consist of five members, one of whom would be the Chairman and in addition to whom there would be:
  - one former holder of high judicial office;
  - one qualified auditor; and
  - one (but no more than one) former Member of Parliament.
16. The Board was selected following an open competition carried out by an independent panel. It was chaired by the Commissioner for Public Appointments for Northern Ireland, Felicity Huston, and further comprised Sir Christopher Rose, formerly Lord Justice Rose in the Court of Appeal, Martin Sinclair, an Assistant Auditor General at the National Audit Office, and Cindy Butts of the Metropolitan Police Authority.
17. Following the completion of the recruitment process, the Speaker nominated Sir Ian Kennedy as Chairman on 2 November. This nomination was ratified by the Speaker's Committee for the IPSA on 3 November.
18. The members of the Board were appointed using the same open recruitment process. These Board members were ratified by the Speaker's Committee on 24 November and their nominations were subsequently approved by the House of Commons. Sir Scott Baker<sup>1</sup> was appointed as a former holder of high judicial office; Professor Isobel Sharp was selected as the qualified auditor; Jackie Ballard was recruited as the Board's former Member of Parliament; and Ken Olisa, a businessman, was chosen by the recruitment panel to fill the fifth position on the Board.

---

<sup>1</sup> Sir Scott Baker formally joined the Board on 11 January 2010 upon his retirement from judicial office.

### **Building the new organisation: accommodation and IT**

19. An early priority was to identify and secure suitable accommodation. My preferred option was to secure accommodation on the government estate but this did not prove possible within IPSA's timescale and a commercial letting was found. In January 2010 accommodation was secured in Portland House, Bressenden Place, London SW1 as the option most suited to the specification. Work on these offices started in early February and was completed in time to allow occupation of the building on 29 March 2010.
20. Another early task was to secure IT systems to support IPSA's core functions. The corporate network and desktop infrastructure, together with the back-office finance, payroll, HR and telephony systems all needed to be specified, procured and implemented within exacting timeframes. A specialist third party ICT provider to manage this was secured through competitive tender using the Office of Government Commerce (OGC) Buying Solutions framework.
21. A key aspect of the five year service contract was the early delivery of our secure online expenses management system, for use by MPs and their staff in submitting claims. The system implemented was a commercial "off the shelf" product extensively proven across a wide array of private and public sector organisations, including Kelkoo and the UK Film Council. This system was configured to the specifics of our expenses scheme in less than three months, and robust third-party testing was carried out to ensure the information submitted was secure.
22. Closely aligned with the online expenses system was the development of a website. This went live in March 2010. It contains information on the new rules for expenses and guidance for MPs and their staff, as well as information on what IPSA is and does. IPSA will also publish details of expenditure by MPs through this website, in keeping with its commitment to openness.

### **Building the new organisation: staff**

23. An essential strand of the implementation programme was to ensure that IPSA would be fully staffed by the end of the period, in order operationally to be ready by the General Election. IPSA's staffing strategy was based on a number of complementary streams of work:
  - the identification and transfer of employees from the House of Commons;
  - external recruitment, both to permanent and temporary posts; and
  - the procurement of specialist external support to fill other permanent and temporary staffing needs.
24. In December 2009 the IPSA Implementation Team and the House of Commons conducted a preference exercise to determine which House of Commons staff were interested in transferring to IPSA. Subsequently agreement was reached that a number of House of Commons staff would transfer to IPSA in line with the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector (COSOP). Interim secondment agreements were agreed between the House of Commons and IPSA to allow some staff to transfer to IPSA in March 2010.
25. Following confirmation of the number of House of Commons staff who would transfer to IPSA, the Programme Team was able to identify IPSA's external recruitment needs for both permanent and temporary staff. IPSA procured a specialist recruitment provider to ensure that the process for filling the remaining vacant posts was carried out successfully against pressing timescales.

26. The IPSA Implementation Team's human resources project also defined IPSA's terms and conditions, including pay ranges and internal HR policies, and designed induction programmes for IPSA's staff.

### **Working with the House of Commons**

27. Throughout the creation of IPSA we worked closely with the House of Commons with the aim of ensuring an effective transition of services and people into our new organisation. A key challenge was to migrate smoothly the payroll of returning MPs and their staff. This was achieved and, in the process, the contractual relationships between many MPs and their staff were clarified and strengthened. IPSA is grateful to those in the House who worked with us on this critical task.

## **Development of the Expenses Scheme**

### **Consultation on policy proposals**

28. In parallel with the work to build the organisation, the newly appointed Board set to work on designing the new rules for payment of MPs' expenses. In line with the requirements of the Parliamentary Standards Act, the first stage of that process was the development of proposals on which there would be a consultation. The work of the Committee on Standards in Public Life, who published a series of recommendations on the regulation of MPs' expenses on 4 November 2009, greatly informed the development of these proposals.
29. The Act required IPSA to consult a number of named organisations and individuals, including the Speaker and the Leader of the House. The Board decided that consultation should not be limited to those organisations and that efforts should be made to engage the general public. Respondents were invited to provide feedback in the following ways:
- through a survey on a dedicated consultation website;
  - in writing via post or by email;
  - through omnibus telephone polling; and
  - by contributing at IPSA events, which were held for MPs, for MPs' staff, for MPs' family members and others.
30. In total over 2,700 responses were submitted to the consultation, which ran between 7 January and 11 February 2010. All of those written responses were published alongside the report on the consultation on 29 March. IPSA is grateful to all those who participated in the consultation.
31. We are also grateful to the individuals and organisations who served on the Implementation Advisory Panel. This was established to provide IPSA with a range of opinions and access to external expertise. Organisations represented included the Campaign for Freedom of Information, the Hansard Society, the Taxpayers Alliance and Unlock Democracy. It met three times in 2009–10 and provided an invaluable forum for discussion of possible approaches. In line with our ethos of openness, the minutes of those meetings were published on IPSA's website.

### **Publication of the new rules**

32. The culmination of the consultation was the production of a scheme setting out the new rules governing the payment of MPs' expenses. The scheme was laid before the House of Commons by the Speaker on 29 March 2010, to come into force after the day of the General Election, which took place on 6 May 2010. In line with the principle of independent regulation, the new

scheme was not debated in or approved by the House of Commons, but was entirely determined by IPSA.

33. The rules were welcomed by the Speaker and by each of the three largest political parties.

## **IPSA and the New Parliament: May – October 2010**

34. On Friday, 7 May 2010, the day after the General Election, IPSA became operational and all 650 returning and new MPs were invited to register with the new scheme. Since then, expenses claims have been processed and paid, and salaries paid to MPs and to their 2,500 members of staff and telephone and email enquiry lines opened and operated.

35. From Monday, 10 May staff from both IPSA and the Implementation Programme, and volunteers from across Whitehall, began the process of introducing all MPs to the new online expenses system. This was done intensively during May and June in the New Members Reception Area in Portcullis House, Westminster, followed by further sessions throughout June. IPSA staff have also provided training to MPs' staff members across the United Kingdom. Over 400 staff attended these sessions in May and June.

### **Operating Levels**

In the five months in which IPSA has been open for business, it has:

1. Received, validated and paid over 3,800 claim forms;
2. Handled over 8,000 phone calls from MPs and their staff;
3. Answered over 13,000 emails and letters from MPs and their staff;
4. Provided one-to-one induction on the scheme to almost 650 MPs;
5. Trained over 400 members of MPs' staff at workshops.

36. IPSA Board members and senior managers held a number of meetings with groups of MPs in the first few weeks to introduce them to the new expenses scheme and to answer any questions. These meetings were challenging and it was clear that there was some way to go before IPSA gained universal acceptance of its new approach. The onus of responsibility for accounting for their expenses under the new system lay with MPs themselves, and the terms of engagement with an independent authority were necessarily different to the previous relationships developed with the House of Commons.

37. The focus of the first few weeks was three-fold: firstly, registering MPs' details, such as their contact details, their constituency office and accommodation arrangements, their bank account details; secondly, paying salaries; and thirdly answering MPs' queries about the new scheme. Within a few weeks it became apparent that MPs were seeking far more advice on the scheme than IPSA had expected. We quickly made a number of organisational changes to enhance the support service to improve our responsiveness.

38. As part of these service improvements, IPSA started sending MPs and their staff regular news bulletins and, in July, began offering MPs one-to-one sessions to familiarise them further with the online expenses system and help them make their first expenses claims. We also agreed to provide a pilot of face-to-face surgeries on the expenses scheme in September/October.

39. Within the first few weeks it also became apparent that greater help was needed to ease the cashflow problems that some, particularly newly elected, MPs were experiencing. Advances of up to £4,000 on allowable expenses were made available, in addition to the planned advances for expensive items, such as IT equipment and furniture, and loans to cover the costs of deposits.

40. At the end of May, IPSA ran its first payroll run for all MPs and some 156 new members of staff. At the end of June, IPSA paid all MPs, 443 additional new members of staff and 1,736 members of staff whose pay had previously been administered by the House of Commons.
41. In early June, IPSA started to reimburse MPs for expenses they had incurred under the rules of the Scheme. This was ahead of the planned start of payments on 27 June.
42. There is no doubt that the delivery of some of our services has required further improvement since launch. And as an organisation, we are working constantly to improve our services. I am confident that many of the system frustrations experienced in the early days have now been addressed but we remain committed to working with MPs to deliver a system which is not unduly burdensome.
43. In June and July consultations began on the procedures for publishing information on MPs' expenses, on a publication scheme under the Freedom of Information Act 2000, and on the procedures to be followed by the Compliance Officer.
44. On 30 June and 6 July, the IPSA Chairman and senior IPSA executives appeared before the Speaker's Committee on the IPSA – the Parliamentary Committee to which IPSA must present its estimated budget for the forthcoming year – to discuss the budget estimate for the financial year 2010–11. The Committee members challenged the service, commented on the rules, and scrutinised the budget before approving it. A copy of the letter approving the budget is attached in Part II of this report.
45. Throughout the period since the General Election, there has been significant and continued pressure on the new organisation, exerted vocally and with vigour by some MPs. At the same time, it is clear that in the fourteen months since the notion of an independent authority was first floated, the interest of the media in MPs' expenses has remained very much alive, in part because of the legacy of the previous system.

## Looking Ahead

46. Over the coming months, our principal focus will be to deliver our core services – validating claims, reimbursing expenses, paying salaries to MPs and their staff, and providing advice – more efficiently and effectively; and to introduce a new service, the publication of details of MPs claims.
47. An organisational review is underway to seek efficiency improvements and the first annual review of the rules of the scheme is in hand. Over the coming months, work will also start to consider the question of MPs' pay and pensions.



**Andrew McDonald**  
**Interim Chief Executive**

## 4. IPSA – WHO WE ARE, WHAT WE DO

### The IPSA Board

Schedule 1, Part 1 of the Parliamentary Standards Act 2009 stipulates the constitution of the IPSA Board membership as follows:

1. *The IPSA is to consist of the following members—*
  - a. *one member who is to chair it (“the chair”) appointed in accordance with paragraph 2, and*
  - b. *four other members (referred to in this Schedule as “ordinary members”) appointed in accordance with that paragraph.*
2. *At least one of the members of the IPSA must be a person who has held (but no longer holds) high judicial office (within the meaning of Part 3 of the Constitutional Reform Act 2005 (c. 4)).*
3. *At least one of the members of the IPSA must be a person who is qualified under Schedule 3 to the National Audit Act 1983 (c. 44) to be an auditor for the National Audit Office.*
4. *One of the members of the IPSA (“the Parliamentary member”) must be a person who has been (but is no longer) a member of the House of Commons.*
5. *Apart from the Parliamentary member, a person who has been a member of the House of Commons at any time within the last five years may not be a member of the IPSA.*

The Chairman and Board members were appointed following an open recruitment process, conducted by an independent panel

#### **Chairman: Professor Sir Ian Kennedy**

Professor Sir Ian Kennedy LLD is a lawyer who, for the past few decades, has lectured and written on the law and the ethics of healthcare. He is also Emeritus Professor of Health Law, Ethics and Policy at the School of Public Policy, University College of London and Visiting Professor at the London School of Economics. He has been involved in public life for over 25 years, earning a reputation for safeguarding the interests of members of the public in healthcare. He was Chairman of the Healthcare Commission, the public watchdog in health services provision, from its creation until 2009. During his time at the Commission, Sir Ian worked to improve standards across the NHS through access to information and knowledge for patients, clinicians and managers. He is, perhaps, best known as the leader of the public inquiry into the deaths in children's heart surgery at the Bristol Royal Infirmary (1998–2001). This report contributed to the establishment of the Healthcare Commission in 2002. He also chaired the Nuffield Council on Bioethics and is currently Chairman of the UK Research Integrity Office, whose remit covers the proper conduct of research in universities and other research organisations. He recently produced a review of Children's Services in the National Health Service.

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

Sir Scott Baker was called to the Bar (Middle Temple) in 1961. He was appointed as a Recorder in 1976 and remained one until 1988 when he was appointed as a High Court Judge in the Family Division (1988-92), and then transferred to the Queen's Bench Division in 1992. In 1978 he was

appointed as a Queen's Counsel. He became a Lord Justice of Appeal in 2002. He was a member of the Government Committee of Inquiry into Human Fertilisation (the Warnock Committee) 1982-84 and a member of the Parole Board 1999-2002. He sat as coroner for the inquests into the deaths of Diana, Princess of Wales and Dodi Fayed in 2007 and 2008. He was made an Honorary Fellow of Brasenose College, Oxford in 2003.

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

Isobel Sharp is a partner at Deloitte LLP where she specialises in financial reporting, company law and corporate governance matters. She is a Visiting Professor at the University of Edinburgh Business School and was President of The Institute of Chartered Accountants of Scotland for the financial year 2007/8. Isobel has served on the UK's Accounting Standards Board and the Financial Reporting Review Panel. Isobel was awarded a CBE, in the Queen's New Year Honours List 2009, for services to the accountancy profession. She was a member of the Independent Review of Parliamentary Allowances group which reported in 2008 on the Reimbursement of Expenses for Members of the Scottish Parliament.

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

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

#### **Ken Olisa OBE**

Ken Olisa is a British businessman, whose international career has centred on the IT industry and on public service. After IBM he worked at Wang Laboratories in London, Boston and Brussels. He founded Interregnum plc which listed on the AIM exchange in 2000. Today he leads boutique technology merchant bank - Restoration Partners - based in London. Ken serves on the boards of Thomson Reuters and Eurasian Natural Resources Corporation (ENRC) and is an advisor to, or Director of, several IT companies. He is Chairman of Thames Reach a charity seeking to end street homelessness in London by 2012. He is Master of the Worshipful Company of Information Technologists and a Vice President of the British Computer Society responsible for Policy and Public Affairs. Ken was an inaugural member of the Postal Services Commission from 2000 to 2004 and a Governor of the Peabody Trust for a decade until 2007. He was named one of the UK's most influential black men in the Powerlist 2010 and was awarded an OBE in 2010 for his work in tackling homelessness in London.

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

IPSA's Board is responsible for deciding the policies that form the scheme governing MPs' expenses. The Board is also responsible for setting IPSA's strategic direction.

The Board meets at least once each month. Minutes of Board meetings are published on IPSA's website.



## The IPSA Senior Leadership Team<sup>2</sup>

The Senior Leadership Team is led by Andrew McDonald, the interim Chief Executive who is responsible for delivery in line with the policy direction set by the Board. The Senior Leadership Team comprises:

**John Sills**, Director of Policy, who joined IPSA in February 2010 on a two year secondment from central Government.

**Adrian Rickard**, Interim HR Director, who joined IPSA in December 2009, having worked in central government, executive agencies and other public bodies.

**Belinda Brown**, Head of Performance and Governance, who joined IPSA in October 2009, on secondment from central Government and has since transferred permanently.

**Philip Lloyd**, Interim Director of Finance and Corporate Services, who joined IPSA in March 2010 with a background in both central government and the private sector.

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

**Kate Mathers**, acting Director of Operations, who joined IPSA in December 2009 on secondment from the National Audit Office.

IPSA is currently (October 2010) recruiting a permanent Director of Operations and a permanent Director of Finance and Corporate Services.

## Sustainability

IPSA is committed to promoting sustainability and promoting a sustainability agenda is integral to the management of the organisation and maintenance of our working space. IPSA aims to follow good practice in relation to environmental building standards.

## Employment practices

In setting up IPSA, we needed to make early decisions on the terms and conditions of employment to be offered to IPSA's new staff. It was vital to be able to attract suitable candidates from the market, while taking into account the terms and conditions applied in both the House of Commons and the Civil Service. IPSA constructed an independent pay structure which broadly mirrored the grading structure of central government. Recognising the importance to staff of pension plan continuity, IPSA gained admittance to the Civil Service Pension arrangements.

A core principle of recruitment into IPSA has been fair and open competition. We are keen to build up a diverse workforce which reflects the population at large. Our current workforce consists of permanent and temporary staff from a wide range of backgrounds. While we are still recruiting, it is too early to build a full diversity profile but, as our current staffing suggests, we have a good cross-section of people from all parts of the population.

IPSA is committed to treating all staff and job applicants fairly and in accordance with the law. We aim to make diversity something we value in practice not just in words.

For the initial start-up period, IPSA has employed staff who fall into four distinct employment categories: permanent staff, secondees from the House of Commons, civil servants seconded from Government departments and temporary staff. We have been working hard to achieve the

---

<sup>2</sup> As at October 2010

successful integration of staff from such diverse backgrounds into a single cohesive organisation. We have been heavily dependent upon temporary staff from the start and during our initial operational period. More than half of our permanent staff have transferred from the House of Commons to IPSA to provide core operational expertise. The House staff arrived at IPSA in two tranches (April and August 2010), which required us to recruit and train temporary operations staff for the April to August period.

In October a performance management system will be in place and the organisational review will consider further IPSA's requirements for "business as usual", ever mindful of the need to achieve improvements and efficiencies. We anticipate that the required workforce for "steady state" will be close to 60 staff.

We have made a significant investment in training staff. All staff attend an induction course which covers IPSA's values, behaviour and team working, the MPs' Expenses Scheme, data assurance and protection, and operational functions. Staff have rated the quality of the initial training as excellent. The training has helped to generate commitment and to create cohesive teams. We have set out to create a culture in which there is recognition for work well done and for good ideas, and where everyone is valued and has a say. Staff have participated in working parties on flexible working, equality and diversity and performance management. There are regular team meetings of all staff.



The Speaker

Speaker's House Westminster London SW1A 0AA

13 July 2010

*Dear Sir Ian,*

Thank you for the assistance you and your colleagues at IPSA have given the Committee in its review of IPSA's draft estimate of resources. We are grateful for the written material you have provided to the Committee, as well as your attendance at Committee meetings.

As you know, the Committee has a statutory duty under the Parliamentary Standards Act 2009 to review IPSA's draft estimate and satisfy itself that the resources being sought are consistent with the efficient and cost-effective discharge by IPSA of its functions. The Committee has a statutory duty to consult the Treasury about the estimate and have regard to any advice it gives.

In fulfilling this statutory duty we have borne in mind three key criteria for IPSA: cost-effective administration, efficient operation and clear presentation of the estimate. Our consideration of the estimate over the last two weeks has involved detailed discussions with IPSA and the consideration of written material submitted by IPSA. The Committee would have liked to have had more time to review the estimate, and it is to be hoped that in future years more time will be available. We hope to work with you much more closely and in a more timely manner when you are drawing up IPSA's budgets and estimates for future financial years.


As part of our consideration, we also received written advice, and an oral briefing, from HM Treasury. The Treasury informed the Committee that it was content with IPSA's estimate for 2010/11, in particular taking into account the fact that this is a newly-established organisation, although the Treasury expected IPSA in future years to reduce its administrative expenditure and demonstrate productivity improvements.

On the basis of our discussions with IPSA, our examination of the written information provided and advice from HM Treasury, the Committee has concluded that it will not exercise its statutory power to modify the estimate. I will therefore lay the estimate before the House of Commons in the form submitted to the Committee. However, the Committee believes very strongly that IPSA should seek to reduce its administrative expenditure in future financial years to nearer the £2 million budget achieved by the House of Commons in connection with the administration of payroll and expenses functions. To do this, IPSA should set itself robust savings targets for its running costs. This is especially relevant given

the current pressure on spending across the public sector. In this context we would expect IPSA to adopt a very stringent approach to any further recruitment to the organisation, starting from the assumption that any posts which are vacant or which become vacant will not be filled. As part of its forthcoming operational review, we believe IPSA should comprehensively examine its operating methods to ensure they give the best value for the taxpayer while providing an efficient service to Members and their staff. We recommend that IPSA start this operational review as soon as possible, and start discussions with this Committee in the autumn about its estimate for next year.

In our discussions we raised the experiences and concerns of many of our colleagues in their recent dealings with IPSA. The Committee noted IPSA's positive response to such concerns during our evidence sessions and your commitment to addressing them. In particular, we welcomed your intention to consider introducing a system of direct payments to suppliers. We welcome the prioritisation of this issue as part of your forthcoming review of the IPSA scheme, and hope that this can be taken forward as a matter of urgency. We also ask IPSA to consider introducing a parliamentary procurement card (or similar solution), as provided for by the Office of Government Commerce Framework Agreement, as a further means of driving down administrative costs while promoting transparency. In addition we look to IPSA to address other concerns raised by our colleagues which impact upon Members' ability effectively to discharge their responsibilities to their constituents.

The experience of reviewing IPSA's estimate has highlighted the importance of establishing effective channels of communication between the House and IPSA on issues of concern to Members which fall outside the statutory remit of this Committee. We note that the recent OGC Gateway Review of the IPSA implementation programme highlighted communications with Members as an area for improvement. It is our belief that, in order to be an effective, efficient and responsive regulatory body, IPSA needs to improve its understanding of the work of Members and their staff. We hope that IPSA will work together in a collegiate way with both Members and their staff to ensure efficient review and development of its systems into the future. To help achieve these aims, IPSA has suggested a liaison group of Members to engage with IPSA. Members of this Committee hope to act as such a forum, in which Members' concerns can be raised with IPSA.

*Best wishes,  
Yours sincerely*  
  
Speaker

Professor Sir Ian Kennedy KBE FBA LLB LLM LLD  
Chairman, IPSA  
Steel House  
11 Tothill Street  
LONDON SW1H 9LH



## **PART II: ANNUAL ACCOUNTS**

## 5. STATEMENT OF ACCOUNTS

### Introduction

For the financial year 2009/10, IPSA has two separate obligations that relate to the production of financial accounts:

- to account for the receipt of Parliamentary Supply through the New Supply Estimate 2009/10 in November 2009 (HC 18). The Estimate was prepared under the authority of the House of Commons (Administration Act) 1978 as amended by the Government Resources and Accounts Act 2000 and the Appropriation Act 2004. These accounts include all spend associated with the establishment of IPSA, including the costs incurred by the Ministry of Justice (on an agency basis) before IPSA came into existence on 12 October 2009. **For clarity these accounts are referred to as “the IPSA (Parliamentary Supply) accounts” and account for all financial transactions in the year 2009/10;**
- to prepare accounts in accordance with the obligations of Schedule 1, Part 2, Paragraph 23 of the Parliamentary Standards Act 2009. These accounts include only those sums expended or received, the associated cash-flows and the associated year end assets and liabilities of IPSA which relate to the time since IPSA came into existence as an organisation, which is from **12<sup>th</sup> October 2009. For clarity these accounts are referred to as “the IPSA accounts”.**

For both sets of accounts, most of the narrative and financial records are the same. The main differences between the two sets of accounts are:

- there was expenditure of £276k incurred before 12 October 2009 in establishing IPSA. The expenditure was incurred by the Ministry of Justice on an agency basis. This expenditure is shown in the IPSA (Parliamentary Supply) accounts but not in the IPSA accounts; and
- Andrew McDonald, the Interim Chief Executive of IPSA was appointed on the 14 September 2009. His remuneration together with pension entitlements are shown in the IPSA (Parliamentary Supply) accounts with effect from 14 September 2009, and in the IPSA accounts with effect from 12 October 2009.

To avoid unnecessary duplication, the two sets of accounts are preceded by a single set of narrative information comprising a Foreword, a Management Commentary, a Remuneration Report, a Statement of Accounting Officer’s Responsibilities and a Statement on Internal Control.

## Foreword – IPSA (Parliamentary Supply) accounts and IPSA accounts

The Parliamentary Standards Act 2009 (which received Royal Assent on 21 July 2009) established IPSA, as a body entirely independent of Parliament, Government or political parties, to provide a scheme for the reimbursement of expenses incurred by MPs in doing their work. The Constitutional Reform and Governance Act 2010 extended IPSA's responsibilities to include the determination of MPs' salaries and pension arrangements by April 2012. In addition to consulting on and determining the scheme, IPSA's responsibilities include the payment of MPs' salaries, their expenses, and the payment of the salaries of the staff of MPs. In limited cases, IPSA is also responsible for the payment of expenses incurred by MPs' staff.

IPSA set about its task against a background of great public anger at the previous discredited system exposed over the last year. IPSA's first priority was to develop a new scheme that was fair, workable and transparent and which could be operated from the start of the new Parliament. IPSA conducted its formal consultation on the new MPs' expenses scheme between January and February 2010. Following the consultation, IPSA published the new MPs' Expenses Scheme on 29 March 2010. The Scheme represents a break from the old practices and is based firmly on the clear principles of being fair, workable and transparent.

The financial statements on pages 41 to 69 represent the period when IPSA was undertaking set-up activities. As described above there are two sets of accounts which have been prepared as required, by the House of Commons (Administration Act) 1978 as amended by the Government Resources and Accounts Act 2000, and the Appropriation Act 2004 and secondly the Parliamentary Standards Act 2009. **The IPSA (Parliamentary Supply) accounts** have been prepared on a voluntary basis. **The IPSA accounts** have been prepared to meet the requirements of the Parliamentary Standards Act 2009, in accordance with the directions issued by HM Treasury.



## Management Commentary

### Going concern note

The Statement of Financial Position at 31 March 2010 for both sets of accounts shows a positive taxpayers' equity of £496,000. The future financing of IPSA is to be met by grants of supply approved annually by Parliament. Approval for amounts required in 2010-11 has already been given and there is no reason to believe that future approvals will not be forthcoming. Therefore, it is considered appropriate to adopt a going concern basis for the preparation of the IPSA (Parliamentary Supply) accounts and the IPSA accounts.

### Investment and funding

As an independent public body, IPSA is accountable to Parliament for its expenditure. Parliamentary approval for its 2009/10 spending plans was sought through its Supply Estimate (HC18) presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds to be voted. IPSA drew down voted funds during the year from the Consolidated Fund as required. To account for the receipt of Parliamentary Supply, IPSA has separately prepared accounts which include all spend associated with the establishment of IPSA. These accounts are referred to as **"the IPSA (Parliamentary Supply) accounts"**.

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

The Speaker's Committee for IPSA was established under the Parliamentary Standards Act 2009. Its current members include the Speaker, the Rt. Hon. John Bercow MP, the Rt. Hon. Sir George Young MP, Bob Russell MP, the Rt. Hon. Nicholas Brown MP, Laura Sandys MP, the Rt. Hon. Rosie Winterton MP, Charles Walker MP and the Rt. Hon. Kevin Barron MP. The Constitutional Reform and Governance Act provides for three lay members to be appointed to the Committee. The Committee has two key roles:

- a) it considers the candidates proposed by the Speaker for the posts of Chair and Members of IPSA before these candidates are appointed by Her Majesty the Queen on an address of the House of Commons; and,
- b) it reviews IPSA's annual Estimate of the resources it needs, before the Estimate is laid before Parliament. Its aim in doing so is to ensure the Estimate is consistent with the efficient discharge of IPSA's functions.

The posts of the Chair and members of IPSA were openly advertised in September 2009, and the candidates considered and recruited through an independent and open competition. They are:

#### **Chair:**

Professor Sir Ian Kennedy;

#### **Members:**

Rt. Hon. Sir Scott Baker (formerly Lord Justice);

Professor Isobel Sharp CBE (as a qualified auditor);

Jackie Ballard (as a former Member of the House of Commons); and

Ken Olisa OBE.

During June and July 2010 the Speaker's Committee met to discuss and review IPSA's Estimate for 2010/11. Approval of the Estimate was given on 13 July 2010.

### **Accounting Officer**

Andrew McDonald was appointed Interim Chief Executive on 14 September 2009 by the Speaker. He is the Accounting Officer for IPSA. Amongst his responsibilities as Accounting Officer are that he has personal responsibility for the proper presentation of the Annual Accounts and their transmission to the Comptroller and Auditor General, and he is responsible for the proper use of public money and the stewardship of assets.

The Accounting Officer is supported by a Senior Leadership Team which includes an Operations Director, a Policy Director, a HR Director and a Finance and Corporate Services Director. The names and membership of these directors are given in the Remuneration Report. During the period to March 2010, three of these directors were appointed on an interim basis and the fourth director was seconded from the Civil Service. IPSA is now considering the appointment of permanent directors, with the target of end 2010 to complete the process.

### **The Compliance Officer**

The Compliance Officer is an independent statutory office holder whose role and title were established by the Parliamentary Standards Act 2009, as amended by the Constitutional Reform and Governance Act 2010.

The Compliance Officer has two key functions:

- MPs can request that he or she reviews a determination made by IPSA to refuse an expenses claim; and,
- he or she can conduct investigations where an allegation is made that an MP has been wrongfully paid an expense.

IPSA is required by the Parliamentary Standards Act 2009 (as amended) to appoint the Compliance Officer and provide him or her with facilities. However:

- the Compliance Officer is not accountable to the executive arm of IPSA. He or she reports directly to the Board;
- he or she is required to take his or her own decisions when carrying out his functions; and,
- his or her decisions will be public and can, in certain circumstances, be appealed to the First-tier Tribunal.

IPSA is required by the 2009 Act to provide the Compliance Officer with procedures to guide the investigations into alleged wrongful payments. These were subject to a public consultation which closed on 7 July 2010. This consultation covered the Compliance Officer's enforcement powers.

An interim Compliance Officer, Group Captain Alan Lockwood, was appointed by IPSA on 10 May 2010 for a period of 6 months. Alan Lockwood had a distinguished military career with the Royal Air Force during which he commanded operations in Bosnia, Iraq and Afghanistan. Since his retirement from the RAF, Alan has been active in politics, defence and the media, and has served as a Trustee Board Member with the Citizens Advice Bureau.

## **Main activities and objectives**

In the period covered by these financial statements, there was a single strategic objective which was to establish IPSA. Establishing IPSA included:

- the appointment of the Chair and Members;
- the appointment of the Interim Chief Executive;
- establishing an expenses scheme in time for the new Parliament, following the consultative process required by the Parliamentary Standards Act 2009; and,
- establishing the operational functions of IPSA in an efficient, cost-effective and transparent way. This involved recruiting staff, providing operational facilities such as an office and information and communication facilities, providing an operational system for paying expenses and salaries, and establishing appropriate governance arrangements for the organisation.

All of these activities were carried out in the period covered by these financial statements. As stated above a Chair, Members and Interim Chief Executive were appointed. A new scheme was prepared, a consultative process undertaken, and a new scheme laid before Parliament on 29 March 2010.

The operational functions of IPSA were established during the period under review. The key deliverables were:

- procuring a new fully functioning office at Portland House by the end of March 2010. It has been considered important for IPSA to be located close to the House of Commons, due to its work with MPs, the need to facilitate the temporary employment of civil servants to establish IPSA and recognition that 29 staff would transfer from the House of Commons to IPSA. Portland House is a serviced office building used by both the public sector and private sector. IPSA occupies one floor which has been fitted to a modern and simple standard, in common with the standard of most modern office buildings;
- recruiting permanent and interim staff including 16 staff who were transferred from the House of Commons Department of Resources in April 2010. A Statutory Instrument was laid before Parliament in July 2010 formally transferring the staff from the House of Commons to IPSA;
- procuring a new IT-based expenses system in February 2010. The IT system has been accredited to HMG standards externally (HMG Information Assurance Standard No.2) and IPSA has received interim accreditation with full accreditation targeted for the autumn; and,
- in line with Cabinet Office guidelines IPSA has established governance procedures. Further details on governance are given below.

The Expenses Scheme came into operation on 7 May 2010. IPSA has taken the initiative to explain the scheme to MPs and their staff in a variety of ways, including:

- over 550 MPs given a one-to-one induction on the Scheme. For certain MPs (mainly the Cabinet and Shadow Cabinet), additional support has been given at each induction;

- a series of meetings with MPs of all parties in groups and, increasingly, individually. These have been followed up by detailed responses to any questions raised at the meeting;
- guidance notes, FAQs and online training presentations are all available on the IPSA website; and,
- training events for MPs' staff have been held nationally.

The 2009 Act, as amended by the Constitutional Reform and Governance Act 2010, sets out two key objectives for IPSA:

- to deliver an expenses scheme that supports the members of the House of Commons in carrying out their Parliamentary functions; and,
- to deliver the expenses scheme and IPSA's functions in an efficient, cost-effective and transparent way.

The central consideration in determining IPSA's costs is that public money has been and continues to be spent carefully and prudently. Despite IPSA carrying additional responsibilities for MPs' expenses over and above those that have existed in previous years and acquiring new responsibilities for MPs' salaries, IPSA's intention is for the combined costs of the new scheme and its administration to cost less to the public purse than the preceding combined arrangements under the House of Commons.

## **Governance**

The Parliamentary Standards Act 2009 appointed the Comptroller and Auditor General, Head of the National Audit Office, as the external auditor for IPSA. As disclosed in the notes on other administration costs of the two sets of accounts, a total notional cost of £40,000 was incurred in the audit services provided by the Comptroller and Auditor General. The total cost represents £30,000 for the audit of the IPSA accounts and a further £10,000 for the additional audit work required for the IPSA (Parliamentary Supply) accounts.

IPSA has successfully procured an internal audit service with effect from 1 April 2010. The Internal Audit service is provided by PwC, who have already commenced their work and have begun to report their work to IPSA's Audit and Risk Committee.

IPSA has established governance procedures in line with Cabinet Office guidelines, which include:

- regular discussion at IPSA Board meetings of governance and audit issues;
- an Audit and Risk Committee, comprising the Chair and all the members of IPSA;
- a Risk and Assurance Working Group (RAWG) which takes responsibility for the management of risk and issues in IPSA. The RAWG comprises most of the senior management and meets regularly. The RAWG reports directly to the IPSA Board;
- a Senior Leadership Team meets weekly to discuss and consider current business issues;
- daily operational meetings with senior team members take place to receive and discuss reports on operational issues, including steps to manage risks and progress key projects; and,

- a security forum consisting of senior team members meets monthly to discuss and agree actions on data information.

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

During the period covered by IPSA's 2009/10 Accounts, the accounting processes and procedures were provided by the Ministry of Justice. The Ministry's policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of the receipt of goods and services or the presentation of a valid invoice, whichever is the later. The performance of the Ministry against these targets is reported in the Ministry of Justice's Resource Accounts.

### **Personal Data**

IPSA registered with the Information Commissioner in March 2010. During the period of these accounts (to 31 March 2010) there were no personal data related incidents reported to the Information Commissioner, and there were no other recorded protected personal data incidents not formally reported. An incident occurred on 14<sup>th</sup> July 2010 and details can be found in the Statement on Internal Control.

### **Pensions and Staff related issues**

In 2009-10 IPSA did not have any permanent employees. The Chair and Board have been appointed and their remuneration is not pensionable. The pension arrangements for civil service staff on secondment to IPSA are dealt with by their seconding department.

For 2010/11, permanent employees of IPSA will be eligible for membership of the Civil Service Pension Schemes. These schemes include a choice between a defined benefit scheme and stakeholder pension. Liability will rest with the Scheme and not with IPSA.

IPSA is committed to communicating directly with all staff and taking into account their views on all matters affecting their employment. To enable IPSA and its staff to achieve this objective, IPSA has in the year beginning April 2010:

- held weekly team meetings for all staff to discuss staff-related issues;
- undertaken one-to-one meetings between staff members and their line managers; and,
- held weekly open sessions with the Chief Executive, where any member of staff can meet and ask the Chief Executive questions. These will continue throughout 2010/11 moving to at least monthly meetings as IPSA moves from its initial set up phase.

Since April 2010, IPSA has developed and published its occupational health and safety policy. The Policy is available to all staff and is managed by the HR department. IPSA has initiated independent health and safety audits of its premises and equipment.

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

There have been no events since the date of the Statement of Financial Position that would affect the financial statements for the year ended 31 March 2010.

### **Use of Resources**

The IPSA (Parliamentary Supply) accounts represent the full costs incurred in establishing IPSA in the period to 31 March 2010. It covers the resources provided for in the Supply Estimate.

A summary of the outturn for the period to 31 March 2010 is as follows:

**IPSA (Parliamentary Supply) accounts:**

- for resource, the outturn was a spend of £2.905 million against a request for resources of £4.448 million;
- for capital, the outturn was a spend of £1.568 million against a request for £2.2 million; and,
- for cash, the requirement was for £3.361 million against a request for £6.571 million.

For the IPSA Accounts, the above figures are amended to take into account the sum of £276,000 that relates to spend in the period before 12 October 2009.


On resource, capital and cash the actual requirement was less than that requested. The main cause of this outcome was that significant expenditure on the IT system occurred after 1 April 2010, whilst previous expectations were that most of the expenditure on IT systems would be incurred prior to the year-end. The cash requirement was less than expected due to the resource under spend on IT and the timing of payments at year-end.

A summary of the full costs of setting-up IPSA for the period to 31 March, as shown in the IPSA (Parliamentary Supply) accounts, is given below.

<b>Expenditure to the 31/03/2010</b>		<b>Total 2009/10 £'000</b>
<b>Gross Expenditure</b>		<b>2,905</b>
<b>Analysis of Expenditure</b>		
<b>Staff Costs</b>		
Wages and salaries	595	
Social security, pension and Vat	156	
Agency staff	795	
<b>sub-total</b>		<b>1,546</b>
<b>Administration costs</b>		
Rental	279	
Professional Services	268	
IT Services	249	
Accommodation search, design and relocation	202	
Recruitment and advertising	106	
Legal	95	
Conferences and events	47	
Office expenditure	45	
Audit Fee	40	
Other	28	
<b>sub-total</b>		<b>1,359</b>
<b>Total</b>		<b>2,905</b>

**Disclosure of audit information to the auditors**

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

Signed 

**Andrew McDonald - Accounting Officer**

**Date: 12/11/10**

## **Remuneration Report**

The following information provides details of the remuneration and pension interests of the IPSA Board Members and the IPSA Senior Management Team. In accordance with the requirements of Schedule 7A of the Companies Act 1995 (as amended), only certain sections of the Remuneration Report have been subject to full external audit. These comprise the tables on remuneration and pension entitlements.

### **Remuneration policy**

#### ***(1) Chief Executive Officer***

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

#### ***(2) Chairman and Board Members***

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

IPSA procured advice from recruitment consultants, who carried out a benchmarking exercise, of remuneration at comparable organisations. Their report and recommendations formed the basis of the remuneration rates detailed below. Central to setting the levels of remuneration was the balance between attracting a range of capable and diverse candidates, whilst bearing in mind the need for a value for money approach. The remuneration for the Chair and Board Members is non-pensionable.

#### ***Chair - £700 per day***

IPSA expects the time commitment of the IPSA Chair to be approximately two/three days per week, reducing to one day per week after the period covered by this report. The Speaker capped the first year remuneration at £100,000.

#### ***Board members - £400 per day***

IPSA expects the time commitment of Board members to be approximately two/three days per month. The Speaker determines the daily rate for members.

#### ***(3) IPSA staff***

During the period to 31 March 2010, the majority of IPSA staff were either seconded from Government Departments and thus retain their own particular terms and conditions or were interim staff appointed through Buying Solutions framework tenders with no employment/remuneration rights through IPSA.



## Remuneration Disclosure

### *IPSA Chair and Board Members*

Name	Appointed	End Date	Remuneration in 2009/10 £'000	Benefits in kind 2009/10 £'000
Prof. Sir Ian Kennedy <b>Chair</b>	4 November 2009	3 November 2014	35 to 40	£ Nil
Rt Hon. Sir Thomas Scott Baker <b>Board Member</b>	11 January 2010	10 January 2013	5 to 10	£ Nil
Jacqueline Ballard <b>Board Member</b>	11 January 2010	10 January 2013	5 to 10	£ Nil
Ken Olisa OBE <b>Board Member</b>	11 January 2010	10 January 2013	0 to 5	£ Nil
Prof. Isobel Sharp CBE <b>Board Member</b>	11 January 2010	10 January 2013	0 to 5	£ Nil

### **IPSA CEO and Directors**

Name	Appointed	End Date (when not ongoing)	Salary [6] (2009/10) £'000	Annual Salary Equivalent	Benefits in kind (2009/10)
Andrew McDonald [1] <b>Interim CEO</b> (seconded from the Ministry of Justice)	14 September 2009	n/a	60 to 65 (from 14/9/09)[1]	105 to 110	£ NIL

---

John Sills [2] <b>Director of Policy</b> (seconded from the Ministry of Justice)	1 February 2010	30 January 2012	10 to 15	85 to 90	£ NIL
Philip Lloyd <b>Director of Finance and Corporate Services</b>	1 March 2010	n/a	25 to 30 (includes VAT) [3]	n/a [4]	£NIL
Nigel Gooding [5] <b>Director of Operations</b>	14 December 2009	30 June 2010	60 to 65 (includes VAT) [3]	n/a [4]	£ NIL
Adrian Rickard <b>Director of Human Resources</b>	14 December 2009	n/a	55 to 60 (includes VAT) [3]	n/a [4]	£ NIL

---

**Notes:**

[1] In order to create the Programme Implementation Team and also to fill some initial vacancies within IPSA itself, a number of posts were filled through Civil Service secondments from Government departments. Andrew McDonald is seconded from the Ministry of Justice. The salary shown above for Andrew McDonald in the band £60 - £65 (£'000) represents the salary paid in the period from his appointment on 14 September 2009 to 31 March 2010. For the IPSA accounts the period of employment is shorter (12 October 2009 to 31 March 2010) and the amount of salary paid in this shorter period was in the band £55 - £60 (£'000). The difference between the two represents the amount of salary paid in the period 14 September 2009 to 12 October 2009.

[2] John Sills is seconded from the Ministry of Justice.

[3] During the set-up of IPSA three of the director positions have been filled by interims, supplied by external agencies and are engaged on a daily rate basis. The daily rate is paid only for days actually worked by the interim (sickness and annual leave is not remunerated) and the remuneration does not include a pension. As there is no pension, reporting is not required on pension scheme benefits for the interim directors. The amount documented next to each of these individuals is the total payment to the agency which includes the percentage or other mark-up of the agency as well as the VAT, at standard rate, charged by the agency.

[4] No annual equivalent for interim directors can be estimated as interims are engaged through a contract with a third party and are engaged on different terms to permanent staff as described in note [3] above.

[5] After the financial year, Kate Mathers was appointed as Acting Director of Operations. This appointment was effective from 9 June 2010. Nigel Gooding resigned at the end of his contract in June.

[6] Salary payments include bonuses, awarded to seconded employees by the secondees' Government Department, payable for performance in the period to 31 March 2010 during the start-up phase of IPSA. The bonuses were awarded after the completion of the audit of the accounts.

[ALL] The Accounting Officer is supported by a Senior Management Board which includes an Operations Director, a Policy Director, an HR Director and a Finance and Corporate Services Director. During the period to March 2010, three of these directors were appointed on an interim basis and the fourth director was seconded from the Civil Service. IPSA is now finalising the appointment of permanent directors, with the target of the end of 2010 to complete the process

### **Benefits in kind**

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

During the period to 31 March 2010, no benefits in kind have been identified as being given to the Chair, Board members, CEO or Directors.

### **Pension Liabilities**

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

### **Cash equivalent transfer values**

The Cash Equivalent Transfer Value (CETV) is the actuarially capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme, or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in

a senior capacity to which disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

**Name (numbers in £'000)**

**1. Andrew McDonald [1]**

**i. Real increase in pension at pension age and related lump sum in 2009/10**

Pension: 2.5 – 5.0, plus lump sum 10 -15

**ii. Accrued pension at pension age and related lump sum at 31 March 2010**

Pension: 30 -35, plus lump sum 95 – 100

**iii. CETV at 31 March 2009**

428

**iv. CETV at 31 March 2010**

533

**v. Real increase in CETV**

79

[1] The numbers above relate to the IPSA (Parliamentary Supply) Accounts: the period 1 April 2009 to 31 March 2010. Sections (i) and (v) represent the full increase for Andrew McDonald over the last year. The numbers do not change materially for the IPSA accounts (period 12 October 2009 to 31 March 2010).

**2. John Sills**

**i. Real increase in pension at pension age and related lump sum in 2009/10**

Pension: 0 – 2.5, plus lump sum 2.5 – 5.0

**ii. Accrued pension at pension age and related lump sum at 31 March 2010**

Pension 15 – 20, plus lump sum 55 – 60

**iii. CETV at 31 March 2009**

330

**iv. CETV at 31 March 2010**

374

**v. Real increase in CETV**

20

Signed



Andrew McDonald - Accounting Officer

Date: 12/11/10

## Statement of Accounting Officer's responsibilities

### The IPSA Accounts

The Accounting Officer is required under the Parliamentary Standards Act 2009 to prepare accounts in accordance with the directions issued by HM Treasury. The accounts are prepared on an accruals basis.

### The IPSA (Parliamentary Supply) Accounts

The Accounting Officer is also required to account for Parliamentary Supply received under the authority of the House of Commons (Administration) Act 1978 as amended by the Government Resource and Accounts Act 2000 and the Appropriation Act 2004.

The two sets of 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, net operating costs, resources applied to objectives, statement of changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual (FreM) prepared by HM Treasury, and in particular to:

- observe 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.

In accordance with Schedule 1, part 2, paragraph 15 of the Parliamentary Standards Act 2009, the Speaker has appointed the Interim Chief Executive as Accounting Officer of IPSA, with the responsibility for preparing IPSA's accounts and for transmitting them to the Comptroller and Auditor General.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for the safeguarding IPSA's assets, are set out in *Managing Public Money* published by HM Treasury.

## Statement on Internal Control

### Scope of responsibility

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

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

I can confirm that a system of internal control was in place during the set up of IPSA, to the period ended 31 March 2010 and up to the date of approval of the annual report and accounts. The system of internal control was under development throughout the period to 31 March 2010 with policies and procedures either borrowed from the Ministry of Justice (which supported the set up of IPSA by seconding staff, providing short-term accommodation and supporting IPSA with the provision of financial systems) or under development. Since 1 April 2010, IPSA has developed its system of internal control further with regular meetings of the Audit and Risk Committee taking place and procuring its own internal audit service.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. IPSA has been developing its own system of internal control from 1 April up to the date of approval of the annual report and accounts, to accord with Treasury guidance.

IPSA was established during the financial year 2009/10. As befits a start-up organisation, many of the systems of internal control were temporary in nature and reflected the needs of the IPSA Implementation Programme, which was the primary sphere of activity during the financial year. What follows therefore is primarily a description of the temporary arrangements, which were replaced by those more appropriate for a "business as usual" organisation.

Due to the unique circumstances surrounding IPSA's establishment, it was agreed that the Ministry of Justice's (MoJ's) finance systems should be used for the payment of MoJ seconded staff and other invoices until independent systems had been created for IPSA. This was done primarily to ensure compliance with Government invoice payment timetables and to gain the governance and control benefits that are inherent in the application and use of those systems.

In addition to these system controls, financial authorities to commit and authorise expenditure were issued from me to selected individuals, for example Project Managers, who then certified expenditure before invoices were paid. On a monthly basis, management exception reports were prepared for the Programme Board. These reports and the transactions that made them up were also subjected to independent batch checking by the Finance Director and Deputy Director of Finance.

## **Capacity to handle risk**

Within IPSA during the financial year 2009/10, risk was handled primarily through the Programme Risk and Assurance Board (PRAB). The PRAB reported to the IPSA Programme Management Board which in turn reported to the IPSA Board. The PRAB's terms of reference were:

- to assure specific programme deliverables with the emphasis on a risk-based approach to stop or reduce negative Programme impacts;
- to provide pre-Programme Board scrutiny of project deliverables as required. Where appropriate advise/escalate to the Programme Management Board;
- to provide confirmation that programme deliverables had been through the relevant assurance regime prior to handover to IPSA;
- to provide proactive management of risks and issues across the programme as appropriate;
- to act as the point for escalation for matters concerning risks and issues that could not be resolved at a working level within the programme's constituent projects;
- to escalate to the Programme Management Board or IPSA (as appropriate) any risk/assurance decision that could not be resolved by PRAB;
- to arranging any special meeting as needed outside the framework of the meetings in order to expedite risks;
- to ensure joint risks across the transition project and shared between IPSA and the operations directorate of the House of Commons were understood and addressed or escalated, as appropriate, by the transition project;
- to take ownership of the programme contingency plan and business continuity plan; and,
- to act as the programme change board for programme plan changes, and to assure that technical changes followed the due process managed by the design authority. Only changes which affected the critical path or those with significant impact upon budget were considered.

PRAB was chaired at a senior level within the organisation, by the Deputy Head of the Programme Team, and included representation from around the programme, including the Programme Director and Head of the Programme Management Office.

The PRAB ceased work in June 2010 when it was replaced by IPSA's Risk and Assurance Working Group (RAWG). Further details of RAWG are given in the section, 'review of effectiveness', below.

## **The risk and control framework**

The approach within the programme was to promote active risk management by Project Managers. The Programme Board retained ultimate responsibility for all risks within the programme. However, PRAB provided an extra level of scrutiny between the Programme Board individual risk arrangements within each project.

During the latter stages of programme delivery, PRAB adopted a thematic approach to risk management. This involved individual themes being identified in advance of PRAB meetings and the relevant risk managers being called to account at PRAB meetings, allowing a greater level of scrutiny than would be allowed merely by a paper review.

IPSA has ensured it takes a best practice approach to risk management by welcoming involvement from the Office of Government Commerce (OGC) in the Programme. During the financial year



2009/10, two separate Gateway 0 Reviews were carried out by OGC. In 2010/11 the OGC carried out a final "Gateway 0" review. The full text of the June 2010 Gateway review is available on IPSA's website at [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk).

In summary the findings of the Gateway 0 review were:

***"Amber/Green Delivery Confidence rating.***

*The Independent Parliamentary Standards Authority Implementation Programme (the Programme) is now drawing to a close.*

*At the time of the first Gateway Review, in October 2009, the task before the Programme looked extremely challenging. The Review Team finds that the Programme has consistently met its milestones: the Independent Parliamentary Standards Authority (IPSA) Board has been appointed, and the Scheme for MPs' expenses is in place; IPSA has working accommodation, systems and processes; and staff are in place. MPs and their staff have had salaries paid by the Authority, and the first expenses claims have been paid.*

*The major task left for the Programme is to ensure IPSA's readiness for publication of expenses claims in mid-July. The timetable for this is an example of the tight timescales to which the Programme has worked and delivered throughout: consultation on the proposed publication scheme is due to be completed on 7 July, with publication following. From the Programme's track record, the Review Team would expect this final key milestone to be met, but because of the time pressures, we give the Programme an **Amber/Green Delivery Confidence rating.***

*We have heard little but praise for the competence, integrity, enthusiasm and hard work of the Programme team, and we concur with that. We commend the team for delivering so completely in a short period with a fixed end date. Although there have been a very few examples of where things might have been done differently, these have not been significant, and these suggestions were made with the benefit of hindsight.*

*IPSA is a new body, set up in a controversial area, where opinions differ and are strongly held. As with any new organisation, there have been teething troubles, but we consider that these have been over-emphasised by those with an axe to grind. That said, those emerging issues do need to be addressed, but that is a matter for IPSA, not for the Programme".*

**Review of effectiveness**

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

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

- with effect from 1 April, a Senior Leadership Team meets weekly to discuss and consider current business issues;

- daily operational meetings with senior team members to receive and discuss reports on operational issues, including steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- a Risk and Assurance Working Group for IPSA has been established and has taken over responsibility for the management of risk and issues from the PRAB;
- an internal audit service has been procured from PwC with effect from 1 April 2010. The internal audit service procured will deliver regular reports, which meet the Government Internal Audit Standards and deliver an independent opinion on the adequacy and effectiveness of IPSA's risk, control and governance arrangements together with recommendations for improvement;
- meetings with PwC are held regularly to discuss emerging issues;
- the Audit Committee has met in June, July and October 2010 and will continue to meet as required; and,
- a security forum consisting of a monthly meeting of senior team members to discuss and agree actions on data information and security.

I have appointed a Senior Information Risk Officer to advise me on the effectiveness with which we manage the risks associated with the information that IPSA handles. We have started a programme of information management security briefings, requiring the attendance of every employee of IPSA. The briefings are designed to raise awareness of information management security resulting in improved performance in handling information securely. During 2010/11 IPSA will be assessing the work required to achieve ISO 27001 accreditation.

### **Significant internal control problems**

I can confirm that no gaps in controls and assurances were identified during the year and therefore no significant risks materialised from controls. From May 2010, IPSA began live operations including the payment of the salaries of MPs and MPs' staff, and the expenses of MPs. To address the anomalies in the expenses scheme experienced in the first months of live operation, IPSA has held a short consultation, as required by statute, before amending the scheme accordingly.

### **Personal Data Incident**

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

The investigation found that a system administrator of an external contractor had, in error, worked on a report in the system making it available simultaneously to users of the system. IPSA contacted all 11 people who accessed the information, requesting confirmation that any information obtained

had been securely destroyed. The investigation found no evidence to suggest that information contained in the report was inappropriately processed or disclosed.

Following the incident, IPSA has changed the access and procedures for system administration. It has made changes to the system to prevent a reoccurrence due to human error, reviewed and changed access privilege levels for users, implemented full system auditing, and undertaken refresher training for administrators.

### **Looking Forward – 2010/11**

From 1 April to the date of signing of the annual report and accounts, IPSA has continued to develop its systems of internal control. The Audit Committee has met on three occasions in the first six months of the year, the internal audit service has begun its work with its first reports due by the end of October, and the Risks and Risk Control Framework have been established in the organisation with regular discussions on risks amongst the Board, Senior Leadership Team and staff. IPSA continues to develop and enhance its system of internal control ensuring that it remains “fit for purpose” at all times.

Signed

A handwritten signature in black ink, appearing to read 'Andrew McDonald', with a horizontal line drawn underneath the signature.

Date: 12/11/10

**Andrew McDonald - Accounting Officer**

## **2009/10 IPSA (Parliamentary Supply) Accounts**

## **IPSA (Parliamentary Supply) Accounts**

### **Independent Auditor's Report to the House of Commons**

I have audited the financial statements of the Independent Parliamentary Standards Authority (IPSA) for the year ended 31 March 2010. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity, the Statement of Operating Costs by Strategic Objective and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that Report as having been audited.

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

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to IPSA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by IPSA; and the overall presentation of the financial statements.

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

#### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

#### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the IPSA's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs by strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with HM Treasury guidance.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury guidance; and
- the information given in the Foreword and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

***Amyas C E Morse***

***Date: 17/11/10***

***Comptroller and Auditor General***

***National Audit Office***

***157-197 Buckingham Palace Road***

***Victoria, London, SW1W 9SP***

# Statement of Parliamentary Supply

## Summary of Resource Outturn 2009/10

2009/10 £000								
Request for Resources	Estimate				Outturn			Net Total outturn compared with Estimate: saving/ (excess)
	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	
RfR 1 Establishment of IPSA	2	4,448	0	4,448	2,905	0	2,905	1,543
Total resources	2	4,448	0	4,448	2,905	0	2,905	1,543
Non-operating cost A in A		0	0	0	0	0	0	0

## Net cash requirement 2009/10

2009/10 £000			
Note	Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)
Net cash requirement	4	6,571	3,361
			3,210

## Summary of income payable to the Consolidated Fund

There was no income payable to the Consolidated Fund

2009/10 £000 Forecast		
Note	Income	Receipts
Total	5	0
		0

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary. **The notes on pages 50 to 62 form part of these accounts.**

**Operating Cost Statement**  
for the period ended 31 March 2010

			2009/10 £000	
	Note	Staff Costs	Other Costs	Income
<b>Administration Costs:</b>				
RfR1				
Staff costs	7	1,546		
Other administration costs	8		1,319	
Non-Cash Audit fee	8		40	
Operating income				0
<b>Programme Costs:</b>				
RfR1				
Staff costs	7	0		
Programme costs			0	
Income				0
<b>Totals</b>		1,546	1,359	0
<b>Net Operating Cost</b>	3			2,905

The notes on pages 50 to 62 form part of these accounts.




# Statement of Financial Position

as at 31 March 2010

2010  
£000

	Note		
<b>Non-current assets:</b>			
Property, plant and equipment	9	1,568	
Intangible assets	10	58	
Financial Assets	11	0	
<b>Total non-current assets</b>			1,626
<b>Current assets:</b>			
Assets classified as held for sale		0	
Inventories		0	
Trade and other receivables	12	49	
Financial Assets	11	0	
Cash and cash equivalents	13	2,210	
<b>Total current assets</b>			2,259
<b>Total assets</b>			<b>3,885</b>
<b>Current liabilities</b>			
Trade and other payables	14	1,069	
Other liabilities		2,210	
<b>Total current liabilities</b>			3,279
<b>Non-current assets plus/less net current assets/liabilities</b>			<b>606</b>
<b>Non-current liabilities</b>			
Provisions	15	110	
Other payables	14	0	
Financial Liabilities	11	0	
<b>Total non-current liabilities</b>			110
<b>Assets less liabilities</b>			<b>496</b>
<b>Taxpayers' equity:</b>			
General fund		496	
Revaluation reserve		0	
<b>Total taxpayers' equity</b>		<b>496</b>	

The notes on pages 50 to 62 form part of these accounts.

Signed   
Andrew McDonald – Accounting Officer

Date: 12/11/10

**Statement of Cash Flows**  
for the period ended 31 March 2010

		2009/10 £000
	Note	
<b>Cash flows from operating activities</b>		
Net operating cost		(2,905)
Adjustments for non-cash transactions	8	40
(Increase)/Decrease in trade and other receivables	12	(49)
Increase/(Decrease) in trade & other payables	14	1,069
<i>Less movement in payables relating to items not passing through the OCS</i>	14	(279)
<b>Net cash outflow from operating activities</b>		<b>(2,124)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	9	(1,568)
<i>Add non cash purchase of PPE</i>	14	279
Purchase of intangible assets	10	(58)
<i>Add increase in provision</i>	15	110
<b>Net cash outflow from investing activities</b>		<b>(1,237)</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund (Supply) – current year		5,571
<b>Net financing</b>		<b>5,571</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>2,210</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>2,210</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>2,210</b>

The notes on pages 50 to 62 form part of these accounts.

**Statement of Changes in Taxpayers' Equity**  
for the period ended 31 March 2010

	Note	General Fund	Revaluatio n Reserve	Total Reserves
		£000	£000	£000
<b>Changes in Taxpayers' Equity for 2009/10</b>				
<b>Balance at 1 April 2009</b>		<b>0</b>	<b>0</b>	<b>0</b>
Non-cash charges – auditor's remuneration	8	40	0	40
Net operating cost for the year		(2,905)	0	(2,905)
<b><i>Total recognised income and expenditure for 2009/10</i></b>		<b>(2,865)</b>	<b>0</b>	<b>(2,865)</b>
Net Parliamentary Funding – drawn down		5,571	0	5,571
Supply payable adjustment		(2,210)	0	(2,210)
<b>Balance at 31 March 2010</b>		<b>496</b>	<b>0</b>	<b>496</b>

The notes on pages 50 to 62 form part of these accounts.

## Statement of Operating Costs by Strategic Objectives

for the period ended 31 March 2010

	Note	Strategic Objective 1	2009/10 Total
<b>Gross Expenditure</b>	2	2,905	2,905
<b>Income</b>		0	0
<b>Net Expenditure</b>	3	2,905	2,905

Objective 1

IPSA manages its activities as one segment. In this initial period, there was a single Strategic Objective, which was to establish IPSA.

The notes on pages 50 to 62 form part of these accounts.

# IPSA (Parliamentary Supply) Accounts 2009/10

## Notes to the Accounts

### 1. Statement of accounting policies

These financial statements have been prepared to account for the receipt of Parliamentary Supply through the New Supply Estimate (HC 18). They have been prepared in accordance with the 2009-10 *Government Financial Reporting Manual (FreM)* issued by Her Majesty's Treasury (HMT). The accounting policies contained in the FreM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FreM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of IPSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by IPSA are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

In addition to the primary statements prepared under IFRS, the *FreM* also requires IPSA to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Cost by Strategic Objective* and supporting notes analyse IPSA's income and expenditure in the context of the objectives of IPSA.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories as appropriate.

#### 1.2 Financing

The Independent Parliamentary Standards Authority (IPSA) is resourced by funds approved by the Speaker's Committee for the IPSA through the annual Appropriation Act. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund. Any income that IPSA may use in support of its activities (known as Appropriations in Aid) is also approved by the House of Commons in the Appropriation Act. Income earned in excess of the approved level cannot be used in support of IPSA's activities and is required to be paid over to the Consolidated Fund as excess Appropriations in Aid in accordance with *Managing Public Money*.

#### 1.3 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out by HMT. During 2009-10 IPSA had no programme expenditure.

#### 1.4 Pensions

In this accounting period, IPSA did not have any permanent employees. The Chair was appointed on the 4 November 2009 and the four Board members were appointed on 11 January 2010. Their remuneration is not pensionable. The pension arrangements for civil service staff on secondment to IPSA are dealt with by their seconding Department.

## **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.

On initial recognition, assets are measured at cost including any costs such as installation directly attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and is carried at fair value. All non-property operational assets are deemed to be short-life or low value assets and are, therefore, valued on the basis of depreciated replacement cost as an approximation of fair value.

## **1.6 Intangible assets**

Expenditure on intangible assets, which are software licenses and the associated costs of implementation, is capitalised where the cost is £5,000 or more. Intangible assets are reviewed annually for impairment, and are stated at amortised historic cost. Software licences are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life (four to seven years) of the asset.

## **1.7 Depreciation / Amortisation**

Property, plant and equipment are depreciated at rates calculated to write them down to the estimated residual value on a straight-line basis over their estimated useful lives. No depreciation/amortisation is charged in the year of acquisition but full year of depreciation/amortisation is applied in the year of disposal.

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	Remaining life of lease
IT and computers	3-5 years
Other equipment	5 years
Furniture, fixtures and fittings	7 years
Intangible Assets	3-5 years

## **1.8 Capital Charge**

A charge, reflecting the cost of capital utilised by IPSA, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5 per cent, on the average carrying amount of all assets less liabilities, except for cash balances with the Office of the Paymaster General and amounts to be surrendered to the Consolidated Fund. The cost of capital shown in the accounts is currently **£nil** as capital utilised by IPSA was capitalised at the year-end.

## **1.9 Trade receivables**

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

#### **1.10 Inventory and work in progress**

IPSA holds no inventory and has no work in progress.

#### **1.11 Operating income**

IPSA had no operating income in this period.

#### **1.12 Operating leases**

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

#### **1.13 Foreign exchange**

IPSA had no foreign exchange transactions in this period.

#### **1.14 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.

#### **1.15 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.

#### **1.16 Staff Costs**

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

#### **1.17 Accounting Estimates**

No material accounting estimates or judgements were made by IPSA in preparing these accounts.

#### **1.18 Contingent liabilities**

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

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

## 2. Analysis of net resource outturn by section

**2009-10**  
**£000**

Outturn							Estimate	
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total outturn compared with Estimate
<b>Request for resources 1:</b>								
Establishment of IPSA	2,905	0	0	2,905	0	2,905	4,448	1,543
<i>Resource Outturn</i>	2,905	0	0	2,905	0	2,905	4,448	1,543

**Note:** On resource, capital and cash the actual requirement was less than that requested. The main cause of this outcome was that significant expenditure on the IT system occurred after 1 April 2010, whilst previous expectations were that most of the expenditure on IT systems would be incurred prior to the year-end. The cash requirement was less than expected due to the resource under spend on IT and the timing of payments at year-end.



### 3. Reconciliation of outturn to net operating cost and against Administration Budget

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

				2009-10 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate
Net Resource Outturn	2	2,905	4,448	1,543
Non-supply income (CFERs)	5	0	0	0
Net Operating Cost		2,905	4,448	1,543

#### Outturn against final Administration Budget

		2009-10 £000
	Budget	Outturn
Gross Administration Budget	4,448	2,905
Income allowable against the Administration Budget	0	0
<b>Net outturn against final Administration Budget</b>	<b>4,448</b>	<b>2,905</b>

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

		Estimate	Outturn	Net total outturn compared with Estimate: saving/(ex cess)
	Note	£000	£000	£000
Resource Outturn	2	4,448	2,905	1,543
Capital				
Acquisition of property, plant and equipment	9	2,200	1,568	632
Purchase of intangible assets	10	0	58	(58)
Non-operating A in A				
Proceeds of asset disposals		0	0	0
Accruals adjustments				
Non-cash item	8	(77)	(40)	(37)
Capital accruals, capital provision and changes in working capital other than cash	12,14,15	0	(1,130)	1,130
Changes in payables falling due after more than one year		0	0	0
Use of provision	15	0	0	0
Excess cash receipts surrenderable to the Consolidated Fund	5	0	0	0
Net cash requirement		<b>6,571</b>	<b>3,361</b>	<b>3,210</b>

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

There was no income payable to the Consolidated Fund during the period to 31 March 2010.

#### 6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

No reconciliation is required as there was no income payable to the Consolidated Fund during the period to 31 March 2010.

## 7. Staff numbers and related costs

Staff costs comprise:

	2009-10 £000				
	<b>Total</b>	<b>Permanent staff</b>	<b>Seconded Staff</b>	<b>Others</b>	<b>Chairman and IPSA Board</b>
Wages and salaries	595	0	540	0	55
Social security costs	51	0	44	0	7
Other pension costs	101	0	101	0	0
Seconded Staff – VAT	4	0	4	0	0
<b>Sub Total</b>	<b>751</b>	<b>0</b>	<b>689</b>	<b>0</b>	<b>62</b>
Agency Staff	795	0	0	795	0
<b>Total net costs</b>	<b>1,546</b>	<b>0</b>	<b>689</b>	<b>795</b>	<b>62</b>

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

### Note:

Those staff seconded to the Programme Implementation Team from the Ministry of Justice were able to be nominated for and receive payment of small awards through a Reward and Recognition Scheme. All nominations for reward / special bonus were assessed by a panel of managers and were paid either as vouchers or through salaries.

In total, £875 was paid out in R&R awards and the following table gives the numbers of people receiving total awards in bands:

<b>Total value of rewards received</b>	<b>No of people in band</b>
Under £50	8
£51 to £100	2
£101 to £150	2
£151 to £200	1
Over £200	0
<b>Total no. of recipients</b>	<b>13</b>

### Average number of persons employed

The average number of whole-time equivalent persons employed or seconded to IPSA during the period was as follows. These figures include all those working in the IPSA Programme Team in addition to those employed directly by IPSA. The average was calculated as the average of people in post by month over the 6 months of October 2009 to March 2010.

**Number**

<b>Strategic Objective</b>	<b>Total</b>	<b>Permanent staff</b>	<b>Seconded staff</b>	<b>Others</b>	<b>Chairman &amp; IPSA Board</b>
Establishment of IPSA	41	0	21	15	5
<b>Total</b>	<b>41</b>	<b>0</b>	<b>21</b>	<b>15</b>	<b>5</b>

**8. Other Administration Costs**

	<b><u>£'000</u></b>
Rental	279
Professional services	268
IT services	249
Accommodation search, design and relocation	202
Recruitment and advertising	106
Legal	95
Conferences and events	47
Office expenditure	45
External Audit Fee (Non-cash item)	40
Other	28
<b>Total</b>	<b><u>1,359</u></b>

## 9. Property, plant and equipment

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

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

## 10. Intangible assets

Intangible assets comprise the software licences for the Enterprise and BACS IT solutions

	Total £000
<b>Cost or valuation</b>	
At 1 April 2009	0
Additions	58
Disposals	0
Revaluation	0
<b>At 31 March 2010</b>	<b>58</b>
<b>Amortisation</b>	
At 1 April 2009	0
Charged in year	0
Disposals	0
Revaluation	0
	<b>0</b>

## 11. Financial Instruments

IPSA's resources are met from Parliament through the Estimates process and, more specifically through the Speaker's Committee. IPSA has no powers to borrow money or to invest surplus funds. Other than 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 client base of MPs and their staff and the powers inherent to IPSA to recover any monies owing, IPSA believes that it is not exposed to any material credit risk.

## 12. Trade receivables and other current assets

	2009-10 £000
<b>Amounts falling due within one year:</b>	
Trade receivables	22
Deposits and advances	0
Other receivables	27
<b>Total</b>	<b>49</b>

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

### 12.1 Receivables – Balances with Government Bodies

A receivable balance of £27k exists with the Ministry of Justice (MoJ). £22k is a receivable balance due to IPSA for 50% of the cost of a shared service, provided by IPSA to the House of Commons.

## 13. Cash and cash equivalents

	2009-10 £000
Balance at 1 April	0
Net change in cash and cash equivalent balances	2,210
<b>Balance at 31 March</b>	<b>2,210</b>

The following balances at 31 March were held at:

Office of HM Paymaster General	2,210
Commercial banks and cash in hand	0
Short term investments	0
<b>Balance at 31 March</b>	<b>2,210</b>

#### 14. Trade payables and other current liabilities

	2009-10 £000
<b>Amounts falling due within one year</b>	
VAT	0
Other taxation and social security	19
Trade payables	16
Accruals and deferred income	755
Non current asset accruals	279
<b>Sub- total</b>	<b>1,069</b>
Amounts issued from the Consolidated Fund for Supply but not spent at year end	2,210
<b>Total</b>	<b>3,279</b>

- There are no amounts falling due after more than one year.
- There are no non-current liabilities.

#### 15. Provisions for liabilities and charges

	2009/10 £000
Opening balance	0
Provided for in year	110
Provisions used in year	0
Balance at 31 March 2010	110

A capital provision has been made to restore IPSA's leasehold property to its original state at the end of the lease in 2015. Calculation based on office space, approx 11000 sq ft – in the course of 5 years £110,000 to reinstate to shell.

#### 16. Capital commitments

	2009-10 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements	
Property, plant and equipment	108
Intangible assets	145

## 17. Commitments under leases

### 17.1 Operating leases

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

	<b>2009-10</b>
	<b>£000</b>
<b>Obligations under operating leases for the following periods comprise:</b>	
Buildings	
Not later than one year	348
Later than one year and not later than five years	1,392
Later than five years	1,740

Lease commitments include IPSA's rental property and are stated inclusive of VAT. The total rental expenditure recognised in 2009-10 is £279k (see note 8). Of this £58k relates to the rental of the building held under an operating lease, the remaining £221k relates to rental payments to MoJ incurred prior to obtaining the leasehold building.

### 17.2 Finance leases

IPSA does not hold any finance leases.

## 18. Other financial commitments

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

## 19. Contingent liabilities disclosed under IAS 37

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

## 20. Losses and special payments

No losses and special payments that require separate disclosure because of their nature or amount were incurred.

## 21. Related-party transactions

IPSA considers the Ministry of Justice (MOJ) to be a related party. During the early period of the establishment of IPSA, MOJ received £1.1m in contingency fund cash to cover any expense IPSA made before the Speaker was able to lay IPSA's own Estimate. During 2009-10, MOJ incurred expenditure totalling £2,114k on IPSA's behalf and these transactions are fully included in this set of



accounts. IPSA repaid MOJ £2,141k and, therefore, there is a receivable of £27k at year end owing to IPSA.

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

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

## **22. Third-party assets**

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

## **2009/10 IPSA Accounts**

**For the period 12 October 2009 to 31 March 2010**

## **IPSA Accounts**

### **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 period 12 October 2009 to 31 March 2010 under the Parliamentary Standards Act 2009. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that Report as having been audited.

### **Respective responsibilities of 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to IPSA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by IPSA; and the overall presentation of the financial statements.

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

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the IPSA's affairs as at 31 March 2010 and of its net operating cost, changes in taxpayers' equity and cash flows for the period then ended; and
- the financial statements have been properly prepared in accordance with the Parliamentary Standards Act 2009 and directions issued by HM Treasury thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury guidance; and

- the information given in Foreword and Management Commentary for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse  
Comptroller and Auditor General*

*Date: 17/11/10*

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

## Operating Cost Statement

For the period from 12 October 2009 to 31 March 2010

				2009-10 £000
	Note	Staff Costs	Other Costs	Income
<b>Administration Costs:</b>				
<b>RfR1</b>				
Staff costs	4	1,400		
Other administration costs	5		1,199	
Non-Cash Audit fee	5		30	
Operating income				0
<b>Programme Costs:</b>				
<b>RfR1</b>				
Staff costs	4	0		
Programme costs			0	
Income				0
<b>Totals</b>		<b>1,400</b>	<b>1,229</b>	<b>0</b>
<b>Net Operating Cost</b>				<b>2,629</b>

All income and expenditure is derived from continuing operations.

The notes on pages 70 to 79 form part of these accounts.

# Statement of Financial Position

as at 31 March 2010

	Note		2010 £000
<b>Non-current assets:</b>			
Property, plant and equipment	6	1,568	
Intangible assets	7	58	
Financial Assets	8	0	
<b>Total non-current assets</b>			1,626
<b>Current assets:</b>			
Assets classified as held for sale		0	
Inventories		0	
Trade and other receivables		49	
Financial Assets	8	0	
Cash and cash equivalents	10	2,210	
<b>Total current assets</b>			2,259
<b>Total assets</b>			<b>3,885</b>
<b>Current liabilities</b>			
Trade and other payables	11	1,069	
Other liabilities		2,210	
<b>Total current liabilities</b>			3,279
<b>Non-current assets plus/less net current assets/liabilities</b>			<b>606</b>
<b>Non-current liabilities</b>			
Provisions	12	110	
Other payables	11	0	
Financial Liabilities	8	0	
<b>Total non-current liabilities</b>			110
<b>Assets less liabilities</b>			<b>496</b>
<b>Taxpayers' equity:</b>			
General fund		496	
Revaluation reserve		0	
<b>Total taxpayers' equity</b>		<b>496</b>	

The notes on pages 70 to 79 form part of these accounts.

Signed 

Andrew McDonald - Accounting Officer

Date: 12/11/10

# Statement of Cash Flows

for the period from 12 October 2009 to 31 March 2010

		2009-10 £000
	Note	
<b>Cash flows from operating activities</b>		
Net operating cost		(2,629)
Adjustments for non-cash transactions	5	30
(Increase)/Decrease in trade and other receivables	9	(49)
Increase/(Decrease) in trade & other payables	11	1,069
<i>Less movement in payables relating to items not passing through the OCS</i>	11	(279)
<b>Net cash outflow from operating activities</b>		<b>(1,858)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment		(1,568)
<i>Add non cash purchase of PPE</i>	11	279
Purchase of intangible assets	7	(58)
<i>Add increase in provision</i>	12	110
<b>Net cash outflow from investing activities</b>		<b>(1,237)</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund (Supply) – current year		5,571
Cash payment to the Ministry of Justice for expenditure prior to 12 <sup>th</sup> October 2009		(266)
<b>Net financing</b>		<b>5,305</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>2,210</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>2,210</b>
<b>Cash and cash equivalents at the end of the period</b>	10	<b>2,210</b>

The notes on pages 70 to 79 form part of these accounts.

**Statement of Changes in Taxpayers' Equity**  
for the period from 12 October to 31 March 2010

	Note	General Fund	Revaluation Reserve	Total Reserves
		£000	£000	£000
<b>Changes in taxpayers' equity for 2009-10</b>				
<b>Balance at 12 October 2009</b>		<b>0</b>	<b>0</b>	<b>0</b>
Net operating cost for the year		(2,629)	0	(2,629)
Non cash charges: auditors remuneration	5	30	0	
<b><i>Total recognised income and expense for 2009-10</i></b>		<b>(2,599)</b>	<b>0</b>	<b>(2,599)</b>
Net Parliamentary Funding – drawn down		5,305	0	5,305
Supply payable adjustment		(2,210)	0	(2,210)
<b>Balance at 31 March 2010</b>		<b>496</b>	<b>0</b>	<b>496</b>

The notes on pages 70 to 79 form part of these accounts.



# IPSA Accounts 2009/10

## Notes to the Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with Para 23(2), Schedule 1 of the Parliamentary Standards Act 2009 and in accordance with the 2009-10 *Government Financial Reporting Manual (FReM)* issued by Her Majesty's Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of IPSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by IPSA are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories as appropriate.

#### 1.2 Financing

The Independent Parliamentary Standards Authority (IPSA) is resourced by funds approved by the Speaker's Committee through the annual Appropriation Act. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund. Any income that IPSA may use in support of its activities (known as Appropriations in Aid) is also approved by the House of Commons in the Appropriation Act. Income earned in excess of the approved level cannot be used in support of IPSA's activities and is required to be paid over to the Consolidated Fund as excess Appropriations in Aid in accordance with Managing Public Money.

#### 1.3 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out by HMT. During 2009-10 IPSA had no programme expenditure.

#### 1.4 Pensions

In this accounting period, IPSA did not have any permanent employees. The Chair was appointed on the 4 November 2009 and the four Board members were appointed on 11 January 2010. Their remuneration is not pensionable. The pension arrangements for civil service staff on secondment to IPSA are dealt with by their seconding Department.

#### 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.

On initial recognition, assets are measured at cost including any costs such as installation directly attributable to bringing them into working condition. All property, plant and equipment is reviewed annually for impairment and is carried at fair value. All non-property operational assets are deemed to

be short-life or low value assets and are, therefore, valued on the basis of depreciated replacement cost as an approximation of fair value.

#### **1.6 Intangible assets**

Expenditure on intangible assets, which are software licenses and the associated costs of implementation, is capitalised where the cost is £5,000 or more. Intangible assets are reviewed annually for impairment, and are stated at amortised historic cost. Software licences are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life (four to seven years) of the asset.

#### **1.7 Depreciation / Amortisation**

Property, plant and equipment are depreciated at rates calculated to write them down to the estimated residual value on a straight-line basis over their estimated useful lives. No depreciation / amortisation is charged in the year of acquisition but full year of depreciation / amortisation is applied in the year of disposal.

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	Remaining life of lease
IT and Computers	3-5 Years
Other equipment	5 years
Furniture, fixtures and fittings	7 years
Intangible Assets	3-5 Years

#### **1.8 Capital Charge**

A charge, reflecting the cost of capital utilised by IPSA, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5 per cent, on the average carrying amount of all assets less liabilities, except for cash balances with the Office of the Paymaster General and amounts to be surrendered to the Consolidated Fund. The cost of capital shown in the accounts is **£nil** as capital utilised by IPSA was capitalised at the year-end.

#### **1.9 Trade receivables**

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

#### **1.10 Inventory and work in progress**

IPSA holds no inventory and has no work in progress.

#### **1.11 Operating income**

IPSA had no operating income in this period.

#### **1.12 Operating leases**

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

#### **1.13 Foreign exchange**

IPSA had no foreign exchange transactions in this period.

#### **1.14 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.

#### **1.15 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.

#### **1.16 Staff Costs**

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

#### **1.17 Accounting Estimates**

No material accounting estimates or judgements were made by IPSA in preparing these accounts.

#### **1.18 Contingent liabilities**

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

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

### **2. Analysis of income payable to the Consolidated Fund**

There was no income payable to the Consolidated Fund during the period 12 October 2009 to 31 March 2010.

### **3. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund**

No reconciliation is required as there was no income payable to the Consolidated Fund during the period to 31 March 2010.

#### 4. Staff numbers and related costs

Staff costs comprise:

	2009-10 £000				
	Total	Permanent staff	Seconded Staff	Others	Chairman & IPSA Board
Wages and salaries	488	0	433	0	55
Social security costs	42	0	35	0	7
Other pension costs	82	0	82	0	0
Seconded Staff – VAT	4	0	4	0	0
<b>Sub Total</b>	<b>616</b>	<b>0</b>	<b>554</b>	<b>0</b>	<b>62</b>
Agency Staff	<b>784</b>	<b>0</b>	<b>0</b>	<b>784</b>	<b>0</b>
<b>Total net costs</b>	<b>1,400</b>	<b>0</b>	<b>554</b>	<b>784</b>	<b>62</b>

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

**Note:**

Those staff seconded to the Programme Implementation Team from the Ministry of Justice were able to be nominated for and receive payment of small awards through a Reward and Recognition Scheme. All nominations for reward / special bonus were assessed by a panel of managers and were paid either as vouchers or through salaries.

It total, £875 was paid out in R&R awards and the following table gives the numbers of people receiving total awards in bands:

Total value of rewards received	No of people in band
Under £50	8
£51 to £100	2
£101 to £150	2
£151 to £200	1
Over £200	0
<b>Total no. of recipients</b>	<b>13</b>

#### Average number of persons employed

The average number of whole-time equivalent persons employed or seconded to IPSA during the period was as follows. These figures include all those working in the IPSA Programme Team in addition to those employed directly by IPSA. The average was calculated as the average of people in post by month over the 6 months of October 2009 to March 2010.

	2009-10				
Number					
Strategic Objective	Total	Permanent staff	Seconded staff	Others	Chairman & IPSA Board
Establishment of IPSA	41	0	21	15	5
<b>Total</b>	<b>41</b>	<b>0</b>	<b>21</b>	<b>15</b>	<b>5</b>

## 5. Other Administration Costs

	£'000
IT Services	237
Rental	236
Professional Services	224
Accommodation search ,design and relocation	202
Legal	95
Recruitment and advertising	88
Conferences and events	47
Office expenditure	45
External Audit Fee (Non-Cash item)	30
Other	26
<b>Total</b>	<b>1,229</b>

## 6. Property, plant and equipment

	Buildings £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 12 October 2009	0	0	0	0
Additions	899	402	267	1,568
Revaluations	0	0	0	0
<b>At 31 March 2010</b>	<b>899</b>	<b>402</b>	<b>267</b>	<b>1,568</b>
<b>Depreciation</b>				
At 12 October 2009	0	0	0	0
Charged in year	0	0	0	0
Revaluations	0	0	0	0
<b>At 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2010</b>	<b>899</b>	<b>402</b>	<b>267</b>	<b>1,568</b>
<b>Net book value at 12 October 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## 7. Intangible assets

Intangible assets comprise the software licences for the Enterprise and BACS IT solutions

	<b>Total £000</b>
<b>Cost or valuation</b>	
At 12 October 2009	0
Additions	58
Disposals	0
Revaluation	0
<b>At 31 March 2010</b>	<b>58</b>
<b>Amortisation</b>	
At 12 October 2009	0
Charged in year	0
Disposals	0
Revaluation	0
<b>At 31 March 2010</b>	<b>0</b>
<b>Net book value at 31 March 2010</b>	<b>58</b>

## 8. Financial Instruments

IPSA's resources are met from Parliament through the Estimates process and, more specifically through the Speaker's Committee. IPSA has no powers to borrow money or to invest surplus funds. Other than 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 client base of MPs and their staff and the powers inherent to IPSA to recover any monies owing, IPSA believes that it is not exposed to any material credit risk.

## 9. Trade receivables and other current assets

	2009-10 £000
<b>Amounts falling due within one year:</b>	
Trade receivables	22
Deposits and advances	0
Other receivables	27
<b>Total</b>	<b>49</b>

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

### 9.1 Receivables - Balances with Government Bodies

A receivable balance of £27k exists with the Ministry of Justice (MoJ). £22k is a receivable balance due to IPSA for 50% of the cost of a shared service, provided by IPSA to the House of Commons.

## 10. Cash and cash equivalents

	2009-10 £000
Balance at 12 October 2009	0
Net change in cash and cash equivalent balances	2,210
<b>Balance at 31 March</b>	<b>2,210</b>
The following balances at 31 March were held at:	
Office of HM Paymaster General	2,210
Commercial banks and cash in hand	0
Short term investments	0
<b>Balance at 31 March</b>	<b>2,210</b>

## 11. Trade payables and other current liabilities

	2009-10 £000
<b>Amounts falling due within one year</b>	
VAT	0
Other taxation and social security	19
Trade payables	16
Other payables	0
Accruals and deferred income	755
Non current asset accruals	279
<b>Sub-total</b>	<b>1,069</b>
Amounts issued from the Consolidated Fund for Supply but not spent at year end	2,210
<b>Total</b>	<b>3,279</b>

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

\*There are no non-current liabilities

## 12. Provisions for liabilities and charges

	2009-10 £000
Opening balance	0
Provided for in year	110
Provisions used in year	0
Balance at 31 March 2010	110

A capital provision has been made to restore IPSA's leasehold property to its original state at the end of the lease in 2015. Calculation based on office space, approx 11000 sq ft – in the course of 5 years £110,000 to reinstate to shell.



### 13. Capital commitments

	2009-10 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements	
Property, plant and equipment	108
Intangible assets	145

### 14. Commitments under leases

#### 14.1 Operating leases

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

	2009-10 £000
<b>Obligations under operating leases for the following periods comprise:</b>	
Buildings	
Not later than one year	348
Later than one year and not later than five years	1,392
Later than five years	
	<b>1,740</b>

Lease commitments include IPSA's rental property and are stated inclusive of VAT. The total rental expenditure recognised in 2009-10 is £279k (see note 5). Of this £58k relates to the rental of the building held under an operating lease, the remaining £221k relates to rental payments to MoJ incurred prior to obtaining the leasehold building.

#### 14.2 Finance leases

IPSA does not hold any finance leases

### 15. 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.

### 16. Contingent liabilities disclosed under IAS 37

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

## **17. Losses and special payments**

No losses and special payments that required separate disclosure because of their nature or amount were incurred.

## **18. Related-party transactions**

IPSA considers the Ministry of Justice (MOJ) to be a related party. During the early period of the establishment of IPSA, MOJ received £1.1m in contingency fund cash to cover any expense IPSA made before the Speaker was able to lay IPSA's Estimate. During 2009-10, MOJ incurred expenditure totalling £2,114k **(of which £276k related to the period before 12 October 2009)** on IPSA's behalf. Within the amount of £276k, £10k relates to the audit fee. IPSA repaid MOJ £2,141k and, therefore, there is a receivable of £27k at year end owing to IPSA.

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

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

## **19. Third-party assets**

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

## 6. ACCOUNTS DIRECTION

**Accounts direction given by the Treasury, in accordance with Paragraph 23(2), Part 2 of Schedule 1 to the Parliamentary Standards Act 2009.**

1. The Independent Parliamentary Standards Authority shall prepare accounts for the financial year ended 31 March 2010 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 2009-10.
2. With respect to the requirements of the FReM, at chapter 3 and paragraph 5.4.27 respectively, IPSA will exclude from its accounts:
  - a) a Statement of Parliamentary Supply and respective notes to the accounts; and
  - b) a Statement of Net Operating Cost by Strategic Objectives and respective notes to the accounts.
3. 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 2010, and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year then ended;
  - (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; and
  - (c) exclude any costs incurred prior to section 3(1) and (2) of the Parliamentary Standards Act 2009 coming into force on 12th October 2009.
4. This direction supercedes the direction dated 14 July 2010.



Chris Wobschall  
Head, Assurance and Financial Reporting Policy, HM Treasury  
29 October 2010







