

Annual Review of Assurance 2019-20

January 2021



Executive summary

IPSA has published an Annual Review of Assurance each year since 2017 as a way of taking stock of our regulatory work over the previous year, and of fulfilling our strategic objective to assure the public about how taxpayers' money is being spent by MPs.

This document summarises the activity we undertook during the 2019-20 financial year to ensure that claims for MPs' business costs and expenses were appropriately evidenced and compliant with our rules, and that IPSA was applying the Scheme effectively. This includes our validation processes, where we check claims individually either before or after payment; and our thematic assurance work, which examines specific areas of expenditure in depth.

The 2019-20 financial year presented unexpected challenges – first, a snap General Election on 12 December 2019, followed shortly by the onset of the coronavirus pandemic, which has fundamentally changed how MPs, their staff and IPSA carry out their respective roles. Most of the work described in this document took place before these events, but in the months that followed, we embarked on new assurance work covering the election and the impact of coronavirus. The findings from that work will be reported in due course.

This document comprises five sections. **Section 1** provides an introduction to IPSA's regulatory role. **Section 2** describes our approach to validation and assurance. In **Section 3**, we provide information on the pre-payment validation activity which took place during 2019-20. Likewise, **Section 4** provides information on post-payment validation during the year. Through these processes we can be confident that the vast majority of claims submitted by MPs are legitimate and compliant with the Scheme of MPs' Business Costs and Expenses; and that, where we discover ineligible claims that have to be repaid, they are nearly always a result of misunderstanding or administrative error. Lastly, **Section 5** provides an introduction to the two thematic assurance reviews that were carried out during 2019-20. Full reports of these reviews are published on IPSA's website.

1 Introduction

1. The Independent Parliamentary Standards Authority (IPSA) is the regulator of business costs and expenses for Members of Parliament in the UK. Our founding legislation gives us a dual role: to ensure that MPs are resourced appropriately to carry out their parliamentary functions; and to ensure that MPs' use of taxpayers' money is transparent and well regulated.
2. To do this, we established the [Scheme of MPs' Business Costs and Expenses](#) ('the Scheme'), which sets out rules for what MPs can and cannot claim. The Scheme is underpinned by Fundamental Principles which apply to MPs, in making claims, and to IPSA, in administering them. These principles state that MPs can only claim for costs that are parliamentary; must act with probity; must seek value for money in their claims; and are accountable for what they spend. Meanwhile, they also state that IPSA must treat MPs fairly; operate transparently; and regulate efficiently, cost effectively and proportionately.
3. In order to assess the level of assurance that IPSA's Board and its Chief Executive, as Accounting Officer, can have that money paid to MPs through IPSA's accounts is spent properly, we have processes in place to check the compliance of MPs' claims with the Scheme – both with the specific rules and with the Fundamental Principles.
4. In addition, this work enables us to seek continuous improvement in the way we support MPs and administer their claims. A better understanding of MPs' spending patterns and financial requirements also informs IPSA's future policymaking.
5. For the purposes of this document, we have used the term 'assurance' broadly to include both validation, meaning the checking of individual claims, and thematic assurance work, meaning the analysis of specific categories of expenditure across all MPs to establish patterns and make an assessment of compliance.

What this document covers

6. This document covers all of the assurance work which took place in the 2019-20 financial year. This includes three main types of activity:
 - Pre-payment validation;

- Post-payment validation; and
 - Thematic assurance reviews.
7. We have provided summaries of the work undertaken and, where appropriate, we have also explained how our findings from these activities have been used. Some have led to further investigation of specific claims or areas of expenditure. In a few cases, we have recovered money from MPs which was incorrectly claimed and paid. In all cases, we seek to use assurance activities to support the continuous improvement of IPSA's processes and rules.

2 Overview of assurance at IPSA

8. IPSA processes between 150,000 and 190,000 claims for MPs' business costs each financial year – an average of up to 15,000 per month – with an annual total value of £30-35 million¹. Because of our responsibility for assuring the proper use of taxpayers' money, we require claims to be accompanied by sufficient information and appropriately evidenced so that we can check that they comply with the rules set out in the Scheme.
9. Our regulatory processes reflect what we know about the relatively low risk associated with the majority of claims, which do not require excessive amounts of inspection before payment. We use an assessment of the risk associated with different types of claims to inform our processes, which allows us to maintain efficiency and reimburse MPs and suppliers as quickly as possible.
10. There are three tiers of assurance processes, covering pre-payment validation; post-payment validation; and thematic reviews of expenditure across all MPs, focusing on a specific theme or area of expenditure. This approach allows us to be targeted and risk-based at the beginning of the process, whilst also being able to identify unusual claiming patterns or outliers which might signal the need for a more detailed examination.
11. The robustness of the three-tiered process means that we have a high level of confidence that taxpayers' money is being paid appropriately to MPs to support their parliamentary work. At the same time, the risk-based approach allows us to focus on our role in supporting MPs, by providing advice and guidance and ensuring that payments are made efficiently.
12. In addition, in accordance with the Parliamentary Standards Act 2009, IPSA is also subject to external audits by the National Audit Office, who carry out a substantive audit of IPSA's financial statements. Meanwhile, a programme of internal audits throughout the year assesses the effectiveness of financial and other controls in place. More information is available from [IPSA's Annual Report and Accounts](#).

¹ This includes claims for reimbursement and direct payments to suppliers only; it does not include other business costs such as the salaries of MPs' staff members, which are checked through other processes.

Pre-payment validation

13. The first tier of validation takes place before payment. At this stage a sample of claims are individually checked. The sample is made up of a mix of randomly selected claims and certain claim types that have been identified as priority risks. All other claims are paid upon receipt of evidence and checked in the subsequent validation processes described below.
14. **Section 3** provides a summary of the pre-payment validation activity which took place in 2019-20.

Post-payment validation

15. A second layer of validation takes place after payment. It is a retrospective exercise that enables IPSA to look at an MP's claims in context, meaning that we can identify any unusual patterns, outliers, duplicates or repeated errors which would not be spotted through pre-payment validation of individual claims. It also means that we can efficiently pay the majority of claims without burdensome pre-payment checks. Where the validators identify claims that should not have been paid, the MP may be asked to repay the amount to IPSA.
16. **Section 4** provides a summary of post-payment validation activity in 2019-20, including the outcomes from this work.

Claim reviews

17. Claim reviews are not strictly part of the three-tiered approach, as they take place on an ad hoc basis (normally at the request of the MP). They are, however, a crucial way of checking that the decisions made during the first and second validation tiers are sound, consistent and in accordance with the Scheme rules.
18. Where a claim, or part of a claim, is determined as ineligible in either pre-payment validation or post-payment validation, the MP may request a review of this decision. The review is carried out by IPSA's assurance team, who are separate from the team responsible for conducting the earlier validation processes, in order to provide a degree of independence.
19. If the claim review determines that IPSA's decision not to pay a claim (or to recover money that has been paid) was due to an error or an incorrect application of Scheme rules, then the MP's claim is eligible and will be paid. On the other hand,

the review may uphold IPSA's original decision. In these cases, the MP can appeal to the Compliance Officer² if they choose.

Thematic reviews

20. The third tier is the programme of thematic assurance reviews which are carried out by IPSA's assurance team. Thematic reviews examine aggregate spending by all MPs, normally focussing on a specific category or time period. Any significant outliers or unusual patterns will be identified and followed up, for example by contacting the MPs in question to seek assurance that the rules were well understood and that the claims were compliant.
21. In a small number of cases, the findings from thematic reviews have led to repayment of costs by MPs; and in rare cases, we have referred claims to the Compliance Officer (for example, where we believe there may have been intentional abuse of the rules).
22. More often, we use the understanding and insight gained through thematic reviews to inform other areas of our work. For example, where a review has revealed that our operational processes have not been effective in implementing rules or in supporting MPs to comply with the rules, we consider whether adjustments are needed to improve them. Likewise, where a review has revealed that certain rules are poorly understood by MPs, we have looked to improve our communication of the rules concerned.
23. The topics for thematic assurance reviews are agreed each year by IPSA's Assurance Group of senior managers. The Group considers the perceived risk of error or non-compliance in certain areas of spend and feedback from operational teams within IPSA, MPs and other stakeholders. Significant events, such as elections and referendums, can carry a unique set of risks or challenges, and therefore have often been the subject of thematic reviews.
24. The reviews conducted during 2019-20 are introduced in **Section 5**, with links to the full reports on [IPSA's website](#).

² The Compliance Officer for the IPSA is an independent statutory office holder. They can conduct an investigation to determine whether an MP may have been paid an amount that should not have been allowed; or can, at the request of an MP, review a decision by IPSA to refuse reimbursement for a claim.

3 Pre-payment validation in 2019-20

25. In April 2019, IPSA introduced a new process for the validation of claims focused on specific areas of expenditure assessed as higher risk. This new approach places pre-payment validation at the centre of the process, and we have increased the volume of checks before payment substantially.
26. As a key benefit, the new approach means that IPSA is able to deal with any issues upfront, rather than having to contact MPs after payment (which can result in requests for repayment of money). This shortens the so-called 'lifecycle' of a claim and reduces the need for post-payment validation.
27. In addition, we made changes to the risk profile of claims and increased the number of pre-payment checks during the 2019 election period. Additional checks were added to riskier areas such as advertising. Following the election, we increased pre-payment checks to 100% of all claims made by newly elected MPs and departing MPs.
28. We processed 179,206 claim lines for MPs' business costs and expenses in 2019-20. Nearly a third of these (52,752) related to payments made by IPSA directly to a supplier (e.g. for stationery, rent and pooled services). The rest related to costs which MPs had paid and for which they later claimed reimbursement, or for which they used their IPSA payment card. (These figures do not include payments that were made for the salaries of MPs' staff members.)
29. In line with our risk-based pre-payment validation process, around 64% of the reimbursement claims³ we received were paid following the receipt of evidence without individual validation. We say that these lines have been 'streamlined' and they are examined later in post-payment validation or thematic reviews.
30. The remaining 36% formed the sample selected for individual pre-payment validation (compared with 27% of claims in 2018-19). These were a combination of claims randomly selected each day and those which fall into categories that are considered at higher risk of error.

³ We also put payments made by MPs using the IPSA payment card and travel purchases from a direct supplier in this category.

31. For each of these, a validator in IPSA's operations team checked each line of each claim to determine whether:
- the cost is eligible for payment under the Scheme;
 - the MP had provided sufficient information, in line with IPSA's evidence guidance;
 - the cost was assigned to the correct expense type; and
 - the evidence provided matched the information in the claim and the amount.
32. To support MPs to make claims correctly, validators sometimes return individual claims – for example, where the wrong expense type has been used. Where a claim is not an eligible expense under the Scheme, the validator marks it 'not paid'. Of the 63,909 lines that were individually validated, a total of only 354 lines (0.6%) were not paid.
33. The average time it took in 2019-20 for IPSA to reimburse MPs' claims, including those which are individually validated, is about five days from the point at which we receive the receipt or invoice. (This is based on a survey of claims paid in January for the average amount of time IPSA took to pay each claim.) This was quicker than the performance target of eight days.

4 Post-payment validation in 2019-20

34. As mentioned above, the shift of focus toward more checks before payment reduced the need for post-payment checks during the year. In 2019-20, there were 426 post-payment validation reviews conducted.
35. Post-payment validation in 2019-20 led to the following further actions:
 - **Corrections to expense type:** There were 255 items identified through reviews as being coded by MPs to the incorrect expense type, although they were legitimate claims. We have made the necessary corrections to the online claims system.
 - **Further investigation:** There were 524 items flagged for further investigation, e.g. a need to request additional evidence. We contacted the MPs concerned in all cases.
 - **Repayments:** There were 25 claims identified for repayment by MPs through post-payment validation, with a total value of £909.98. The figures for comparison from 2018-19 were 129 claims repaid with a total value of £17,360.
36. Post-payment checks were conducted on all MPs who stood down or lost their seats at the 2019 General Election. The findings from these will be reported in due course, along with wider assurance findings from the election period.
37. Duplicate checks were conducted on 212 suspected duplicate payments. Of these, 41 transactions were identified as being duplicate payments worth £4,081.41. These were identified for repayment.

5 Thematic reviews in 2019-20

38. There were two thematic reviews completed during 2019-20. In one, we examined MPs' use of the IPSA payment card, and in particular where the card was used for non-parliamentary or personal costs. In the other, we reviewed the impact of a number of changes to the Scheme rules which were made in April 2017. Both of these led to recommendations for improvements to IPSA's policy, process and guidance.
39. This section provides summaries of each of these pieces of work, including why the topic was examined and the actions taken as a result. Full reports are available on IPSA's website.

MPs' use of the payment card

40. IPSA provides a government procurement card to MPs, known as a 'payment card'. This is an important element of the support IPSA provides to MPs and helps to ensure they are able to make necessary purchases in relation to their parliamentary work, without having to use their personal money and then wait for reimbursement.
41. We conducted an assurance review on MPs' use of the payment card based on evidence that a small number of MPs had repeatedly used the payment card for personal costs. MPs can use the payment card to pay for any eligible costs incurred in relation to their parliamentary work; however, the Scheme prohibits the use of the payment card for any non-parliamentary or personal costs.
42. A full report of our findings on MPs' use of the payment card is available on [IPSA's website](#).

Changes to Scheme rules in 2017-18

43. In the 2017-18 financial year, IPSA implemented a number of changes following a comprehensive review to assess how IPSA's rules had operated during its first Parliament (2010-2015). Many of these rule changes had the objective of making the Scheme simpler, and of increasing the amount of discretion MPs could have in relation to their business costs. As part of this, we removed some caps and restrictions relating to late-night hotel and taxi claims, European travel, spouse and dependant travel and hospitality. In one case, a new restriction was

introduced, in relation to the employment of 'connected parties', including family members.

44. In carrying out this review, we wanted to look at how the increased flexibility in certain areas had impacted on MPs' claiming patterns and expenditure. In addition, we wanted to check whether the new prohibition against employment new connected parties had been implemented effectively.
45. A full report of our findings on the impact of the 2017 Scheme rule changes is available on [IPSA's website](#).

6 Conclusion

46. IPSA's validation and assurance work provides assurance that there is a high level of compliance by MPs with the Scheme rules. It has enabled us to identify new areas of potential risk, in order to provide further guidance to MPs and their staff. We have also identified areas where our operational processes needed to be strengthened to more effectively enforce the rules. Validation and assurance work is integral to our ability to make continuous improvements to IPSA's policies and operational processes.
47. The 2019 General Election and the onset of the coronavirus pandemic toward the end of the 2019-20 financial year impacted significantly on IPSA's work, including the focus of validation and assurance processes. Review work to assess new risks and challenges arising from these events is ongoing and will be reported in 2021.
48. Looking ahead, we will consider whether there are opportunities to further simplify the rules to make compliance easier, and we will examine our validation and assurance processes to ensure they continue to be efficient and effective, as part of wider work on IPSA's future regulatory approach.