



Independent Parliamentary Standards Authority

# Annual Report and Accounts

2017–18

HC 1438

Independent Parliamentary  
Standards Authority

Annual Report and Accounts for 2017-18

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# Chair's Introduction



*Eddie Mulholland - The Telegraph*  
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It has been another year of challenges and successes for IPSA.

The snap General Election, announced in April 2017 and held in June, dominated our attention in the first part of the year. Working closely with officials in the House of Commons, we successfully delivered our part in the 2017 Election, with far fewer staff and less time to do so than in 2015. We used the experience and lessons learned during the previous election to make sure that we provided high-quality and efficient support to newly elected, returning and departing MPs and their staff.

But the unexpected timing of the General Election also meant that we needed to reorganise our priorities. With finite resources, we took the decision to delay implementation of our new, integrated IT system, IPSA Online. This will now be launched later this year, to allow sufficient time to complete the testing phase and engage extensively with MPs and their staff before it goes live. The work has continued at pace during the year, despite the delay. We launched the IPSA Online Homepage on schedule in December 2017.

Meanwhile we have been implementing the revised, simpler Scheme of MPs' Business Costs and Expenses (the Scheme), which we introduced in April 2017. In revising the Scheme, we wanted to make it easier for MPs to understand and comply with it; to recognise the distinctive demands placed on MPs; to encourage professional workplaces for MPs and their staff; and to ensure value for

money for the taxpayer. The new Scheme balances our duties to safeguard public money, provide assurance that MPs' expenditure is well regulated, and ensure that MPs are resourced appropriately to perform their parliamentary functions.

This year saw the departure of Elizabeth Padmore and Anne Whitaker, whose terms as Board members came to an end, and to whom we are grateful for their dedication.

I am also personally grateful to our staff who have, as ever, worked with energy and commitment to fulfil the demands of the General Election and the improvement programme, alongside our core functions.

This coming year, we will continue to improve the support that we give to MPs and their staff, and further strengthen the way we store and use our data. We are also carrying out a review of MPs' remuneration as we are obliged to by statute in the first year of a parliament. We believe that the approach taken by IPSA since 2015 has largely been accepted by MPs and the public, and has contributed to greater confidence that MPs' pay and pensions are independently regulated. We look forward to building on this year of achievement as we work in partnership with MPs and the public.

**Ruth Evans**  
Chair, IPSA

July 2018



# Part I: Performance Report

# Overview

## A. Who we are and what we do

1. This section provides information on the statutory framework under which IPSA operates, our strategic aims and statutory objectives covering the financial year ended 31 March 2018. IPSA's accounts have been prepared to meet the requirements of the Parliamentary Standards Act 2009 (PSA) and in accordance with the *Government Financial Reporting Manual (FReM)*, as specified in the direction issued by HM Treasury.

### Statutory framework

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

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

## Estimate Subheads

8. IPSA's budget for the financial year is scrutinised and approved by the Speaker's Committee for IPSA (SCIPSA), which gave parliamentary approval for IPSA's 2017-18 spending plans through its Supply Estimate (HC 1128). The Estimate consisted of two subheads:

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

## B. IPSA's Strategic Objectives

9. For the financial year 2017-18, IPSA's strategic objectives can be found in full in its Corporate Plan which is on our website at the following address: <http://www.theipsa.org.uk/media/184653/ipsas-corporate-plan-2017-18-final.pdf>

10. Our longer term strategy which set our direction for the period 2018-2022 can be found on our website at the following address: <http://www.theipsa.org.uk/media/184729/ipsa-strategy-2018-2022.pdf>

## C. Our work in 2017-18

11. This report covers the key activities undertaken by IPSA in the 2017-18 financial year. We had two significant challenges: delivery of our part in the snap General Election in June 2017, and

progression of the IPSA improvement programme. Alongside those, we continued to carry out our core functions of regulating and providing financial support for MPs' parliamentary work, through the Scheme of MPs' Business Costs and Expenses.

12. On 19 April 2017, Parliament voted to hold an early General Election. IPSA had a significant part to play, including providing guidance to MPs and their staff on claiming for business costs during the dissolution period; supporting newly elected MPs to access IPSA's systems and understand the Scheme rules; and helping former MPs wind up their parliamentary affairs.

13. IPSA's first involvement in a General Election was in 2015, and with that experience we believed we were in a strong position to deliver our part in the 2017 election successfully. We had conducted thorough contingency planning for a snap General Election, and we were able to put that plan into action immediately. We worked closely and effectively with the House of Commons throughout, ensuring that our communications and advice were clear and consistent, and that we were working in partnership to deliver our respective roles to a high standard.

14. However, the short timeframe meant that we could not recruit and train additional staff, as we had done in 2015, to supplement our core staff team. Instead, we redeployed staff internally and utilised the expertise of existing staff members who had experienced the 2015 General Election. The flexibility and experience of our staff were a vital element in our success.

15. On 24 April 2017, we submitted a revised Estimate to SCIPSA including

- an additional £20M (across budget subheads A and B) to cover the likely additional costs associated with the election, including the winding-up budgets and loss-of-office payments for MPs who were not returned, and the redundancy payments for staff members of those MPs.
16. Our plans worked well and were delivered successfully. By 13 June, just five days after the election, we had met all 99 newly-elected MPs to get them set up on our systems, so they could begin to make claims for parliamentary costs and receive their salaries. During June we offered individual meetings to all former MPs who had not been returned, to provide support and advice on the winding-up process and to ensure they understood what they needed to do to fulfil their duties as employers of staff. We continued to provide support to former, returned and newly elected MPs and their staff throughout the parliamentary summer recess and into the autumn.
  17. The unexpected election had an impact on the progress of the IPSA improvement programme, which we had begun in 2016-17. The improvement programme is modernising the IT systems, processes and ways of working that underpin our regulatory and administrative functions. In 2016-17, we had delivered three key aspects of the programme – a revised, simplified Scheme, a system of named Account Managers for all MPs, and a new website to improve the information we provide to MPs, their staff and the public. In 2017-18 we had planned to launch IPSA Online: a new integrated finance, payroll and claims IT system, as well as a new Homepage for MPs with significantly improved functionality.
  18. When the snap election was announced, we had to reallocate our resources to ensure we had the capacity to fulfil our responsibilities, and as a consequence, the launch date of IPSA Online was delayed from October 2017 to later this year, although we launched the Homepage on schedule in December 2017. This now provides seamless access for MPs and their staff to the current online expenses system and enables them to view their payslips online, preview claims to be published, and access IPSA's guidance and bulletins.
  19. Despite the General Election, the detailed design of IPSA Online concluded in May 2017, and between June and September the majority of the system was built in line with our design specifications. A thorough programme of integrated system testing began in October and continued through the rest of the financial year.
  20. A key part of work on IPSA Online has been engagement with MPs and their staff, including a series of country-wide roadshows, focus groups and other events, giving them the opportunity to test the new system and provide feedback. These activities, plus a programme of training, will continue in the run-up to the launch of the system later this year with further training being offered in the autumn.
  21. Alongside this, we carried out our core functions to a high standard throughout the year, paying 650 MPs and more than 3,000 members of their staff accurately and on time, validating MPs' claims quickly and publishing data about MPs' expenditure according to our publication scheme. We implemented the new, simplified Scheme of MPs' Business Costs and Expenses, which recognises MPs' compliance with the rules since

2010 and provides MPs with greater discretion to determine what costs support their parliamentary work.

22. We published IPSA's first Annual Review of Assurance in November 2017, which set out all of the work undertaken to ensure that the financial support provided to MPs is in line with the rules. We also began a review of MPs' pay, as we are required to do in the first year of a Parliament, assessing whether IPSA's determination in 2015 is still appropriate. As part of this, we are taking the opportunity to look at MPs' pensions and the arrangements for loss-of-office payments. This work continued into the new financial year, with a public consultation in May and June 2018.

23. We will build on our successes in the 2018-19 year, for which we have five overarching priorities:

- Maintain a strong and supportive regulatory environment for MPs
- Implement a programme of continuous improvement
- Provide assurance to the public
- Strengthen our arrangements for data security and information governance
- Invest in our team.

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

24. As in previous years, IPSA has risen to the challenges it faced in 2017-18. Beyond this, we are committed to the continuous improvement of all aspects of our work, in order to remain a high-performing organisation and world-class regulator.

25. The revised, simplified Scheme has provided a clear, stable set of rules

that MPs can easily understand and implement. That, along with IT improvements – such as introduction of the IPSA Online Homepage which provides more seamless access to information and the online expenses system – have enabled IPSA staff to provide a clearer and improved service to MPs and their staff.

26. We also continued important work to ensure all of our information is held securely and that IPSA was prepared for the implementation of the General Data Protection Regulations in May 2018. Throughout the year we have implemented a programme of work to improve our policies and processes, in response to a data breach which occurred in March 2017, to mitigate the risk of a recurrence in future.

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

27. The launch of IPSA Online is a significant milestone for the organisation and will require a large amount of time and resources in the first part of 2018-19. Following launch later this year, we will shift the focus to ensuring that MPs and their staff receive excellent support in using the new system.

28. Meanwhile, we have been implementing a programme of work to strengthen data security and comply with the General Data Protection Regulation requirements by May 2018. We have trained all our staff, updated policies, strengthened governance and IT controls and appointed a Data Protection Officer. We have also strengthened the checks we undertake before publishing information on our website.

29. Finally, we are conducting a review of MPs' pay and pensions, as we are required to by statute in the first year of the new Parliament. In the first

half of 2018 we will review our 2015 determination, and consider whether any new evidence should cause us to make further adjustments.

And once again we found overwhelming compliance by MPs, with 0.4 per cent of claims assessed as being outside the Scheme.

30. A summary of the organisational risks identified in 2017-18 and the actions taken is at paragraph 111.

## **F. Going concern basis**

31. The Statement of Financial Position in our accounts shows net liabilities. However, in common with other independent bodies funded by Her Majesty's Treasury, the future financing of our liabilities will be met by Grants of Supply and the application of future income approved annually by Parliament. Our Supply Estimate for 2018-19 has been agreed by the SCIPSA and there is no reason to believe that future approvals will not be forthcoming.
32. Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## **G. Performance analysis**

33. In order to monitor IPSA's performance, we have put in place key performance indicators to give an overall assessment of our core functions – regulating MPs' business costs, resourcing and supporting MPs and providing assurance to the public – and we use monthly data to follow the activities of each business area.
34. In 2017-18, our performance remained strong across most areas. We reimbursed MPs' claims for business costs within an average of 5.44 working days, against a target of 12 days. Our payroll payments were 99.76 per cent accurate, and we published MPs' business costs and expenses with 99.9 per cent accuracy.

35. During the reporting period seven of our nine key performance indicators were fully met or exceeded; while two were

achieved in part. The table below sets out our performance against each indicator.

Key Performance Indicator	Measure in 2017-18	Measure in 2016-17	Outcome
<b>Effective Regulation of MPs' Business Costs and Expenses</b>			
<b>Fewer than 1 per cent of MPs' claims are outside the Scheme.</b>	0.2 per cent of claims outside the Scheme.	0.4 per cent of claims outside the Scheme.	Achieved
<b>Providing Support to MPs</b>			
<b>Claims are reimbursed in fewer than 12 days on average.</b>	Reimbursement in 5.44 days on average	Reimbursement in 5.5 days on average.	Achieved
<b>Payroll accuracy is over 99.75 per cent each month.</b>	Accuracy at 99.76 per cent.	Accuracy at 99.86 per cent.	Achieved
<b>Over 90 per cent of correspondence resolved within 5 working days</b>	90.61 per cent of emails turned into cases within 5 working days.	95 per cent of correspondence resolved within 5 working days.	Achieved
<b>MPs and their staff show increased satisfaction with IPSA's support</b>	N/A (not included due to a low response rate by MPs to the 2017 survey; we are looking at changes to our methodology for measuring MPs' satisfaction in future) 56 per cent of MPs' staff who responded rated IPSA's service similarly.	40 per cent of MPs who responded to the survey for 2016 rated IPSA's service as Very Good or Good. 53 per cent of MPs' staff who responded rated IPSA's service similarly.	Achieved in part
<b>Assuring the Public that MPs' Business Costs and Expenses are Well Regulated</b>			
<b>Our publication of MPs' claims are over 99.75 per cent accurate</b>	99.9 per cent accuracy achieved.	99.99 per cent accuracy achieved.	Achieved
<b>Fewer than 1 per cent of processed claims have errors identified on review</b>	0.09 per cent of errors identified in processed claims.	0.03 per cent of errors identified in processed claims.	Achieved
<b>IPSA staff show increased engagement</b>	In the survey for 2017, 62 per cent of IPSA staff reported feeling engaged.	In the survey for 2016, 59 per cent of IPSA staff reported feeling engaged.	Achieved
<b>IPSA demonstrates effective budget management</b>	Control totals underspent, but some individual budgets were overspent.	All budgets forecast to under-spend at year-end	Achieved in part

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

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

37. We will undertake a wider-scale review following the implementation of our new IT system in 2018-19, to enable us to consider any organisational implications of the changed ways of working and how these might impact on the best indicators to use.
38. During the year IPSA underspent against budget in both Subhead A (MP staff and business costs) and Subhead B (IPSA's operational costs). A more detailed breakdown of spend against budget can be found on page 43 of the Parliamentary Accountability and Audit Report. Subhead A had spend of £181.6M against a budget of £204.2M; the majority of this underspend was against the General Election provision where we had taken a prudent approach to MP turnover, budgeting for a higher number of seat changes. Subhead B had a £0.9M underspend against a budget of £7.9M; the main factors contributing to this were a higher than forecast staff turnover and lower spend on General Election related activities.

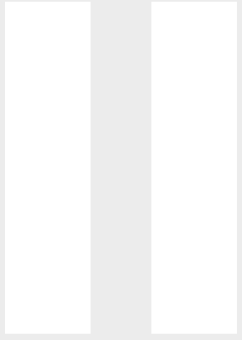
Signed

Date: 3 July 2018

**Marcial Boo**

Chief Executive and Accounting Officer





# Part II: Accountability Report

# 1 Corporate Governance Report

## Directors' report

### A. IPSA's Board

39. IPSA's Board is responsible for deciding the policies that form 'the Scheme' and setting the remuneration of MPs. The Board is also responsible for setting IPSA's strategic direction. The Board meets about every six weeks on average. In 2017-18, meetings were more frequent and there were 11 in total. Attendance records for individual Board members are included in the Governance Statement, and minutes of Board meetings are published on IPSA's website: <http://www.theipsa.org.uk/about-us/board-and-chief-executive/minutes-of-board-meetings/>

40. In line with requirements of the Parliamentary Standards Act 2009, the Chair and Members of IPSA during 2017-18 were as follows.

**Ruth Evans**, Chair

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

**Rt. Hon Jennifer Willott**, former Member of Parliament

**Will Lifford**, statutory auditor (from 11 January 2018)

**Jackie Smith** (from 19 February 2018)

**Anne Whitaker**, statutory auditor (term ended on 10 January 2018)

**Elizabeth Padmore** (term ended on 10 January 2018)

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

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

### C. IPSA's Senior Management

42. IPSA's Senior Leadership Team is led by the Chief Executive who is responsible for delivery in line with the policy direction set by the Board. The Directors of IPSA during 2017-18 were as follows:

**Marcial Boo**, Chief Executive

**Alastair Bridges**, Director of Corporate Services

**Victoria Fox**, Director of MP Support Services

**John Sills**, Director of Regulation

### D. Staffing

43. The Civil Service Order in Council 1995 provides the legal basis for our recruitment policies, and the Civil Service Commission sets mandatory principles for recruitment. During 2017-18, IPSA employed an average of 70 full-time equivalent staff, including permanent, agency and fixed-term staff, plus five Board Members, one Compliance Officer and three Lay Members of the Speaker's Committee for IPSA (SCIPSA). As at 31 March 2018, 42.6 per cent of staff were male and 57.3 per cent of staff female, and 26 per

cent of employees stated that they were from an ethnic minority background. We monitor the background of our staff by reference to each of the 'protected characteristics' set out in the Equality Act 2010 to improve representation and take action as necessary.

44. All IPSA employees are offered access to Health Management, an independent occupational health service which provides expert advice, counselling and support.
45. IPSA has an equality and diversity policy, which covers IPSA's commitment to encouraging equality and diversity, as well as eliminating discrimination.
46. We adhere to the principle that all government departments are required to obtain assurances from individuals on contracts of more than six months' duration, where the annual cost is greater than £58,200 (equivalent to £220 per day), that tax due on contract payments will be paid. As at 31 March 2018 all such contractors engaged by us met these conditions.

## **E. Health and Safety**

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

## **F. Pensions**

48. Our employees are covered by the provisions of the Civil Service pension arrangements. Information on pension entitlements is provided in the

*Remuneration Report*. For details of IPSA's accounting treatment for pension liabilities please refer to page 54 of the Accounts.

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

49. During the reporting period, there were 11 minor data breaches recorded, where, for example, emails were misdirected. No breaches were serious enough to be reported to the Information Commissioner's Office (ICO). We continue to provide training and support for IPSA staff on data security and governance, including on the requirements of the General Data Protection Regulation (GDPR), in order to minimise future incidents.

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

50. We aim to acknowledge complaints within two working days and provide a final response within 10 working days. During 2017-18 we handled 12 formal complaints from MPs covering a variety of issues including information publication and payment details, 11 of which were resolved within 10 working days.

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

51. The *Constitutional Reform and Governance Act 2010* created provision for a statutory office-holder, the Compliance Officer, whose principal functions are to investigate claims that an MP may have been paid an expense to which he or she was not entitled and, upon request, to review a determination by IPSA to refuse an MP's expenses claim.
52. Andy McDonald began his term as IPSA's Compliance Officer on 8 January 2017 and was in post for the whole of the 2017-18 financial year. He reported to IPSA's Board and acted wholly

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

53. During 2017-18, 52 complaints were made to the Compliance Officer by members of the public, one was made by a journalist and one request for information was made by the police. IPSA did not make any referrals to the Compliance Officer. One formal investigation was opened in December 2017. Three MPs requested that the Compliance Officer review a determination by IPSA to refuse claims for business costs and expenses. Further details on these cases can be found in the Compliance Officer's report in Part V.

## **J. Basis of Accounts**

54. The accounts for the year ended 31 March 2018 have been prepared under a direction issued by HM Treasury in accordance with the Parliamentary Standards Act 2009.

## **K. Risk Management**

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

information on our management of risk is set out in paragraph 111.

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

57. We adhere to the Late Payment of Commercial Debts (Interest) Act 1998 and meet the normal terms of payment of invoices of 30 days from receipt, except where different terms have been agreed with suppliers. Although independent, we are treated as a small department and so the government's five-day target for small and medium enterprises (SMEs) to receive payment is not mandated. However, we aim to pay valid invoices from SMEs within ten days.
58. Payment of trade and other payables is reported on a creditor-days basis. This is calculated as a proportion of the amount owed to trade creditors at the year-end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year. We paid suppliers within an average of 14.05 creditor days in 2017-18. This includes SMEs as well as larger enterprises. No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2016-17: £0).

## **M. Future priorities: plans for 2018-19**

59. Our immediate focus for the 2018-19 financial year has been to meet our objective of launching IPSA Online later this year, including detailed engagement with MPs and their staff before, during and after the launch. We will complete a review of MPs' remuneration, as required by statute, and we will continue working to improve our systems and processes through a programme of continuous improvement. An overview of our priorities for the year are outlined below.

## A strong and supportive regulatory environment

60. We aim for effective regulation and high compliance by ensuring that the Scheme is simple to understand, easy to administer and provides assurance that MPs are reimbursed fairly for business costs to support their parliamentary work. In 2017-18, following a comprehensive review, we published a revised Scheme of MPs' Business Costs and Expenses, which is simpler, supports compliance and takes a more principles-based approach to regulation.
61. In 2018-19, we will monitor the impact of the Scheme to ensure that it enables us to meet our aims. As part of our annual programme of assurance work, we will conduct a review to assess whether the increased flexibility that has been given to MPs is working in practice.
62. Although we do not expect to make any significant changes to the rules during the remainder of the Parliament, we will be responsive to external events as necessary. For example, we will take into account as appropriate any recommendations made by the Boundary Commissions, and any relevant consequences of the UK's decision to leave the European Union.
63. We will also look at ways in which we can further improve our approach to regulation and the processes by which MPs receive funding from IPSA to perform their parliamentary functions. This includes designing a pilot for a simpler approach to funding MPs' constituency mileage.
64. We will review MPs' remuneration by June 2018. The review will include MPs' pensions and the loss-of-office payments that MPs receive if they are not returned at an election. It will also

include a review of MPs' pay to assess whether there is any reason to alter the determination that we made in 2015, including to link changes in MPs' pay to changes in average earnings across the public sector.

## A programme of continuous improvement

65. We will implement IPSA Online, our new integrated finance, payroll, HR and claims system later this year. Following that, we will put in place a programme to ensure that we fully embed changes to our process and ways of working, and continue to improve these during the course of the Parliament.
66. As part of this programme, we will identify new technology to support an even more effective and efficient system of administration of MPs' pay and business costs. We will learn from other bodies in the public and private sector with similar functions so that we can provide higher-quality support to MPs and their staff. In particular, we will use new data analysis tools to review our approach to validating and paying claims for business costs to see whether there are further process improvements that we can make.
67. We will work with the House of Commons to identify ways to improve our joint working and our support to MPs, particularly during future general elections. We will also work with the House and the police to ensure that MPs have the security arrangements they need, and we will provide appropriate funding quickly.

## Providing assurance to the public

68. IPSA assures the public that MPs' use of taxpayers' money is well regulated by being transparent about what MPs

have claimed from us to support their parliamentary functions. We will continue to demonstrate our commitment to transparency through our regular schedule of publication of MPs' business costs. In line with our publication policy, we will continue to protect personal or sensitive information that is exempt from publication, such as the funding we provide for security measures and disability assistance.

69. We will publish a second Annual Review of Assurance, reporting on our activity in 2017-18, to ensure that claims for MPs' business costs were evidenced appropriately and compliant with our rules. This includes how we validate and check claims individually before and after payment, and how we examine specific categories of MPs' expenditure post hoc to provide further assurance that their expenditure is compliant with the rules.
70. The Annual Review of Assurance for 2017-18 will include findings on the public money spent by MPs during and after the 2017 General Election. It will also include a review of how MPs use their office costs budget to rent a suitable constituency office, allowing us to consider whether the budget is sufficient across the country. This work will help us to set MPs' budgets appropriately in future, reflecting their needs as well as value for money.
71. We will exploit new analytical tools to understand and present data on MPs' spending in a way that is more visually accessible and helpful. We want to help the public to understand the data that we have collected since 2010, which show that MPs are largely compliant with our rules.

## **Strengthening our arrangements for data security and information governance**

72. As described in paragraph 28, last year we further improved our information governance and data security. This included building strong data protection safeguards, which have been independently accredited, into the design of the IPSA Online IT system which we will implement later this year.
73. In 2018-19 we will further strengthen our data security. We will work with suppliers to ensure that they are compliant with GDPR requirements when processing MPs' personal data. We will update the privacy notice on our website, provide information about the basis on which we process personal data and how long we will keep it, and inform people where they can find out how their data is managed. We will update our data sharing agreements with the House of Commons and trustees of the Parliamentary pension fund to ensure that we only share data where necessary to deliver core responsibilities and that the data is properly controlled and processed. And we will implement further measures to strengthen our cyber security in line with industry best practice and the recommendations of internal audit reports.
74. We will produce a new knowledge management strategy for IPSA to ensure that our policies relating to information governance are aligned, that we are storing, managing and archiving or deleting all the data and information that we hold securely while maximising the knowledge that we hold about our areas of responsibility, for the benefit of our team, MPs and the public.

## Investing in our team

75. We want IPSA to be an outstanding employer by supporting our staff to reach their potential and achieve excellence. We will continue to invest in the development of our team, enabling each member of staff to enhance their skills and perform to the highest standards.
76. In 2018-19, we will use the results of the skills audit we conducted last year to develop and implement a training plan for each member of staff which reflects their own needs and provides opportunities for them as individuals to excel in their job. We will set stretching objectives, nurture their talents and create a working environment where everyone has access to the information, training, tools and support they need to reach their potential and help IPSA to achieve its goals.
77. We will build a workforce with more advanced skills that reflect the requirements and capabilities of our new systems. This will enable us to make savings to our headcount and become an efficient organisation that continues to demonstrate value for money. It will also ensure that we have the necessary skills and knowledge internally to work flexibly so that we can react to unexpected events, such as snap General Elections.
78. We will build a collaborative team where people work effectively together and are committed to what they do, the goals of their team and IPSA's wider objectives. In 2018-19, we will continue to consult staff on decisions that affect them, through the staff focus group, staff events and other activities. We will build stronger links between teams to further embed a culture of teamwork and collaboration.
79. We will continue to respect people's diverse backgrounds and ensure

there is no bullying, harassment or discrimination in the organisation. We will do this, in part, by investing in education and training for our staff, managers and senior leaders in diversity, inclusion and mental health. We will ensure that every member of IPSA is aware of the responsibilities they have towards their colleagues and that they live our values of professionalism, respect, integrity, collaboration and improvement in all that they do.

## N. Financial Performance

80. Following scrutiny by the Speaker's Committee for the IPSA, parliamentary approval for IPSA's 2017-18 spending was agreed. This consisted of two subheads, as outlined below.
81. On 25 April 2017, the Speaker's Committee for IPSA approved a revised Estimate with additional funds totalling £20M to ensure that we had sufficient budget to fulfil our responsibilities relating to the General Election.
82. Subhead A: Programme funding for MPs' business costs and expenses comprising:
  - capped budgets (accommodation, staffing and office costs);
  - uncapped budgets (travel, subsistence and security); and
  - Income from the Creative Society.
83. A detailed breakdown is shown in Note 3. The main factors behind the Subhead A variance against Estimate was largely due to MPs not claiming for the full range of allowable Parliamentary expenditure within their annual budgets, with underspends on security costs within MPs' capped expenses and the lower than budgeted spend on MPs' staff costs for the year as a whole. In addition, the numbers of new and departing MPs

following the June 2017 election were lower than budgeted for.

84. Subhead B: IPSA's operational costs comprising:
- staff and non-staff costs set out in detail in Note 4 to the accounts;
  - the cost of the Compliance Officer; and
  - Income relating to the sub-letting of IPSA's accommodation.
85. Total resource expenditure against Subhead B showed a variance against Estimate with underspends on salaries, office costs and accommodation as well as non-cash depreciation.

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

86. Andy MacDonald resigned as the Compliance Officer, effective 17 April 2018. Following an open recruitment process, Tracy Hawkings has been appointed as the new Compliance Officer. She took up the office on 30 May 2018.
87. Jackie Smith resigned as IPSA Board member on 24 May 2018. A replacement Board member will be appointed following an open recruitment process, nomination by SCPISA and a Humble Address to Her Majesty.



## 2 The Statement of Accounting Officer's responsibilities

88. Under the *Parliamentary Standards Act 2009*, HM Treasury directed IPSA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction at Part IV. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of IPSA and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.
89. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial *Reporting Manual (FReM)* and in particular to:
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the accounts; and
  - Prepare the accounts on a going-concern basis.
90. The IPSA Board has appointed the Chief Executive as the Accounting Officer of IPSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for keeping proper records and for safeguarding IPSA's assets, are set out in *Managing Public Money*, published by HM Treasury and with which IPSA broadly complies.
91. As far as I, the Accounting Officer, know, there is no relevant audit information of which IPSA's auditors are unaware. As Accounting Officer, I have taken all the steps that should be taken to make myself aware of any relevant audit information and to establish that IPSA's auditors are aware of that information.
92. I have taken personal responsibility for the annual report and accounts and the judgements required for determining that as a whole they are fair, balanced and understandable. I confirm that the annual report and accounts as a whole is fair, balanced and understandable.

## 3 Governance Statement

### A. Introduction

93. The Parliamentary Standards Act 2009 (the PSA) provides that IPSA is a body corporate, independent of Government and Parliament and that the Chief Executive is its Accounting Officer.
94. As Accounting Officer, I am required to maintain a sound system to manage and control the resources used to support the achievement of IPSA's policies, aims and objectives and to safeguard public funds and assets in accordance with the responsibilities assigned to me under the PSA and by IPSA's Board. In doing so, I broadly follow the standards set out in *Managing Public Money* and have established a governance structure in line with HM Treasury and Cabinet Office guidelines.
95. I have been appointed as the permanent Chief Executive and Accounting Officer by IPSA's Board effective from 3 June 2014.

### B. Governance

96. The PSA provides that IPSA's funding is subject to scrutiny by SCIPSA, whose role includes ensuring that the Estimate is consistent with the efficient and cost-effective discharge by IPSA of its functions. Chaired by the Speaker of the House, SCIPSA comprises seven MP Members and three Lay Members.
97. The PSA appointed the Comptroller and Auditor General, Head of the National Audit Office, as the external auditor for IPSA.
98. Internal audit services are provided under a co-sourced arrangement. IPSA's Head of Internal Audit is supported by

the services of an audit services firm, RSM, in the delivery of the agreed programme of Internal Audit reviews. The co-sourced arrangement enables the Internal Audit plan to be more closely aligned to IPSA's objectives and allows for a comprehensive framework of assurance. The Internal Audit service reports to the Audit and Risk Assurance Committee (ARAC).

### IPSA's Board: scope of responsibility

99. As set out above, IPSA's Board comprises the members of IPSA as appointed under the PSA. As Chief Executive, I am responsible for carrying out the administration functions on behalf of the Board in accordance with its general directions.
100. The regulatory functions are carried out separately from the administration functions, with the Board retaining overall responsibility for the preparation and revision of the Scheme and setting MPs' pay and pensions.
101. IPSA's Board has set out the strategic vision for IPSA and has approved the priorities and key performance indicators as detailed within the Corporate Plan. The Board monitors and reviews the performance of the organisation monthly, on the basis of the management information briefings and commentaries which the executive provides. The Board receives two regular management information papers from IPSA's Executive. These are the Chief Executives Report which includes a monthly analysis of IPSA activities and performance including an outline of what is planned for the forthcoming month

and a monthly finance paper comprising the management accounts and a review of financial activity.

### **The Board: recruitment**

102. The terms of two Board members came to an end on 10 January 2018. Following a fair and open competition overseen by an independent panel, and with the agreement of the SCIPSA, Will Lifford and Jackie Smith were nominated as the new Board members.

103. On 11 December 2017, the House of Commons agreed a Humble Address asking Her Majesty to appoint Will Lifford as the member of the Board who is a former auditor, to replace Anne Whitaker. On 23 January 2018, the House of Commons agreed a Humble Address asking Her Majesty to appoint Jackie Smith as a Board member, to replace Elizabeth Padmore.

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

104. The ARAC comprises all the members of the IPSA Board and is chaired by the member who is qualified to be a statutory auditor (Anne Whitaker until 10 January 2018, and since then Will Lifford). This ensures that the Committee has professional, qualified direction in matters relating to the consideration of IPSA's risk management and assurance arrangements.

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

In 2017-18 a key focus of the Committee has been on data protection, including on meeting the requirements of the General Data protection Regulation, and on cyber security.

106. The ARAC met five times during the reporting period.

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

107. IPSA's Board is also supported by the Remuneration Committee and the Nominations Committee, which meet as required. The Remuneration Committee, chaired by Elizabeth Padmore until 10 January 2018 and since then by the Rt Hon Jennifer Willott, met five times during 2017-18, and is responsible for agreeing IPSA's remuneration policy and for setting the remuneration of the Chief Executive, Compliance Officer and IPSA's Directors. The Nominations Committee is chaired by Ruth Evans and is responsible for the appointment of the Chief Executive and the Compliance Officer. The Nominations Committee was not required to meet during 2017-18.

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

	Board	ARAC	Remuneration Committee	Nominations Committee
	1 April 2017 – 31 March 2018			
Member	(11 meetings)	(5 meetings)	(5 meetings)	(0 meetings)
Ruth Evans <b>Board Chairman</b>	11	5	5	0
Rt. Hon Jennifer Willott <b>Remuneration Committee Chair (from 11 January 2018)</b>	11	5	5	0
Sir Robert Owen	11	5	5	0

	Board	ARAC	Remuneration Committee	Nominations Committee
	11 January 2018 – 31 March 2018			
Member	(3 meetings)	(1 meetings)	(2 meetings)	(0 meetings)
Will Lifford <b>Audit and Risk Assurance Committee Chair (from 11 January 2018)</b>	3	1	2	0

	Board	ARAC	Remuneration Committee	Nominations Committee
	19 February 2018 – 31 March 2018			
Member	(2 meetings)	(1 meetings)	(1 meetings)	(0 meetings)
Jackie Smith	2	0	1	0

	Board	ARAC	Remuneration Committee	Nominations Committee
	1 April 2017 – 10 January 2018			
Member	(8 meetings)	(4 meetings)	(3 meetings)	(0 meetings)
Elizabeth Padmore <b>Remuneration Committee Chair (until 10 January 2018)</b>	8	4	3	0
Anne Whitaker <b>Audit and Risk Assurance Committee Chair (until 10 January 2018)</b>	8	4	3	0

109. Together with internal audit, external audit, and the Director of Corporate Services, I am invited to attend ARAC meetings. Other Directors and members of the Senior Management Team (SMT)

are also regularly present. Additionally, I attend the Board and Remuneration Committee meetings, unless an issue involving me is to be discussed.

## Leadership Team: Scope of Responsibilities

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

## C. Risk and Control

### Risk Management

111. IPSA uses risk management to inform its business decisions, enable a more effective use of resources, enhance

strategic and business planning and strengthen contingency arrangements. The main risks to the achievement of IPSA's corporate objectives are set out in a top risks register. The register also sets out IPSA's risk appetite and the measures proposed to mitigate the risks. Each risk has a designated owner who is accountable for implementing appropriate and proportionate control measures. The register is reviewed regularly by the Senior Management Team, Directors and as a standing item by the Audit and Risk Assurance Committee. The table below sets out the top risks addressed in 2017-18.

### *Main risks identified and action taken in 2017-18*

Risk area	Key actions and issues in year
<b>Operations and reputation</b>	
The risk that IPSA is seen, or is perceived, to have not provided funding for appropriate security measures for MPs and their staff or conversely to have allowed spending that is inappropriate.	IPSA obtained continued funding of security measures from Parliament. A contract is in place, managed by the House of Commons and funded by IPSA, for MPs to be provided with standard security measures. There are additional arrangements to enable extra security to be put in place where advised by the police.
A snap election creates a substantial unplanned increase in workload and impacts on our accommodation requirement, staffing, delivery of business as usual and delivery of IPSA Online improvements.	Detailed contingency plans were in place and were successfully activated when the 8 June General Election was called in April 2017.
Support to new MPs, returning MPs and former MPs following the General Election is not delivered on time and to quality.	Working with other stakeholders, specialist teams were quickly formed, based on those used in the 2015 General Election, to support new, returning and former MPs and their staff.
The risk that current practices, culture, processes and controls do not do enough to prevent poor quality and mistakes leading to poor delivery and damage to IPSA's reputation	The 'Scheme' that sets out the business costs and expenses that MPs can claim was simplified and improved making it easier to apply and reducing the scope for misunderstandings and mistakes. Quality assurance arrangements were also improved to ensure that interactions with MPs and their staff are of a consistently high quality. Measures to improve the information available to MPs and IPSA staff were designed into the IPSA Improvement Programme which will go live in 2018-19.

Risk area	Key actions and issues in year
The risk of a poor relationship with some MPs which hampers the effective regulation of business costs and damages IPSA's reputation.	The simplification and improvement of the 'Scheme' reduces the scope for misunderstanding and made improvements following consultation with MPs and the public. IPSA also has a managed and regular programme of communication with MPs and their staff. This includes engagement with MPs by IPSA's Chair and CEO.
<b>Data management and cyber security</b>	
Poor data management or cyber security leads to the release of information, data loss or data corruption that undermines our regulatory role, and /or our service provision to MPs and results in reputational and financial damage.	Improved data handling procedures were introduced in May 2017. Cyber security arrangements have been the subject of independent review and improvements have been made and are ongoing, partly in recognition of the evolving threat. IPSA's relationship with its main supplier of IT services has been reviewed and actions implemented to ensure effective management of the contract.
That IPSA is not compliant with the General Data Protection Regulation (GDPR) when it comes into force in May 2018.	IPSA appointed a data protection officer in July 2017. A detailed action plan, including training for staff, was put in place with the aim of ensuring that IPSA is compliant with the GDPR in May 2018.
<b>Management of major programmes</b>	
The IPSA Improvement Programme does not deliver expected benefits on time and to cost.	The programme is governed and managed using PRINCE project management principles. Progress is monitored through regular review by IPSA's main Board and a Programme Board. The programme is currently on track to go live in 2018-19.
<b>Governance and administration</b>	
A risk that changes in Board composition might reduce the effective operation of the Board and IPSA	Two members of IPSA's five member Board were newly appointed in 2017-18. Appointments were made by Her Majesty on the recommendation of the House of Commons following a competitive process, successfully filling the two vacancies available. New members have received induction and familiarisation training.
Turnover of staff in key posts leads to loss of experience and corporate memory reducing the effectiveness of IPSA	The CEO and Directors have all been in post for at least a year, with continuity provided by the CEO who has been in post since June 2014 and the Director of Regulation who has been in post since the inception of IPSA. Vacancies at manager level and below have been filled, through competition.
The move from 30 Millbank is not planned or carried out well which results in an adverse impact on IPSA's service to MPs and their staff or extra cost.	IPSA's lease at 30 Millbank runs out in March 2019. Initial planning for a move was underway in 2017-18.

## Internal Audit

112. Ten internal audits, including shorter audits following up previous reports, were carried out in 2017-18, the same number as in 2016-17. The audits covered IPSA's core financial controls and IPSA's spending on the salaries of MPs' staff as well as focussing on some of IPSA's identified risks, including progress on the IPSA Improvement Programme and four audits of cyber security arrangements and IPSA's readiness to meet the General Data Protection Regulation.
113. Overall, the Head of Internal Audit's opinion was that IPSA can have limited assurance for the year as a whole that its governance, risk management and controls framework is effective. Audits provided significant assurance (while recommending improvements) about the effectiveness of controls in a number of crucial areas such as core financial controls. There were, however, weaknesses over the majority of the financial year in the controls framework regarding cyber security, data protection and (to a lesser extent) business continuity such that it could be, or could become, ineffective. Improvements made in the fourth quarter of the financial year and afterwards indicate a strengthening of controls that would warrant a higher assurance rating from that point on.

## Data and Information Security

114. The Director of Corporate Services is the Senior Information Risk Owner and advises me on the effectiveness with which IPSA manages the risks associated with the information that IPSA handles. Each senior manager involved in the running of key IPSA processes acts as an Information Asset Owner, responsible for managing

the risks associated with his or her information assets. This accountability ensures appropriate data protection is maintained. Further information on the work carried out during the past year is at paragraphs 70-72.

## D. Corporate Governance Code

115. The Corporate Governance Code ("the Code") issued by HM Treasury and the Cabinet Office is designed specifically for central government departments. It is essential that IPSA upholds the highest standards in its own operations, and I am satisfied that IPSA is compliant with the material requirements of the Code where they are relevant to its statutory position, in most cases complying with both the letter and the spirit of the Code's provisions. Where the requirements of the PSA differ from the Code, IPSA will always seek to comply with the Act, which reflects the wishes of Parliament.

## E. Assessment of Effectiveness

116. By relying on the arrangements described above, I am able to assess the effectiveness of the control environment in place to ensure that the resources for which I am responsible are subject to sound management and control.
117. We are committed to identifying weaknesses and addressing them and are committed to delivering improvements in our systems and in the service provide to MPs. We have been working for the past two years on implementing a new IT system, IPSA Online, which will improve efficiency and add more value to the interactions we have with MPs and their staff. In response to an internal audit report, and against the background of an evolving threat, we have also strengthened significantly our cyber security arrangements. In addition, we have made

improvements to the arrangements in place to protect the sensitive data that we hold about MPs and their staff, in line with our obligations under data protection legislation and the GDPR.

118. I am satisfied that IPSA's response to the weaknesses highlighted is sufficient, robust and well-managed, with my directors and senior managers held to account for the progress of corrective action.

119. My assessment of the internal controls in place has been informed by the independent work completed by internal audit and the opinion provided by the Head of Internal Audit, comments made by the Comptroller and Auditor General, Head of the National Audit Office as our external auditor in their management letter and other reports, and IPSA's management assurance processes under the internal control framework, including regular reports from the Head of Internal Audit. In addition, I have received an assurance statement from each of my directors confirming the adequacy of the controls within their areas of responsibility. No control issues have been raised in the directors' statements.

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



## 4. Remuneration and Staff Report

### A Remuneration Report

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

122. IPSA's policy is to remunerate staff at a level which allows the organisation to recruit, retain and motivate high-performing individuals with the appropriate skills and experience, taking account of the needs of the organisation as a whole and of individual roles; relevant benchmarks and market conditions; performance (in the case of existing senior staff); and considerations of transparency, fairness, public acceptability, value for money and affordability. In accordance with this policy IPSA aims to pay staff within 5% of a benchmarked median rate of pay.

#### Chief Executive

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

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

#### Chair and Board Members

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

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

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

#### IPSA Staff

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

129. The majority of IPSA's staff are directly employed by IPSA on either permanent or fixed-term contracts. In line with public sector pay policy, IPSA awarded a 1% pay increase to employees in 2017-18, plus small additional amounts to cover the impact on employees of changes to National Insurance.

130. The remuneration of all Executive Directors is determined by the Remuneration Committee of the Board, chaired by Elizabeth Padmore until her term of office expired on 10 January 2017 and subsequently by the Rt Hon Jennifer Willott.

#### Lay Members of SCIPSA

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

## B. Remuneration (including salary) and pension entitlements

132. The following tables provide details of the remuneration and pension interests of IPSA's Chair, Board Members and Directors, and of the Lay Members of SCIPSA.

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

Name	Appointed	End Date	Remuneration 2017-18 [1] £'000	Remuneration 2016-17 [1] £'000	Benefits in kind in 2017-18 [2],[3] £	Benefits in kind in 2016-17 [2],[3] £
Ruth Evans <b>Chair</b>	02/06/16	31/05/21	40-45	35-40	200	300
Prof Sir Ian Kennedy <b>Chair</b>	04/11/09	01/06/16	Nil	5-10	Nil	Nil
William Lifford <b>Board Member</b>	11/01/18	10/01/23	0-5	Nil	700	Nil
Sir Robert Owen <b>Board Member</b>	01/01/16	31/12/20	5-10	10-15	2,600	900
Elizabeth Padmore <b>Board Member</b>	11/01/13	10/01/18	10-15	15-20	900	400
Jackie Smith <b>Board Member</b>	19/02/18	10/01/23	0-5	Nil	Nil	Nil
Rt Hon John Thurso <b>Board Member</b>	01/01/16	08/08/16	Nil	0-5	Nil	2,000
Anne Whitaker <b>Board Member</b>	11/01/13	10/01/18	5-10	5-10	Nil	Nil
Rt Hon Jennifer Willott <b>Board Member</b>	07/08/16	31/12/20	5-10	5-10	Nil	Nil

#### Notes:

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

[2] The benefits in kind are expenses reimbursed for the costs (travel and accommodation) incurred by the members in attending meetings at IPSA. The figures for 2017-18 have been grossed up to include the tax element covered by IPSA as part of a PAYE Settlement Agreement it has in place with HMRC. The 2016-17 figures have not been grossed up.

[3] Both 2017-18 and 2016-17 figures have been rounded to the nearest £100.

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

Name	Appointed	End Date (when not ongoing)	Salary 2017-18 £'000	Bonuses paid 2017-18 £'000	Benefits in kind 2017-18 £'000	Pension Benefits 2017-18 [1] £'000	Total 2017-18 £'000
Marcial Boo <b>CEO</b>	03/06/14	N/A	120-125	Nil	Nil	48	170-175
Alastair Bridges <b>Director of Corporate Services</b>	01/08/16	N/A	105-110	Nil	Nil	53	155-160
Victoria Fox <b>Director of MP Support Services</b>	18/07/16	N/A	85-90 (95-100 full time equivalent)	Nil	Nil	46	130-135
John Sills <b>Director of Regulation</b>	01/02/10	N/A	95-100	Nil	Nil	7	105-110

**Notes:**

[1] The Pension Benefits are actuarial figures provided by MyCSP the Civil Service Pension provider and represent notional benefits earned in the last year. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. Pensions benefits movements are affected by duration of membership and earnings during this time and contain an actuarial calculation.

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

Name	Appointed	End Date (when not ongoing)	Salary 2016-17 £'000	Bonuses paid 2016-17 £'000	Benefits in kind 2016-17 £'000	Pension Benefits 2016-17 [1] £'000	Total 2016-17 £'000
Marcial Boo <b>CEO</b> [3]	03/06/14	N/A	120-125	Nil	Nil	48	170-175
Alastair Bridges <b>Director of Corporate Services</b>	01/08/16	N/A	65-70 (105-110 full year equivalent)	Nil	Nil	99	165-170
Linda Everet <b>Acting Director of MP Support Services</b>	29/02/16	17/07/16	20-25 (70-75 full year equivalent)	Nil	Nil	Nil	20-25
Victoria Fox <b>Director of MP Support Services</b> [2] [3]	18/07/16	N/A	55-60 (85-90 full year equivalent)	Nil	Nil	112	170-175
John Sills <b>Director of Regulation</b>	01/02/10	N/A	95-100	Nil	Nil	24	120-125

### Notes:

[1] The Pension Benefits are actuarial figures provided by MyCSP the Civil Service Pension provider and represent notional benefits earned in the last year. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. Pensions benefits movements are affected by duration of membership and earnings during this time and contain an actuarial calculation.

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

[3] The 2016-17 pension benefit figures for Marcial Boo and Victoria Fox have been restated as revised figures were provided by MyCSP as part of the 2017-18 year end return.

### Salary

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

### Benefits in kind

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

135. During the period to 31 March 2018, benefits in kind totalling £4,400 were given to the Chair, Board Members, SCIPSA Lay Members, CEO or Directors.

### Bonuses

136. There is no bonus system in operation at IPSA. IPSA runs an individual and team reward and recognition scheme which gives recognition to those who support IPSA's values, enhance its image, or deliver extra-ordinary service to its users or outstanding pieces of work with individual awards totalling no more than £500.

## Senior staff members

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

Remuneration banding	Number of individuals in banding	
	2017-18	2016-17
£70,000 – £75,000	0	1
£85,000 – £90,000	0	1
£90,000 – £95,000	0	0
£95,000 – £100,000	2	1
£105,000 – £110,000	1	1
£120,000 – £125,000	1	1
<b>Total</b>	<b>4</b>	<b>5</b>

## Disclosure of SCIPSA Lay Members' Remuneration

Name	Appointed	End Date	Total Remuneration in 2017-18	Total Remuneration in 2016-17
			£'000	£'000
Ken Batty <b>Lay Member</b>	28/01/15	27/01/19	0-5	0-5
Professor Monojit Chatterji <b>Lay Member</b>	26/01/14	26/01/17	Nil	0-5
Bronwen Curtis <b>Lay Member</b>	06/01/16	05/01/19	0-5	0-5
Shrinivas Honap <b>Lay Member</b>	25/01/17	24/01/20	0-5	0-5

## C. Fair Pay Disclosures

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

139. The banded remuneration of the highest paid director in IPSA in the financial year 2017-18 was £120,000-£125,000 (2016-17: £120,000 – £125,000). This was calculated as the highest full-time equivalent annual salary. As at 31 March 2018, this was 4.1 times (31 March 2017: 3.9) the median full-time equivalent remuneration of the workforce, which was £29,787 (2016-17: £31,794).

140. In 2017-18 (2016-17: 0), no employee received remuneration in excess of the highest paid director. Full time equivalent remuneration ranged from £18,000 to £124,000 (2016-17: £18,000 to £123,000).

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

	As at 31 March 2018	As at 31 March 2017
Remuneration Ratio		
Band of Highest Paid Director's Remuneration (£'000)	120-125	120-125
Median Remuneration (£'000)	29.8	31.8
Ratio	4.1	3.9

## D. Pension Information for Directors

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

Name	Accrued pension at pension age as at 31 March 2018 (and related lump sum) £'000	Real increase in pension and related lump sum at pension age £'000	CETV at start date 1 April 2017 £'000	CETV at end date 31 March 2018 £'000	Real increase in CETV funded by employer £'000
Marcial Boo <b>CEO</b>	10-15	2.5-5	91	127	23
Alastair Bridges <b>Director of Corporate Services</b>	35-40 plus lump sum of 115-120	2.5-5 plus lump sum of 7.5-10	681	773	44
Victoria Fox <b>Director of MP Support Services</b>	20-25 plus lump sum of 45-50	2.5-5 plus lump sum of 7.5-10	300	348	25
John Sills <b>Director of Regulation</b>	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 0-2.5	667	720	8

## Civil Service Pensions

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

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

### Cash Equivalent Transfer Values

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

149. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at

their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

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

### Agency/ Off-payroll engagements

151. Between 1 April 2017 and 31 March 2018, IPSA employed 13 staff (full time equivalent of six) on an interim basis, via an agency. IPSA has received assurance that their Income Tax and National Insurance obligations were fully met.



## E. Staff and other pay costs report

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

	2017-18					2016-17
	Total	Permanent staff [1]	Agency Staff	Chairman & IPSA Board	SCIPSA Lay Members	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	2,808	2,721	0	78	9	2,570
Social security costs	298	291	0	7	0	277
Other pension costs	536	536	0	0	0	506
<b>Sub Total</b>	<b>3,642</b>	<b>3,548</b>	<b>0</b>	<b>85</b>	<b>9</b>	<b>3,353</b>
Agency staff	826	0	826	0	0	413
Less recoveries in respect of outwards secondments	(48)	(48)	0	0	0	(64)
<b>Total net costs*</b>	<b>4,420</b>	<b>3,500</b>	<b>826</b>	<b>85</b>	<b>9</b>	<b>3,702</b>

\* No staff costs have been capitalised (2016-17 £nil)

### Notes:

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

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

employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

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

154. For 2017-18, employer's contributions of £536,000 were payable to the civil service pension schemes (2016-17: £506,000) at one of four rates in the range 20.0 to 24.5 per cent (2016-17: 20.0 to 24.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews

## Average number of persons employed and staff composition

156. The average number of full-time equivalent (FTE) persons employed and in other relevant working relations with IPSA during the period was as

follows. The average was calculated as the average of people in post by month over the 12 months to 31 March 2018. The gender analysis of the full time equivalent persons (which has not been audited) was as follows.

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

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

157. IPSA's permanent staff turnover rate (calculated as the number of staff who left the organisation divided by the average number of staff for the year) was 20% (2016-17: 13%).

scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the organisation has agreed early retirements, the additional costs are met by IPSA and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

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

Exit package cost band	Number of voluntary departures agreed	
	2017-18	2016-17
<£10,000	0	1
£10,000 – £25,000	2	0
<b>Total number of exit packages</b>	<b>2</b>	<b>1</b>
<b>Total cost /£'000s</b>	<b>33</b>	<b>3</b>

158. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory

## Reward and Recognition Scheme

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

160. In total, £1,250 was paid out in R&R awards during the reporting period (2016-17: £1,900).

Total value of rewards received	Number of people in band	
	2017-18	2016-17
Under £50	0	0
£51 to £100	0	0
£101 to £150	0	0
£151 to £200	0	0
£201 to £250	3	8
£251 to £500	1	0
<b>Total number of recipients</b>	<b>4</b>	<b>8</b>

### Sickness absence

161. Over the 2017-18 financial year, sickness absence rates within IPSA (monitored monthly) was on average 3.6% (2016-17: 1.5%).

### Staff policies

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

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

### Consultancy expenditure

164. In 2017-18 IPSA spent £55,000 on consultancy and advice services (2016-17: £400,000). This was made up of:

- Human Resources advice, reviews and surveys: £11,000
- Information Technology projects: £37,000
- IPSA Online project: £7,000 for specialist services to assist with the redesign and modernisation of IPSA's IT systems, processes and ways of working which will culminate in an online portal for MPs and a fully integrated finance, payroll, HR and expenses system.

Signed

Date: 3 July 2018

**Marcial Boo**

Chief Executive and Accounting Officer

# 5. Parliamentary Accountability and Audit Report

## A. Statement of Parliamentary Supply

	SOPS Note	2017-18					2016-17
		Estimate		Outturn			Outturn
		Voted	Total	Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Departmental Expenditure Limit</b>							
-Resource	1.1	212,164	<b>212,164</b>	188,683	<b>188,683</b>	23,481	174,903
-Capital	1.2	2,935	<b>2,935</b>	2,525	<b>2,525</b>	410	1,485
<b>Annually Managed Expenditure</b>						<b>0</b>	
-Resource	1.1	50	<b>50</b>	0	<b>0</b>	50	(1,233)
-Capital	1.2	0	<b>0</b>	0	<b>0</b>	0	0
<b>Total Budget</b>		<b>215,149</b>	<b>215,149</b>	<b>191,208</b>	<b>191,208</b>	<b>23,941</b>	<b>175,155</b>
<b>Total</b>		<b>215,149</b>	<b>215,149</b>	<b>191,208</b>	<b>191,208</b>	<b>23,941</b>	<b>175,155</b>
Total Resource	1.1	212,214	<b>212,214</b>	188,683	<b>188,683</b>	23,531	173,670
Total Capital	1.2	2,935	<b>2,935</b>	2,525	<b>2,525</b>	410	1,485
<b>Total</b>		<b>215,149</b>	<b>215,149</b>	<b>191,208</b>	<b>191,208</b>	<b>23,941</b>	<b>175,155</b>

NET CASH REQUIREMENT		2017-18			2016-17
SOPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn	
	£'000	£'000	£'000	£'000	
Net cash requirement	3	214,549	189,827	24,722	175,478

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

Explanations of variances between Estimate and outturn are given in the Directors Report on page 22.

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

IPSA has no Non-Voted Expenditure.

The notes on pages 44 to 46 form part of this statement.

# Notes to the Statement of Parliamentary Supply

## SOPS1. Net outturn

### SOPS1.1 Analysis of net resource outturn by section

	2017-18					2016-17
	Outturn			Estimate		Outturn
	Programme			Net Total £'000	Net Total compared to Estimate £'000	Total £'000
Gross £'000	Income £'000	Net £'000				
<b>Spending in Departmental Expenditure Limit</b>						
<i>Voted:</i>						
A. MPs' Pay, staffing, business costs and expenses	181,801	(155)	181,646	204,230	22,584	168,396
B. IPSA operations (core costs)	7,250	(213)	7,037	7,934	897	6,507
<b>Voted Departmental Expenditure</b>	<b>189,051</b>	<b>(368)</b>	<b>188,683</b>	<b>212,164</b>	<b>23,481</b>	<b>174,903</b>
<b>Annually Managed Expenditure</b>						
<i>Voted:</i>						
C. Provisions and Impairments	0	0	0	50	50	(1,233)
<b>Voted Annually Managed Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>50</b>	<b>(1,233)</b>
<b>Total</b>	<b>189,051</b>	<b>(368)</b>	<b>188,683</b>	<b>212,214</b>	<b>23,531</b>	<b>173,670</b>

### SOPS1.2 Analysis of net capital outturn by section

	2017-18					2016-17	
	Outturn			Estimate		Outturn	
	Programme			Net Total £'000	Net Total compared to Estimate £'000	Net total compared to Estimate, adjusted for virements £'000	Net £'000
Gross £'000	Income £'000	Net £'000					
<b>Spending in Departmental Expenditure Limit</b>							
<i>Voted:</i>							
A. MPs' pay, staffing, business costs and expenses	368	(288)	80	650	570	410	86
B. IPSA Operations (core costs)	2,445	0	2,445	2,285	(160)	0	1,399
<b>Voted Departmental Expenditure</b>	<b>2,813</b>	<b>(288)</b>	<b>2,525</b>	<b>2,935</b>	<b>410</b>	<b>410</b>	<b>1,485</b>
<b>Spending in Annually Managed Expenditure</b>							
<i>Voted:</i>							
<b>Voted Annually Managed Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2,813</b>	<b>(288)</b>	<b>2,525</b>	<b>2,935</b>	<b>410</b>	<b>410</b>	<b>1,485</b>

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

## SOPS2. Reconciliation of net resource outturn to net operating expenditure

There are no reconciling items between the net operating expenditure and the net resource outturn for both 2016-17 and 2017-18.

## SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SOPS Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: saving/ (excess) £'000
<b>Resource Outturn</b>	1.1	212,214	188,683	23,531
<b>Capital Outturn</b>	1.2	2,935	2,525	410
<b>Accruals to cash adjustments:</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(520)	(424)	(96)
New provisions and adjustments to previous provision		(50)	0	(50)
Other non-cash items		(80)	(126)	46
<i>Increase/(decrease) in receivables [1]</i>		300	388	(88)
(Increase)/decrease in payables		(250)	(1,219)	969
Use of provisions		0	0	0
		<b>(600)</b>	<b>(1,381)</b>	<b>781</b>
<b>Net cash requirement</b>		<b>214,549</b>	<b>189,827</b>	<b>24,722</b>

### Notes:

[1] The 2017-18 movement in receivables includes an adjustment relating to the budgetary treatment of Supply.

## SOPS4. Income payable to the Consolidated Fund

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

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

	Outturn 2017-18		Outturn 2016-17	
	Income £'000	Receipts £'000	Income £'000	Receipts £'000
Excess capital receipts surrenderable to the Consolidated Fund	0	0	0	(42)
<b>Total Amount Payable to the Consolidated Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(42)</b>

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

## B. Parliamentary Accountability Disclosures

### B.1 Losses and special payments

#### B.1.1 Losses statement

Category of loss	2017-18		2016-17	
	Value of Cases £'000	Number of Cases	Value of Cases £'000	Number of Cases
Other write-offs	35	15	4	10
<b>Total</b>	<b>35</b>	<b>15</b>	<b>4</b>	<b>10</b>

#### B.1.2 Special payments statement

Category of special payment	2017-18		2016-17	
	Value of Cases £'000	Number of Cases	Value of Cases £'000	Number of Cases
Historical tax on redundancy payment	12	1	0	0
Ex gratia	9	5	0	0
<b>Total</b>	<b>21</b>	<b>6</b>	<b>0</b>	<b>0</b>

### B.2 Remote Contingent Liabilities

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

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

Signed

Date: 3 July 2018

**Marcial Boo**

Chief Executive and Accounting Officer

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

I certify that I have audited the financial statements of the Independent Parliamentary Standards Authority (IPSA) for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: IPSA's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

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

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of the Department's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and

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

### **Basis of opinions**

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

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

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



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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IPSA's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IPSA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and

Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Other Information

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

### Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Parliamentary Standards Act 2009;
- in the light of the knowledge and understanding of IPSA and its environment obtained in the course

of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

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

### Matters on which I report by exception

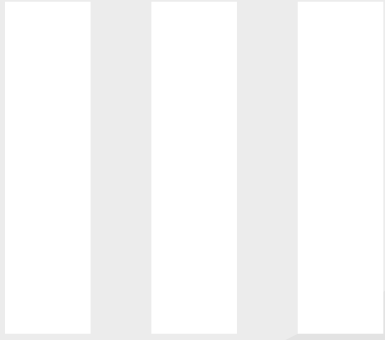
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Sir Amyas C E Morse

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

Date: 9 July 2018



# Part III: Financial Statements

## A. Statement of Comprehensive Net Expenditure

FOR THE YEAR ENDED 31 MARCH 2018					
		2017-18		2016-17	
	Note	£'000	£'000	£'000	£'000
			IPSA		IPSA
<b>MPs' Business costs and expenses scheme</b>					
MP and MP Staff pay costs	3	147,062		139,241	
MP and MP Staff expenses	3	34,739		29,321	
Income	5	(155)		(166)	
<b>IPSA operational costs</b>					
Staff costs	4	4,420		3,702	
Other costs	4	2,830		1,801	
Income	5	(213)		(229)	
<b>Net operating expenditure</b>			<b>188,683</b>	<b>173,670</b>	
Total operating expenditure		189,051		174,065	
Total operating income		(368)		(395)	
<b>Net operating expenditure</b>			<b>188,683</b>	<b>173,670</b>	
<b>Comprehensive net expenditure for the year ended</b>			<b>188,683</b>	<b>173,670</b>	

The notes on pages 55 to 69 form part of these accounts.

## B. Statement of Financial Position

AS AT 31 MARCH 2018					
		2017-18		2016-17	
	Note	£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	6	661		857	
Intangible assets	7	3,735		1,528	
<b>Total non-current assets</b>			<b>4,396</b>		<b>2,385</b>
<b>Current assets</b>					
Trade and other receivables	9	2,982		2,508	
Cash and cash equivalents	10	227		96	
<b>Total current assets</b>			<b>3,209</b>		<b>2,604</b>
<b>Total assets</b>			<b>7,605</b>		<b>4,989</b>
<b>Current liabilities</b>					
Trade and other payables	11	(8,928)		(7,667)	
Provisions	12	0		0	
Other liabilities	11	(227)		(96)	
<b>Total current liabilities</b>			<b>(9,155)</b>		<b>(7,763)</b>
<b>Total assets less current liabilities</b>			<b>(1,550)</b>		<b>(2,774)</b>
<b>Non-current liabilities</b>					
Provisions	12	(150)		(150)	
<b>Total non-current liabilities</b>			<b>(150)</b>		<b>(150)</b>
<b>Total assets less total liabilities</b>			<b>(1,700)</b>		<b>(2,924)</b>
<b>Taxpayers' equity:</b>					
General fund		(1,700)		(2,924)	
<b>Total equity</b>			<b>(1,700)</b>		<b>(2,924)</b>

Signed

Date: 3 July 2018

**Marcial Boo**

Chief Executive and Accounting Officer

## C. Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2018			
		2017-18	2016-17
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(188,683)	(173,670)
<b>Adjustments for non-cash transactions</b>			
Depreciation	4	424	453
Loss on disposal of non-current assets	4	10	3
External Audit	4	80	80
Provisions not required written back	12	0	(1,233)
Bad debts written off	4	36	4
(Increase)/Decrease in trade and other receivables	9	(474)	(249)
Less movement in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		6	(4)
Increase/(Decrease) in trade and other payables	11	1,392	623
Less movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	11	(173)	(44)
Provision used	12	0	0
<b>Net cash outflow from operating activities</b>		<b>(187,382)</b>	<b>(174,037)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(111)	(173)
Purchase of intangible assets	7	(2,334)	(1,226)
<b>Net cash outflow from investing activities</b>		<b>(2,445)</b>	<b>(1,399)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		190,000	175,480
<b>Net financing</b>		<b>190,000</b>	<b>175,480</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>173</b>	<b>44</b>
Payments of amounts due to the Consolidated Fund		(42)	0
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>131</b>	<b>44</b>
Cash and cash equivalents at the beginning of the period		96	52
Cash and cash equivalents at the end of the period	10	227	96

## D. Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2018			
		General Fund	Total Reserves
	Note	£'000	£'000
<b>Balance at 1 April 2016</b>		<b>(4,770)</b>	<b>(4,770)</b>
Net Parliamentary Funding – drawn down		175,480	175,480
Net Parliamentary Funding – deemed supply		52	52
CFER payable to the Consolidated Fund	11	(42)	(42)
Supply payable adjustment	11	(54)	(54)
Comprehensive Net Expenditure for the Year		(173,670)	(173,670)
<b>Non-Cash Adjustments</b>			
Non-cash charges – auditor’s remuneration	4	80	80
<b>Balance at 31 March 2017</b>		<b>(2,924)</b>	<b>(2,924)</b>
<b>Balance at 1 April 2017</b>		<b>(2,924)</b>	<b>(2,924)</b>
Net Parliamentary Funding – drawn down		190,000	190,000
Net Parliamentary Funding – deemed supply		54	54
Supply payable adjustment	11	(227)	(227)
Comprehensive Net Expenditure for the Year		(188,683)	(188,683)
<b>Non-Cash Adjustments</b>			
Non-cash charges – auditor’s remuneration	4	80	80
<b>Balance at 31 March 2018</b>		<b>(1,700)</b>	<b>(1,700)</b>

## E. Notes to Departmental Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2017–18 Government FReM issued by HM Treasury. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of IPSA for the purpose of giving a true and fair view has been selected. The particular policies adopted by IPSA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention. There has been no revaluation of property, plant and equipment and intangibles which are considered short life and low value assets.

#### 1.2 Financing and Going Concern

IPSA is resourced by funds approved by the Speaker's Committee for IPSA through the annual Supply and Appropriation Acts. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund. Any income that IPSA may use in support of its activities is also approved in the Appropriation Act. The Main Estimate for 2018-19 (HC968) was approved on 19 April 2018. There is no reason to believe that future funding will not be forthcoming. The Accounts have therefore been prepared on a going concern basis.

#### 1.3 Administration and programme expenditure

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

#### 1.4 Pensions

IPSA is admitted to Section 1 of the Civil Service pension scheme arrangements and past and present staff are covered by the provisions of the Civil Service pension scheme arrangements. IPSA recognises the expected cost of these schemes on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Civil Service pension scheme arrangements of amounts calculated on an accruing basis. Liability for future benefits is a charge on the Civil Service pension scheme arrangements. In respect of defined contribution schemes, IPSA recognises the contributions payable for the year.

#### 1.5 Property, plant and equipment

Expenditure on property, plant and equipment of £5,000 or more is capitalised. All assets which are of a similar nature and function (including the recognition on purchase of the component parts) whose value, when grouped together in a singular purchase/contract, exceeds the £5,000 threshold are capitalised as a grouped asset. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended.

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



## 1.6 Intangible assets

Expenditure on intangible assets, which are software licences and the associated costs of implementation, is capitalised where the cost is £5,000 or more. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended. Intangible assets are reviewed annually for impairment and are stated at amortised historical cost. Software licences are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life of the asset. Assets under construction are not amortised but are assessed for impairment annually.

## 1.7 Depreciation/Amortisation

Property, plant and equipment are depreciated at rates calculated to write them down to the estimated residual value on a straight-line basis over their estimated useful lives. No depreciation/amortisation is charged in the year of acquisition but full year of depreciation/amortisation is applied in the year of disposal. Subsequent acquisitions of less than £5,000 value which are of the same nature as existing grouped assets will be appended. The residual values of assets are reviewed on an annual basis. Intangible assets are amortised in conjunction with the IT system that they are connected with.

Asset lives are assigned as follows:

Leasehold improvements	5 years or remaining life of lease
IT and computers	5 years
Other equipment	5 years
Furniture, fixtures and fittings	5 years
Intangible Assets	the shorter of the term of the licence and the useful economic life of the asset

## 1.8 Trade receivables and other receivables

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

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

## 1.9 Operating leases

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

## 1.10 Provisions

IPSA provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate.

## 1.11 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, IPSA discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood

of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

### 1.12 Value Added Tax

IPSA is not registered for VAT and, as such, all income excludes any VAT content and all expenditure is stated inclusive of VAT.

### 1.13 Staff Costs

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

### 1.14 Significant Accounting Judgements and Estimates

For the year ended 31 March 2018, MPs may submit a claim up to 90 days after incurring the expenditure. The outstanding balance of claims for MPs' expenses arising out of 2017-18 has been accrued for in these accounts. A year-end process is in place to ensure that MPs' spend is allocated to the correct year. MPs must submit their 2017-18 expenses before the year end cut-off date or populate a year-end form where it is not possible to submit the expense before this date.

### 1.15 Recognition of MPs' claims

For the purpose of determining the timing of MPs' expenses claims for year end, individual claim lines are recognised according to transaction date, not the date at which the claim is submitted. Claims against invoices for which payment has not yet been made are recognised at the invoice date. Advance rental

payments and other large items of expenditure made by MPs that involve an element of prepayment have been accrued for the period in question.

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

### 1.16 Income

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

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

### 1.17 IFRSs in issue but not yet effective

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

Standard	Effective	FReM Application	Change & Impact
IFRS 16 Leases	1 January 2019	2019- 20 (Subject to EU adoption and consultation)	<p><b>Change:</b> The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12 months to be recognised as a finance lease (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.</p> <p><b>Impact:</b> IPSA does not hold significant operating leases. Consequently, IPSA does not expect any material effect of bringing on-balance sheet former operating leases through applying the new standard.</p>
IFRS 9 Financial Instruments	1 January 2018	2018-19	<p><b>Change:</b> This change simplifies the classification and measurement of financial assets, as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under IAS 39 Financial Instruments: Recognition and Measurement.</p> <p><b>Impact:</b> IPSA does not hold financial instruments so no impact expected.</p>
IFRS 15 Revenue from Contracts with Customers	1 January 2018	2018-19	<p><b>Change:</b> The changes set out steps for revenue recognition along with requirements for accounting for contract costs. The aim of the change is to report information that is more useful about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The initial adoption of IFRS 15 will be retrospective.</p> <p><b>Impact:</b> IPSA does not recognise any contract revenue so the impact is expected to be nil.</p>
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	2018-19 (Subject to EU adoption)	<p><b>Change:</b> The proposed changes amend how to account for deferred tax assets related to debt instruments measured at fair value.</p> <p><b>Impact:</b> IPSA does not pay corporation tax and does not therefore recognise deferred tax. No impact expected.</p>

## 2. Statement of Operating Expenditure By Operating Segment

IPSA's operating segments correspond with the Subhead detail of the 2017-18 Estimate. The reportable segments are reported to the IPSA Board in its management accounts

and are the components of the entity that management uses to make decisions about operating matters.

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

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

### Description of segments

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

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

### 3. MPs' Business Costs

	2017-18		2016-17	
	£'000	£'000	£'000	£'000
<b>MPs' Business Costs and Expenses Scheme</b>				
MP Salary cost	50,109		49,822	
MP Staff Salary cost	72,220		69,777	
MP National Insurance	6,350		6,147	
MP Staff National Insurance	6,900		6,277	
MP Staff Superannuation	7,070		6,853	
MP Staff Winding Up Costs [1]	1,847		118	
MP Staff redundancy as a result of Winding up	1,997		247	
MP Resettlement payments	569		0	
		<b>147,062</b>		<b>139,241</b>
<b>Capped Budgets</b>				
<b>Accommodation Expenses and Office Expenditure</b>				
Property rent	11,697		10,888	
Utility costs	688		734	
Council Tax	575		567	
Service charges	121		93	
Rates	95		152	
Other premises costs (including security costs) [2]	6,197		2,295	
Insurance	164		273	
Professional services	2,022		2,075	
Stationery and other office supplies	2,063		1,822	
Telephone and internet	1,151		1,193	
Pooled services	1,240		1,106	
Computers	988		746	
Office furniture	159		109	
Photocopiers and televisions	254		214	
Publicity, advertising and communications	203		208	
Website design and hosting	153		143	
Other	619		512	
<b>Total capped expenditure</b>		<b>28,389</b>		<b>23,130</b>
<b>Uncapped Budgets</b>				
Travel				
Car	1,190		1,085	
Air	1,131		1,319	
Rail	2,381		2,407	
Taxi	83		92	
Other	122		93	
Hotels	1,102		933	
Food and drink	81		73	
Training	50		34	
Parking	130		143	
Other	80		12	
<b>Total Uncapped</b>		<b>6,350</b>		<b>6,191</b>
<b>Total MPs' Business Costs and Expenses Scheme</b>		<b>181,801</b>		<b>168,562</b>

#### Notes

[1] The increase in Winding up costs is due to the 2017 General Election.

[2] This increase is due to the more proactive approach IPSA and the House of Commons have taken regarding the security of elected Members.

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

### 3.2 Reporting of MP Staff Exit Packages

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

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

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

### 3.3 MP Loss of Office payments

MP Resettlement package summary	2017-18	
	Number of Resettlement packages	Value of Resettlement packages £'000
£0 – £4,999	26	65
£5,000 – £9,999	6	46
£10,000 – £14,999	18	193
£15,000 – £19,999	9	154
£20,000 – £24,999	1	23
£25,000 – £29,999	3	88
<b>Total</b>	<b>63</b>	<b>569</b>

There were no MP resettlement payments in 2016-17.

#### 4. IPSA Operational Costs

	2017-18		2016-17	
	£'000	£'000	£'000	£'000
Staff costs [1]				
Wages and salaries	2,760		2,506	
Social security costs	298		277	
Other pension costs	536		506	
Agency staff	826		413	
<b>Total staff costs</b>		<b>4,420</b>		<b>3,702</b>
Rent, rates and service charges		651		582
Other property costs		103		79
IT services and telephony		994		840
Legal		83		162
Internal Audit services		80		66
Recruitment and advertising		119		109
Printing, postage and stationery		72		65
Professional services		58		400
Non – cash items:				
Depreciation		297		263
Amortisation		127		190
(Profit)/Loss on Disposals		10		3
External Audit [2]		80		80
Bad Debts Written Off		36		4
New provisions & adjustments to previous provisions		0		(1,233)
Other		120		191
<b>Total non-staff costs</b>		<b>2,830</b>		<b>1,801</b>
<b>Total IPSA Operational costs</b>		<b>7,250</b>		<b>5,503</b>

#### Notes

[1] Further analysis of staff costs is located in the Staff Report on page 40.

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



## 5. Income

	2017-18	2016-17
	£'000	£'000
Speaker's scheme (cost of some MPs' internships)	(155)	(166)
Rental income from subletting	(213)	(229)
<b>Total</b>	<b>(368)</b>	<b>(395)</b>

## 6. Property, Plant and Equipment

	Leasehold Refurbishment	Information Technology	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	656	1,599	202	2,457
Additions	0	105	6	111
Disposals	0	(111)	(53)	(164)
<b>At 31 March 2018</b>	<b>656</b>	<b>1,593</b>	<b>155</b>	<b>2,404</b>
Depreciation				
At 1 April 2017	279	1,200	121	1,600
Charged in year	156	105	36	297
Disposals	0	(107)	(47)	(154)
<b>At 31 March 2018</b>	<b>435</b>	<b>1,198</b>	<b>110</b>	<b>1,743</b>
Carrying amount at 31 March 2017	377	399	81	857
<b>Carrying amount at 31 March 2018</b>	<b>221</b>	<b>395</b>	<b>45</b>	<b>661</b>
Cost or valuation				
At 1 April 2016	658	1,424	207	2,289
Additions	(2)	175	0	173
Disposals	0	0	(5)	(5)
<b>At 31 March 2017</b>	<b>656</b>	<b>1,599</b>	<b>202</b>	<b>2,457</b>
Depreciation				
At 1 April 2016	123	1,120	96	1,339
Charged in year	156	80	27	263
Disposals	0	0	(2)	(2)
<b>At 31 March 2017</b>	<b>279</b>	<b>1,200</b>	<b>121</b>	<b>1,600</b>
Carrying amount at 31 March 2016	535	304	111	950
<b>Carrying amount at 31 March 2017</b>	<b>377</b>	<b>399</b>	<b>81</b>	<b>857</b>

All assets are owned.

## 7. Intangible Assets

Intangible assets comprise software and website development costs.

	Software and website costs	Assets under construction	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2017	2,568	1,104	3,672
Additions	0	2,334	2,334
Disposals	(1)	0	(1)
<b>At 31 March 2018</b>	<b>2,567</b>	<b>3,438</b>	<b>6,005</b>
Amortisation			
At 1 April 2017	2,144	0	2,144
Charged in year	127	0	127
Disposals	(1)	0	(1)
<b>At 31 March 2018</b>	<b>2,270</b>	<b>0</b>	<b>2,270</b>
Carrying amount at 31 March 2017	424	1,104	1,528
<b>Carrying amount at 31 March 2018</b>	<b>297</b>	<b>3,438</b>	<b>3,735</b>
Cost or valuation			
At 1 April 2016	2,446	0	2,446
Additions	122	1,104	1,226
<b>At 31 March 2017</b>	<b>2,568</b>	<b>1,104</b>	<b>3,672</b>
Amortisation			
At 1 April 2016	1,954	0	1,954
Charged in year	190	0	190
<b>At 31 March 2017</b>	<b>2,144</b>	<b>0</b>	<b>2,144</b>
Carrying amount at 31 March 2016	492	0	492
<b>Carrying amount at 31 March 2017</b>	<b>424</b>	<b>1,104</b>	<b>1,528</b>

## 8. Financial Instruments

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

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

### Liquidity Risk

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

### Credit Risk

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

## 9. Trade Receivables and Other Current Assets

	2017-18	2016-17
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	263	294
Deposits and advances	833	753
Other receivables	172	142
Prepayments and accrued income	1,714	1,319
<b>Total</b>	<b>2,982</b>	<b>2,508</b>

## 10. Cash and Cash Equivalents

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	96	52
Net change in cash and cash equivalent balances	131	44
<b>Balance at 31 March</b>	<b>227</b>	<b>96</b>
The following balances at 31 March were held at:		
Government Banking Service	227	96
<b>Total balance at 31 March</b>	<b>227</b>	<b>96</b>

There were no cash equivalents held by IPSA at 31 March 2018 or 31 March 2017.

## 11. Trade Payables and Other Current Liabilities

	2017-18	2016-17
	£'000	£'000
Amounts falling due within one year		
Taxation and social security	3,722	3,583
Payables	1,164	1,265
Accrual for Member and Member staff expenses	3,273	2,241
Other accruals and deferred income	769	578
	<b>8,928</b>	<b>7,667</b>
Amounts issued from the Consolidated Fund for Supply but not spent at year end	227	54
Consolidated Fund Extra Receipts received due to be paid to the Consolidated Fund	0	42
<b>Total</b>	<b>9,155</b>	<b>7,763</b>

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

## 12. Provisions for Liabilities and Charges

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	150	1,383
Provisions not required written back [1]	0	(1,233)
Provisions used in year	0	0
<b>Balance at 31 March</b>	<b>150</b>	<b>150</b>
	Dilapidations	Total
Analysis of expected timing of cash flows		
Not later than one year	0	0
Later than one year and not later than five years	150	150
Later than five years	0	0
<b>Balance at 31 March 2018</b>	<b>150</b>	<b>150</b>

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

### Notes

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

## 13. Capital and other commitments

### 13.1 Capital commitments

	2017-18	2016-17
	£'000	£'000
Contracted capital commitments at 31 March 2018 not otherwise included in these financial statements:		
Property, plant and equipment	0	130
Intangible assets	1,349	1,847
<b>Total</b>	<b>1,349</b>	<b>1,977</b>

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

### 13.2 Commitments under leases

#### 13.2.1 Operating leases

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

	2017-18	2016-17
	£'000	£'000
Buildings		
Not later than one year	325	325
Later than one year and not later than five years	0	325
Later than five years	0	0
Printer		
Not later than one year	2	2
Later than one year and not later than five years	1	2
Later than five years	0	0
<b>Total</b>	<b>328</b>	<b>654</b>

As at 31 March 2018 there are two operating lease commitments: The first is relating to the rental property at Millbank. The total rental expenditure, including the apportionment of a 12 month rent free period over the duration of the lease, recognised was £259k (2016-17: £259k). The second is relating to the printer and photocopiers rental at Millbank. The total rental expenditure recognised was £2k (2016-17: £1k.)

#### 13.2.2 Finance leases

IPSA does not hold any finance leases.

### 13.3 Other financial commitments

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

## **14. Contingent liabilities disclosed under IAS 37**

There are no contingent liabilities as at 31 March 2018 (£50,000 as at 31 March 2017 to cover the possibility of a fine imposed by the Information Commissioner's Office following their investigation of the data breach which took place on 30 March 2017). This contingent liability is no longer required following the conclusion of the data breach investigation by the Information Commissioner's Office.

## **15. Related-party transactions**

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

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

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

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

## **16. Third-party assets**

IPSA currently holds no third party assets as defined in the 2017-18 FReM (2016-17: £nil).

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

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

# IV

## Part IV: Accounts Direction

Accounts directions given by the Treasury on 16 April 2011, in accordance with Paragraph 23(2), Part 2 of Schedule 1 to the Parliamentary Standards Act 2009.

1. The Independent Parliamentary Standards Authority shall prepare resource accounts for the financial year ended 31 March 2011 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for the financial year for which the accounts are being prepared.
2. The accounts shall be prepared so as to:
  - a. give a true and fair view of the state of affairs of the Independent Parliamentary Standards Authority at 31 March 2011 and subsequent financial year ends, and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year then ended; and
  - b. provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
3. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgment should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.
4. This direction replaces the direction dated 29 October 2010.

**Chris Wobschall**

Head, Assurance and Financial Reporting Policy, HM Treasury

16 April 2011



# V

## Part V: Annual Report by the Compliance Officer for IPSA

## A. Introduction

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

## B. Overview of 2017-18

4. The 2017-18 financial year saw a significant increase in the number of complaints being made and reviews being requested. Further information

on both complaints and reviews can be found below.

5. I took up the post of Compliance Officer in January 2017. The Act stipulates that a Compliance Officer can only be appointed for a single fixed-term not exceeding five years and therefore my term of office would have concluded in December 2021. I took the decision to resign my role in April 2018. IPSA have commenced a recruitment process for my successor.
6. Within the relevant legislation, an MP can appeal a decision by the Compliance Officer to refuse an expense claim, pay only part of the claim or require repayment for expenses, interest or costs. There have been no Tribunals in respect of Investigations or Review processes this year. There has however been a Tribunal in respect of a Freedom of Information Act ruling by the ICO. More detail is shown below.
7. I believe that this year I have enjoyed a good relationship with both IPSA and other regulatory bodies (including regional police forces) during the year. As with previous financial years, I continued to provide assistance to the Metropolitan Police Service (MPS) with ongoing enquiries. Further information on my relationship and contact with the police and other bodies can be found below.

## C. Budget for 2017-18

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

9. The total spend for the Compliance Office in 2017-18 was £97,000. This was broken down as follows:

Expenditure	Outturn in 2016-17	Projected spend in 2017-18 (Budget)	Outturn in 2017-18
	£,000	£,000	£,000
Staffing	74	57	55
Legal costs	47	41	42
Expenses	0	0	0

#### D. Relationship with IPSA

10. The Compliance Officer is not an employee or officer of IPSA but has an independent, statutory role. I sought to demonstrate objectivity and neutrality in my relationships with MPs, IPSA, complainants and other agencies and stakeholders. I informed the IPSA Board of progress in the compliance function at regular intervals.
11. Schedule 2 of the Parliamentary Standards Act 2009 (as amended) requires IPSA to provide the Compliance Officer with adequate resources and staff to discharge his functions. Compliance Office staff act solely on the instruction of the Compliance Officer and their functions are entirely separate from the executive branch of IPSA.
12. My office is staffed by one full-time equivalent (FTE) post, comprising a Compliance Officer (generally two days per week) and an Investigations Officer (flexible three days per week). The Investigations Officer is an IPSA employee and is afforded the same rights as other IPSA personnel.
13. In April 2017 a new Investigations Officer was appointed, who now undertakes the

role on a part-time basis, with no further support to IPSA in other roles.

#### E. Relationship with MPs

14. Despite the nature of the role, I developed constructive, professional relationships with MPs based on mutual respect. I sought to ensure that the office continued to act fairly and proportionately to all parties involved, inviting the full cooperation of MPs and their staff when conducting my statutory functions, without needing to resort to formal measures compelling cooperation. As noted above, the Compliance Officer retains a number of statutory powers to issue penalty notices to MPs who fail to cooperate with enquiries; it is commendable that these powers have not, to date, been required.
15. In all appropriate cases, I approached the exercising of my statutory functions with proportionality. I recognised above all else that MPs and their staff are people who are, like the rest of us, busy in their professional and personal lives; occasionally prone to oversights, accidents or mistakes.
16. Where genuine mistakes are identified as the underlying cause of a complaint, I have sought to ensure that MPs and their staff receive appropriate guidance to reduce the risk of similar errors being replicated in the future. To date, and as noted previously, IPSA's Scheme has proven effective and robust in leaving very little scope for abuse or wilful misinterpretation of the rules.

## F. Relationship with other regulatory bodies

17. IPSA and the Compliance Officer are required by the Act to draft and agree Joint Working Agreements with:
- The MPS and the Director of Public Prosecutions; and
  - The Parliamentary Commissioner for Standards.

I have had several constructive meetings with these key stakeholders during this year.

18. Copies of these Agreements can be found on the website at:  
<http://www.parliamentarycompliance.org.uk/transparency/Pages/compliance-publications.aspx>

19. A Joint Statement also sets out how IPSA and the Compliance Officer will work with the MPS and the Director of Public Prosecutions should either have reason to suspect that a criminal offence may have been committed. Where IPSA has reason to suspect a deliberate breach of the Scheme, a referral will be made to the Compliance Officer. If the Compliance Officer has reason to suspect a criminal offence may have been committed, he/she should suspend his/her enquiries and contact the MPS. Both IPSA and the Compliance Officer will then assist the appropriate police force with their initial assessment of the evidence and any further enquiries they undertake thereafter.

20. Further, the police may receive complaints from third parties (such as members of the public) alleging criminal abuse of the Scheme; in such instances, IPSA and the Compliance Officer may be contacted to assist with police enquiries.

21. After April 2018 there will be appointments of a new Head of the MPS Special Enquiry Team as well as a new Compliance Officer for IPSA. It is expected that a 'refreshed' joint statement and memorandum of understanding will be agreed by the new relevant persons. I do not anticipate that there will be any need for material changes to what has been a seamless and professional working relationship.
22. During 2017-18 I did not feel it necessary to refer any new cases to the police, in accordance with the Joint Working Statement referred to above. My report in the previous Annual Report and Accounts was incomplete, in that it did not make mention of the fact that two cases were referred to the police during 2016-17.
23. Whilst it may be of interest that the Compliance Officer has not made such a referral in 2017-18, it is important to consider the following.
- a. A referral does not indicate a determination by the Compliance Officer of criminal wrongdoing. Such a determination is not the Compliance Officer's to make.
  - b. Referrals are made to ensure the strict demarcation between an investigation by the Compliance Officer under civil law and investigations by the police under criminal law. It is not the role of the Compliance Officer to investigate allegations of a criminal nature; therefore, it is right that any such allegation is referred on to the appropriate force for due consideration.
  - c. An investigation by the Compliance Officer is judged on the balance

- of probabilities. The police (and Crown Prosecution Service) must consider whether a jury would find an individual guilty beyond all reasonable doubt.
- d. The police have access to considerably more information and statutory powers than are available to the Compliance Officer. The police are therefore in a better position to prove – or disprove – an allegation than the Compliance Officer is; making them best placed to undertake any criminal enquiry.
24. Furthermore, I took my obligations under the Data Protection Act (DPA) and other privacy provisions very seriously. I was legally bound by the DPA to ensure that personal data, which includes the names of individuals referred to the police, was protected from unlawful disclosure. The police are responsible for assessing and investigating criminal complaints. Thereafter, should the Crown Prosecution Service (CPS), decide to bring charges against an individual, the relevant information will be disclosed under their procedures at the appropriate time and in accordance with the law. The public interest is not served by breaching my legal obligations under the DPA or by prejudicing the work of the police.
25. The disclosure of the names of individuals referred to the police, before any charges had been brought (or indeed, after the police or CPS had decided there was no case to answer) would constitute a serious breach of sensitive personal data and would leave the Compliance Officer open to investigation by the Information Commissioner's Office (ICO) and subject to a possible monetary penalty.
26. As with all corporate and statutory entities, I have sought to ensure that the Compliance Office will have a smooth transition with respect to the General Data Protection Regulation (GDPR), with the associated change in the laws regarding data protection in the UK. The Compliance team has undertaken training to better understand the legal requirements and roles under the new provisions. I have worked closely with the IPSA lead for data protection issues to ensure that whilst the functions remain separate; the understanding and working practices will be congruent. The Compliance Officer website will upload some supporting information in May 2018.
- G. Procedures for Investigations of the Compliance Officer**
27. IPSA is required by the Act to determine the procedures which the Compliance Officer must follow when handling complaints and requests for investigation alleging that MPs may have been paid a sum to which they were not entitled under the Scheme.
28. IPSA published the First Edition of the Procedures for Investigations by the Compliance Officer for IPSA ('the Procedures') in July 2010. After having been in place over a year, a review was undertaken, including consultation with the public and Parliament. On 1st February 2012, the Second Edition of the Procedures took effect.
29. In 2014, my predecessor assisted IPSA in drafting a third iteration. A public consultation was held in the summer of 2014 and the Third Edition of the Procedures for Investigation by the Compliance Officer for IPSA became effective on 1st January 2015.

30. At the time of reporting, there are no concrete plans to amend the Procedures. I did, on a number of occasions during 2017-18, mention that the procedures and guidelines might benefit from a formal review to ensuring the functions of the Compliance Officer are effective and robustly exercised. This may be a task that the new Compliance Officer will take forward with IPSA.
31. The current procedures can be viewed at [www.parliamentarycompliance.org.uk](http://www.parliamentarycompliance.org.uk).

## H. Complaints and Investigations

32. As noted above, one of the Compliance Officer's core functions is to investigate complaints that an MP has been paid an amount by IPSA, in breach of the Scheme.
33. Complaints can originate from a number of sources. The majority of complaints are made by journalists or members of the public (including councillors, prospective parliamentary candidates and MPs' staff).
34. Further, as part of its regular operations, IPSA conducts regular assurance reviews of MPs' expenditure, often taking a holistic look at areas of spending over set periods. Through this work, outliers may be identified requiring further investigation. These have in previous years been referred to the Compliance Officer for consideration. None were referred in 2017-18.
35. Lastly, the Compliance Officer may decide to look at an issue on his or her own initiative.
36. During the reporting period, 54 complaints were handled, from 50 individuals. As stated, IPSA made no referrals.
37. Twenty-eight complaints related to Office costs, six related to Travel Costs, six related to Accommodation Costs and five related to Staffing. Nine other complaints fell outside the remit of the Compliance Officer.
38. The majority of complaints (52) were made by members of the public. One complaint was made by a journalist and one complaint/request for information came from the Police.
39. In all but two cases, there was no evidence to suggest a breach of the Scheme had occurred and the cases were closed following an assessment of the available evidence. I found no wilful attempt to breach the Scheme's rules.
40. On the 28 November 2017, the Compliance Officer opened an investigation into Mr Johnny Mercer, MP for Plymouth Moor. The investigation followed receipt of a complaint from two members of the public concerned that the MP had been paid an amount under the Scheme that should not have been allowed, specifically in relation to Office Costs in respect of website use and other 'e-presence'. Notice of the investigation was published on the website: <http://www.parliamentarycompliance.org.uk/Pages/All-News-Items.aspx>
41. The investigation is ongoing into April 2018.
42. The overwhelming majority of complaints relating to MPs' claims under the Scheme were resolved to the satisfaction of all parties involved, by way of a formal 'assessment'; following the provision of additional information by the MP's office.
43. In a small number of cases, complaints relate to a misunderstanding of the information published by IPSA.
44. In such cases, no purpose is served by the opening of a formal investigation,

which would not serve the purpose of the investigation mechanism as intended by the legislation or procedures.

45. Nonetheless, it is important that the functions of the Compliance Officer are conducted as transparently as possible. To this end, details of all complaints handled by the Compliance Officer each financial year, including the basis for the complaint, the assessment outcome and the rationale behind the outcome, are published on the website, at the following address:

<http://www.parliamentarycompliance.org.uk/transparency/Pages/Complaints-handled.aspx>

46. Full details of all investigations undertaken by the Compliance Officer can be found on the website, at the following address:  
<http://www.parliamentarycompliance.org.uk/transparency/Pages/open-and-closed-investigations.aspx>
47. Figures outlining complaints received and cases handled by the Compliance Office during 2017-18 are shown below.

#### *Summary of the 54 cases handled during 2017-18*

Cases carried forward from 2016-17	Cases opened during 2017-18 by quarter				Total cases opened during 2017-18	Cases closed during 2017-18	Cases carried forward to 2018-19
	Q1	Q2	Q3	Q4			
4	18	12	5	19	54	48 (+ 4 from 2016-17)	6

#### *Outcome of the 52 cases closed during 2017-18*

Outcome of the 52 cases closed	
Assessments closed	52
Investigations closed	0

#### *Breakdown of the sources of the 54 opened during 2017-18*

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

## **I. Reviews**

48. The other core function of the Compliance Officer is, upon the request of an MP, to review a determination by IPSA to refuse an MP's expense claim in whole or in part.
49. During the 2017-18 period, three MPs requested reviews.
50. I published my decisions in respect of these reviews on the Compliance Officer website<sup>1</sup> at the following address:  
<http://www.parliamentarycompliance.org.uk/transparency/Pages/completed-reviews.aspx>

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

## J. Freedom of Information

51. During this reporting period the Compliance Officer has handled two lengthy Freedom of Information (FOI) requests.
52. In one of these FOI requests, the Compliance Officer withheld the requested information referring to section 40 of the FOIA which relates to the disclosure of personal data. The complainant, unhappy with the Compliance Officer's decision and subsequent review of the original decision, raised a complaint with the Information Commissioner's Office. In June 2017, the ICO issued a Decision Notice upholding that the Compliance Officer had correctly applied section 40(2) of FOIA to the Appellant's request on the basis that disclosure of the requested information would breach the provisions of the Data Protection Act 1998 ("DPA").
53. In July 2017, the Compliance Officer was notified of an appeal lodged by the complainant to the first-tier Tribunal appealing the decision by the Information Commissioner. In February 2018, after due deliberation, the Tribunal upheld the ICO's decision and dismissed the appeal.

## K. Accommodation

54. As previously referred to, the Act requires IPSA to provide the Compliance Officer with adequate resources to discharge his functions. This includes the provision of office accommodation, IT and telephony. Since the formation of IPSA, the accommodation provided has been adjacent, but separate from that occupied by IPSA.
55. Since April 2014, IPSA have had offices at 30 Millbank and the Compliance Officer staff took up occupancy of an office adjacent to those utilised by the IPSA executive and their staff,

ensuring efficient and effective access to information, data and documentation.

## L. Looking ahead

56. The 2017-18 term was my first full year as Compliance Officer. In essence, I continued the established processes embedded by previous incumbents. With the introduction of changes to the Scheme in April 2017, there were some changes in MPs', IPSA's, the general public's and indeed, potentially my interpretation of the amended Scheme. I worked with all parties to ensure that as previously, all compliance issues, regardless of provenance were given the same independent and proportionate approach as in previous years. As previously stated, the new Compliance Officer may seek to review the current Procedures and Guidance in the coming years.
57. As with recent years, the staffing continued to constitute the equivalent of one full-time post (Compliance Officer for two days a week and an Investigations Officer, three days per week). As such, any changes to the Compliance Office function and approach must be realistic if they are to be achievable and unlikely to interfere with the core role of the office. Both Compliance Officer and Investigation Officer are routinely needed to work flexible hours to accommodate meetings and administration with various stakeholders.
58. Having established the office and developed some core practices within the parameters of the changes within the Scheme, I decided to resign my post in April 2018. The newly appointed Compliance Officer will inherit an office that has experienced and managed a much greater and varied workload than in previous years.



59. The new Compliance Officer will have the basis of operation for year 2017-18 shown below as a strong foundation for continuous improvement within the function:

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

and issues raised as part of the Compliance Officer’s role. Ensure that appropriate ‘sharing protocols’ are in place, particularly with police services and other public authorities.

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

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

60. In April 2018, IPSA were made aware of an allegation that an MP had submitted a false expense in relation to his Start Up costs budget in 2016. IPSA referred this to me, and I subsequently referred it on to the MPS. The police investigation is currently ongoing.
61. Tracy Hawkings will be appointed as the new Compliance Officer, following an open recruitment process, and take up the office on 30 May 2018.

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