

***The* HOUSE of
COMMONS:
Members**

**Annual Report,
Resource Accounts &
Audit Committee Annual Report**

2006-07

(for the year ended 31 March 2007)

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House of Commons: Members Estimate

Annual Report

2006-07

House of Commons: Members Estimate 2006-07 Annual Report

Introduction

This report sets out the main developments on the House of Commons Members Estimate during 2006-07 and draws attention to developments planned for 2007-08.

Background

2. The activities of the House of Commons are funded by two Estimates, the House of Commons: Administration Estimate and the House of Commons: Members Estimate.

3. The Administration Estimate focuses on the administrative costs of running the House of Commons as an institution, covering the staff cost of the House Service, the maintenance costs of the Estate, the running costs of the chamber and associated activities, and travel costs of Members and officers undertaking parliamentary business such as select committee work. This Estimate is entirely under the control of the House itself: the Estimate is approved by the House of Commons Commission and laid before the House by the Speaker.

4. In contrast, the focus of the Members Estimate is mainly on Members of Parliament as individual elected representatives. It provides for their remuneration, parliamentary allowances and IT equipment in support of them carrying out their work effectively. In governance terms the Members Estimate is unique in that it is laid by a Treasury Minister as part of the main government supply, but the accountability remains within the House of Commons. The Accounting Officer, advised by the Members Estimate Audit Committee, is accountable to the House.

Developments during 2006-07

5. The most significant decision during the year was to introduce a Communications Allowance with effect from 1 April 2007, which will enable Members to communicate proactively with their constituents about their work as Members of Parliament. The House first passed a Resolution on 1 November 2006 without specifying the level or the scope of the allowance. Subsequently, the Members Estimate Committee produced a report on the new allowance (paragraph 12 below) which recommended a level of £10,000 per Member per year. This was approved after a debate on the floor of the House on 28 March 2007.

6. On 18 May 2006 the House passed a Resolution on Members' pay. This allowed for the 2 per cent pay increase as recommended in the 28th Report of the Senior Salaries Review Body (SSRB) to be staged, with 1 per cent being paid from 1 April 2006 and the remaining 1 per cent being paid from 1 November 2006.

7. Changes were made to the Parliamentary Contributory Pension Fund (PCPF) regulations in April 2006 as a result of tax simplification. The package, which the Government Actuary advised would be cost neutral, consisted of changes which fell into two broad categories:

- those which are essential to avoid the scheme making "unauthorised payments" under the new tax regime
- those which provide members with increased flexibility on contributing to the scheme or on the form and level of the benefits they take.

8. The new tax regime does not give any tax privileges to pension scheme members aged over 75. The policy agreed for the PCPF was that members should be given the option of taking a tax-free lump sum immediately before their 75th birthday and having their accrued pension abated (suspended) until their final retirement. However, a change in the tax rules was required to allow public service schemes to apply such abatement, and this was included in the 2006 Finance Act.

9. The Parliament (Joint Departments) Bill [HL] was introduced into the House of Lords on 23 January 2007. Although it has not yet completed its passage through Parliament, the Bill if enacted will allow the Corporate Officers of both Houses of Parliament (the Clerk of the House of Commons and the Clerk of Parliaments) to establish joint departments of both Houses. The Bill has been introduced to allow the formal establishment of PICT (Parliamentary Information and Communications Technology) as a joint department, but the Bill will allow the two Clerks to establish other joint departments, without further legislation. The changes will affect mainly the Administration Estimate; but, as PICT also provides computer equipment for Members and their staff from the Members Estimate, the governance arrangements in this area may need to be adapted in due course.

Work of the Members Estimate Committee

10. The Members Estimate Committee met on eight occasions in the course of the financial year.

11. The Committee published in July 2006 an updated annual Concordance of Resolutions, together with an updated edition of the Green Book. The revised Green Book allowed inter alia, for reimbursement under the Additional Costs Allowance of overnight stays on journeys to and from the constituency when it was not practicable to complete the journey in one day, so long as any such arrangements were cleared in advance with the Department of Finance and Administration, and other allied changes to the rules.

12. A major part of the Committee's work this year has been drawing up a scheme for the new Communications Allowance for Members of Parliament to assist in the work of communicating with the public on parliamentary business. The Committee's report on this subject was approved by the House on 28 March 2007.¹

13. The Committee agreed to make annual contributions to DEFRA's Government Carbon Offsetting Fund to cover the carbon costs of Members' air travel paid for from the Members Estimate. The 2006-07 contribution of £26,026 has now been paid.

14. They further agreed that the European travel scheme should be extended to include all countries belonging to the Council of Europe; that this should apply to all Members; and that the number of visits per year should remain at three.

15. The Committee approved arrangements for the third annual publication in October 2006 of details of expenditure on allowances and entitlements attributable to individual Members, in accordance with the House's scheme of publication under the Freedom of Information Act. The Committee also gave guidance to officers on handling requests for information on Members' allowances made to the House administration under the Freedom of Information Act, and on appeals against non-disclosure (see paragraph 24 below).

Work of the Advisory Panel on Members' Allowances

16. The Advisory Panel on Members' Allowances was set up (as the Speaker's Advisory Panel) in 2001 to advise the Speaker on the application of the allowances and arrangements for the provision of IT and training. The Panel continues with this role, but now advises the Members Estimate Committee.

17. The Advisory Panel² held nine substantive meetings during the year and advised on a number of issues. These included the production of the new edition of the Green Book, information technology provision, and training for Members' staff.

18. The Panel also provided evidence to the Senior Salaries Review Body (SSRB) as a contribution to the triennial review of Members' pay and allowances. The Panel held three meetings with the SSRB during the course of the review.

¹ First report 2006-07 HC 319

² As at 31 March 2007 the membership of the Panel was as follows: Rt Hon John Spellar MP (in the chair); Patrick McLoughlin MP (vice-chair); Alistair Carmichael MP; Nigel Griffiths MP; Rt Hon Michael Jack MP; Thomas McAvoy MP; Kali Mountford MP.

Training for Members' staff

19. Members' staff are offered training through a contract with WWP Ltd. WWP run a number of IT and general training courses which are provided free of charge to all employees of Members who are paid from the Staffing Allowance. The total cost of providing courses in 2006-07 was some £137,000 and over 580 Members' employees attended 101 courses during the year. Training offered included a very popular induction day on dealing with difficult and potentially violent visitors and IT applications such as spreadsheets and desktop publishing. A new *Introduction to Immigration* course was set up in conjunction with the House of Commons Library and facilitated by WWP, which has also proved very popular.

20. As in previous years, WWP continued to provide training courses both in and outside London. Members' employees who attend such courses can reclaim reasonable travel costs. A new programme was sent to all Members' staff in July and December 2006. A marketing day was held on 17 January 2007 which attracted over 200 visitors.

21. During the year the House continued to sponsor the website www.w4mp.org.uk, which provides information for Members' staff about working for an MP, including training available, and advertises job opportunities with Members.

Pension provision for Members' staff

22. Since November 2003, Members' employees have automatically joined the Portcullis Pension Plan, a stakeholder pension arrangement organised by the House on behalf of Members. It is not compulsory and Members' staff can opt out if they wish.

23. The Plan provides for a pension contribution paid by the House equivalent to 10 per cent of the employee's earnings. Each employee decides how this is split between the two providers, Norwich Union and AXA Sun Life, and how the funds are invested. Employees can also make voluntary contributions if they wish. In addition, all the members of the Plan benefit from death in service cover of twice their salary. When the Plan was first set up, a small group of employees who met certain criteria were allowed to stay with their existing providers. Currently the pension take up rate is over 99 per cent of eligible employees.

Freedom of Information (FOI)

24. During the year 63 requests for information were received by the House about matters concerning the Members Estimate. All requests were answered within the statutory time limit of 20 days. Five cases were appealed to the Information Commissioner who issued five decision notices during the period. In addition, the Information Tribunal considered two appeals against the Commissioner's decisions which led to further information about Members' travel costs being published.

Survey of services

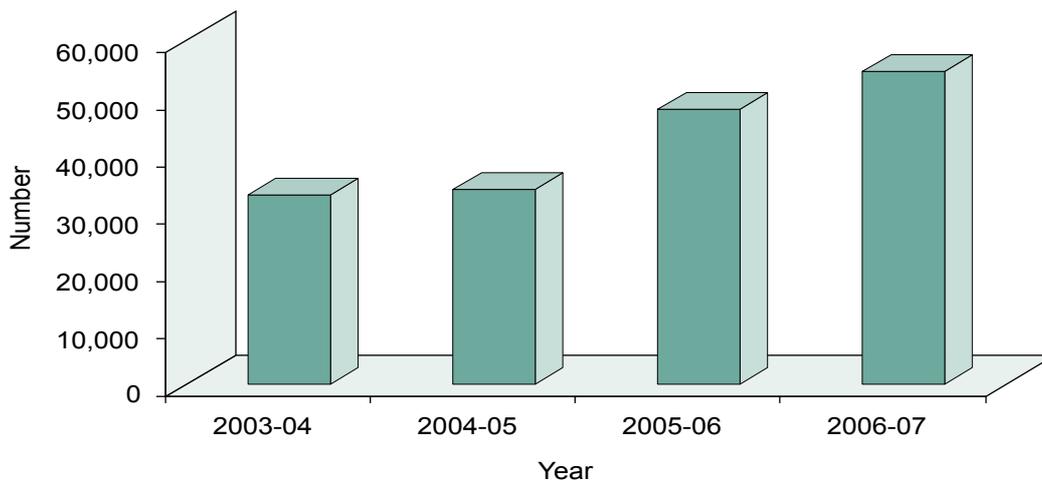
25. A market research company FDS was engaged to assess the quality of service provided to Members of the House, including services connected to the Members Estimate such as pay, pension and allowances. Generally the level of service provided was assessed highly or very satisfactory.

Trends and developments

(i) Members' claims

26. During the year the Department of Finance and Administration processed over 54,000 claims from Members for Additional Costs Allowance (ACA) and Incidental Expenses Provision (IEP). This represents an increase in the number of claims over the previous year of 13 per cent. Expenditure increased over the same period by 4.2 per cent. The increase in claims reflects a trend for Members to claim a higher proportion of these allowances each year, although no Members exceeded their agreed budget during the year.

Member Claims Received



(ii) The Enquiries and Advice Team

27. The Enquiries and Advice Team (EAT), a telephone helpline set up during 2005, continued to respond rapidly to Members' enquiries. During 2006-07, EAT received over 25,000 calls from Members and answered 98.5 per cent of them first time, well above the target of 95 per cent. The Survey of Services showed Members' satisfaction with the performance of the EAT to be very high.

(iii) Members' travel

28. The number of individual transactions totalled 32,412 (5,089 in 2005-06) and the total value of these transactions was just under £4 million. All Members were issued with corporate travel cards with effect from 1 April 2007, following the withdrawal of travel warrants. On the whole, the system has bedded in well; but there have been some transitional issues, mainly around securing Member validation of credit card statements. A fundamental review of the travel card was undertaken jointly by the Operations Directorate and Internal Audit during 2006-07, and the recommendations of the review will be carried forward during 2007-08.

29. Members continued to be encouraged to make greater use of the Parliamentary Travel Office in order to benefit from the advantageous air fares that they have negotiated. In addition, Members have been encouraged to purchase railcards where available and to book journeys well in advance to help reduce overall travel costs. These costs will continue to be monitored closely in 2007-08.

(iv) Members' staff

30. The number of Members' staff on the payroll has increased significantly since 2001 as a result of the introduction of the Staffing Allowance. As at 31 March 2007 the number of permanent staff was 2,532; a small increase in the equivalent number on the same day in the previous year.

(v) ICT services

31. Members are entitled to a set amount of loaned computer equipment, funded from the Estimate. Members can also use their allowances to purchase additional equipment that is configured to ensure its compatibility with parliamentary systems. Responsibility for providing this equipment and connecting it to the Parliamentary Network falls to the Parliamentary Information and Communications Technology Directorate (PICT).

32. Equipment was first issued to Members after the 2001 election. After the election in 2005 a major project commenced to replace this equipment and was completed during the 2006-07 financial year. The project included upgrading Members and their staff to Microsoft XP and Office 2003, transferring all data and licensed applications from the old equipment to the new, and re-establishing

local networks where they existed before. All the old equipment was retrieved, securely cleaned of its data and either resold or recycled. The project was both technically and logistically complex and required visits to over 1,200 locations across the UK.

33. A number of new services have been delivered during 2006-07, the most significant of which was making Personal Digital Assistants (PDAs) available to Members to purchase via PICT. The devices integrate with the Parliamentary infrastructure and through the use of a competitive mobile telephone network using GPRS and 3G, allows wires-free access to e-mail, diary, contacts and other Parliamentary information as well as the internet. The devices can also be used as a mobile phone. Members pay for the device and its running costs. The Estimate partly funded the integration work and the changes needed to the Parliamentary IT infrastructure, and continues to fund servers which host the service.

34. Progress has been made on planning the development of improved services and support to constituency based staff. Developments of particular note include the adoption of a new training strategy that will develop and deliver distance learning (e-learning) solutions to Members and their staff when working away from Westminster. In addition to this, technical improvements to the quality of the support offered from Westminster have also been introduced. This includes a small dedicated team of engineers who focus on remote access problems and the introduction of software tools that allow improved shadowing of remote computers. Options are being prepared for both additional engineering support and a more manageable technical environment in constituency offices, which will improve the quality of the service offered and move PICT closer to being able to offer similar levels of support in constituencies as offered in Westminster. It is worth noting that PICT aims to improve all of its services to all of its customers, whether in constituency offices, Westminster or elsewhere. Evidence of this is the significantly improved performance of the Service Desk where call waiting times have reduced from over 4 minutes a year ago to 30 seconds today.

35. Preparations for the next General Election have commenced and so far this has included ensuring that the approved recommendations made in the Administration Committee report: *Post Election Services* are addressed, in particular specifying improved IT facilities for newly-elected Members. The dissolution guidance for Members at the time of Election is also in the process of being redrafted to reflect changes in the way that Members work and their use of IT.

Future developments

36. Over the next twelve months the Members Estimate Committee expect to receive reports on:

- the SSRB's triennial review of Members pay and allowances. The timing of this will depend on the timetable of the SSRB itself and the Government's consideration of the recommendations. The report will be debated on the floor of the House. Any changes approved by the House will need to be reflected in a new edition of the Green Book which is planned for later in 2007-08;
- how the autumn publication of Members' allowance expenditure as part of the FOI publication scheme will include information relating to the breakdown of travel costs;
- the outcome of pending appeals before the Information Tribunal that relate to FOI requests for a further breakdown of allowance expenditure;
- the implications of anticipated Information Commissioner Decision Notices about FOI requests for a further breakdown of allowance expenditure;
- a review by the Advisory Panel of the guidance on allowances for Members who leave the House at a General Election;
- a review of the House of Commons Members Fund commissioned jointly by the Fund's Trustees and the Members Estimate Audit Committee. The Fund provides financial support to former Members and their families who are suffering hardship. Many recipients are very elderly and often have little by way of pension benefits.

37. The contract with WWP Training Ltd to provide training for Members' staff runs out in November 2007. A procurement exercise will therefore take place over the summer of 2007 to place a new contract. As well as continuing with face-to-face courses, the contract is likely to stipulate the introduction of distance learning techniques to assist those Members' staff unable to attend centrally delivered courses.

38. During 2006 a very successful Introduction to Immigration course was set up, instigated and overseen by the House of Commons Library, but facilitated by DFA and WWP through the Members' staff training contract. This is an important development which will provide a model for future cooperation on such training between House Departments.

House of Commons: Members Estimate

Resource Accounts

2006-07

Foreword to the Accounts

For the year ended 31 March 2007

Scope of the accounts

This Supply Estimate primarily supports Members of Parliament in discharging their parliamentary duties and responsibilities.

Purpose

The Estimate remunerates and supports Members of the House of Commons in discharging their duties and responsibilities in the constituency, in Parliament and elsewhere by funding: parliamentary salaries and associated pension contributions, reimbursing certain expenses incurred by Members (including travel, office costs, staff and equipment), payment of insurance, central provision of IT equipment, provision of training for Members and their staff, and other associated costs and non-cash items. It also provides financial assistance to Opposition parties to support them in the discharge of their parliamentary or representative functions; and it provides the Exchequer contribution to the Members' Fund.

Objectives

The objectives of the House of Commons: Members Estimate are as follows:

- a. To put elected Members of Parliament in a position to conduct their work on behalf of their constituents by meeting:
 - salary and related costs of Members and their staff;
 - expenses wholly, necessarily and exclusively incurred in the performance of their duties;
 - appropriate travel costs of Members, their staff, and their families;
 - centrally provided services including insurance, computers and other IT equipment, help for Members with disabilities, litigation, security, and training for staff.
- b. To put Opposition parties in a position to conduct their parliamentary business effectively.
- c. To provide an annual grant to the Members' Fund to assist former Members and their dependants.

Activities

All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. These Resolutions are debated and agreed on the floor of the House of Commons. Members are individually accountable for their decisions and actions in approving and claiming their pay and allowances. The Estimate provides for the following services:

- *Members' Parliamentary Salaries* are paid to all Members who have taken the oath (Ministerial Salaries are paid by the relevant Department of State);
- *Staffing Allowance* pays for the equivalent of up to three full-time members of staff;

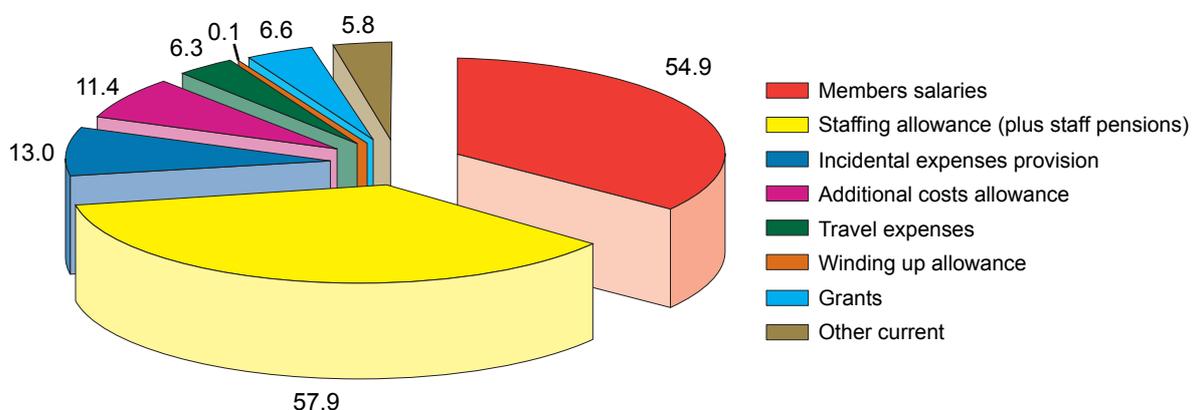
- *Incidental Expenses Provision (IEP)* covers a range of office and other expenditure, to the extent that it is not met by other aspects of provision;
- *Additional Costs Allowance (ACA)* reimburses Members of Parliament for expenses incurred when staying overnight away from their main home whilst performing their duties. Members with inner London constituencies are not entitled to ACA, but are paid a London supplement;
- *Travel expenses* reimburse Members and their staff for expenditure incurred when travelling in the pursuit of their official duties. There is also some provision for travel by family members. Although there are no restrictions on the number of journeys Members may undertake, families and staff are restricted according to the rules laid down in Resolutions of the House;
- *Staff pensions* are provided up to a maximum of 10% of an employee’s earnings over the period of employment, but subject to an overriding limit of 10% of the Staffing Allowance for each Member;
- A *Resettlement Grant* is payable to any Member who leaves the House of Commons at a General Election. The amount of the grant varies according to salary, age and length of service at the time of the dissolution of the House;
- *Winding-up Allowance* is payable to meet the costs of any official work undertaken on behalf of a deceased, defeated or retiring Member after the date on which they cease to be a Member of Parliament. All other allowances cease on this date;
- *Financial Assistance to Opposition Parties (“Short Money” and “Representative Money”)* is available to help Opposition parties to carry out their parliamentary business;
- The *central budget* provides IT equipment for use by Members, communications, training, various insurances and other incidental expenditure.

During the year Members were able to draw on a Staffing Allowance of £87,276, an Incidental Expenses Provision of £20,440 and an Additional Costs Allowance of £22,110.

Management Commentary

The net resource outturn was £1.0 million (0.6%) less than the Estimate. Variances between the Estimate and outturn arose because spending is at the discretion of Members of Parliament and does not always follow historic trends.

Total Resource Expenditure (£ million)



The net cash outturn was £2.7million (1.7%) less than the Estimate. The variance arose mainly from accruals arising on those claims received from Members between 1 April and 30 May 2007.

Further details on activities during 2006-07 are provided in the Members Estimate Annual Report which precedes these accounts.

Members' pensions

All Members are entitled to join the Parliamentary Contributory Pension Fund (PCPF). The scheme is a defined benefit scheme funded by contributions from Members and the Exchequer. The scheme is administered by trustees appointed by the House of Commons. The administration of the Members' pension scheme is carried out by STC Pensions Management.

The adoption of the accounting standard on retirement benefits (FRS17) now requires the House of Commons: Members accounts to recognise any constructive liabilities or assets due arising from future pension commitments. The Government Actuary is responsible for reporting on the financial position of the PCPF on a three-yearly basis. The most recent valuation report from the Government Actuary was published on 30 March 2006 and recommended that the Exchequer contribution should rise from 24% to 26.8% of salary. This was put in place from 1 April 2006.

The Senior Salaries Review Body (SSRB), as part of its current review of Parliamentary pay and allowances, has been asked by the Government to review "aspects of the benefits and funding of the PCPF"; in its evidence to the SSRB the Government elaborated on the areas it wanted the SSRB to consider further including:

- the outstanding cost of the previous improvement in the accrual rate;
- the possible removal from the PCPF regulations of the provision relating to "retained benefits" (whereby benefits built up in other pension schemes are taken into account when assessing the maximum benefits payable to the Member); and
- an approach to the funding of the PCPF which ensures that the scheme remains affordable, and which is fair to both the Exchequer and Member.

The SSRB is due to report in the summer of 2007.

The accounts of the PCPF are published separately; copies can be obtained from the Department of Finance and Administration.

The Members' Fund

The Members' Fund provides for ex-Members and their dependants who find themselves in difficult circumstances. It also pays certain "as of right" benefits. It is funded jointly by a grant from the Estimate and contributions from Members. It is administered by trustees appointed by the House of Commons. The accounts of the Members' Fund are published separately; copies can be obtained from the Department of Finance and Administration.

Governance

The management arrangements for the Estimate are set out in a statement of Roles and Authorities dated June 2004.

All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. Governance arrangements for the Estimate are overseen by the Members Estimate Committee which has the same membership as the House of Commons Commission.³

³ At 31 March 2007 the Members Estimate Committee comprised the Speaker (Rt Hon Michael J Martin MP) (in the chair) The Rt Hon Jack Straw MP, Sir Stuart Bell MP, Nick Harvey MP, The Rt Hon David Maclean MP, The Rt Hon Theresa May MP.

The functions of the Committee are:

- to codify and keep under review the provisions of the Resolutions of the House relating to expenditure charged to the Estimate for House of Commons: Members;
- to modify those provisions from time to time as the Committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances;
- to provide advice, when requested by the Speaker, on the application of those provisions in individual cases.

The Committee is not empowered to create a new form of charge on the Estimate, or to increase any rate of charge or payment determined by Resolution of the House.

Public interest

There are currently 646 elected members of the House. The House is self-governing and constitutionally separate from the Government. The House seeks to maintain good practice in all employment and business matters. In particular it is committed to the principles of diversity and equality of opportunity, and to the prompt payment of bills.

The House of Commons has a target of paying all Members' claims within ten working days of receipt. Third party payments to statutory bodies and external suppliers are paid by the statutory due date, or wherever possible within 30 days of invoice date whichever is sooner.

Auditors

The Comptroller and Auditor General currently audits the resource accounts of the House of Commons.

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

Going concern

The balance sheet at 31 March 2007 shows negative Taxpayers' Equity of £111.8 million. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the House of Commons Members Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from income, are surrendered to the Fund.

The future financing of the House of Commons: Members liabilities therefore have to be met by future grants of Supply approved annually by Parliament. Approval for those amounts required in 2007-08 has already been given and there is no reason to believe that future approvals will not be forthcoming. It is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Malcolm Jack
Accounting Officer

16 July 2007

Statement of Accounting Officer's Responsibilities

Although the Estimate for the House of Commons: Members is laid by the Treasury as part of the main Supply Estimates, the accountability arrangements are approved by the Speaker. The Speaker has appointed the Clerk of the House as Accounting Officer for these accounts.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net resource outturn, recognised gains and losses and cash flows for the financial year. Members are responsible for the probity and propriety of claims submitted.

The Accounting Officer is responsible for the House of Commons financial reporting arrangements. He should ensure that the resource accounts:

- observe the relevant accounting and disclosure requirements, and apply suitable applicable accounting policies on a consistent basis;
- include judgements and estimates made on a reasonable basis;
- state whether applicable accounting standards, as set out in the House of Commons financial reporting manual, have been followed, and disclose and explain any material departures in the accounts; and
- have been prepared on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the organisation's assets, are broadly as set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

Statement on the System of Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the House of Commons, whilst safeguarding the public funds and the assets of the House for which I am personally responsible. These responsibilities are broadly in line with those set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

A system of internal control has been in place in the House of Commons for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

Control framework and management of risk

The system of internal control involves a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- appropriate budgeting systems with an annual budget;
- procedures to agree and review the budgets;
- resource accounting policies and procedures; and
- the preparation of regular financial reports which indicate actual expenditure against the forecasts.

The House of Commons has an Internal Review Service (IRS), which operates broadly to standards defined in the Government Internal Audit Manual. The work of the IRS is informed by the analysis of risk to which the House of Commons is exposed, and annual internal audit plans are based on this analysis. At least annually, the Director of the IRS provides me with an independent report on the related activity within the House of Commons service. The report includes his opinion on the adequacy and effectiveness of the House of Commons system of internal control.

The framework of rules governing the administration of Members' allowances is drawn from Resolutions of the House of Commons. The framework is based on the principle that Members are primarily responsible for identifying, claiming and certifying their own expenditure. The Department of Finance and Administration is responsible for ensuring that the stated purpose of Members' claims falls within the agreed framework. The controls on expenditure therefore ensure that payments are correctly accounted for and paid to the correct recipient; but it is primarily the responsibility of Members to ensure the regularity and propriety of expenditure for which they claim reimbursement.

The change in the structure of the Members' allowances introduced by Resolutions of the House on 5 July 2001 has improved control and ensures greater accountability and auditability. In particular, central provision of IT equipment within fixed parameters and clearer arrangements for staffing provision have all contributed to ensure greater transparency and accountability in complying with the Resolutions of the House.

On 29 January 2004 the House agreed to establish the Members Estimate Committee which has now taken responsibility for the governance of the allowance system. The Committee, whose Members are the same as those of the House of Commons Commission, has the authority to agree minor changes to the Resolutions but it may not approve increases in the rates payable or new forms of charge. The Members Estimate Committee subsequently appointed the Members Estimate Audit Committee on 14 June 2004 to advise me in my role as Accounting Officer. Its membership comprises two Members of Parliament, both of whom are also members of the House of Commons Commission, and two external non-executive members. The external members and Members of Parliament are independent.

Financial assistance to Opposition parties is paid in accordance with Resolutions of the House of 20 March 1975, 26 May 1999 and 8 February 2006. These Resolutions require each recipient party to certify, through an external auditor, that expenditure has been incurred exclusively in relation to the party's parliamentary or representative business.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control.

My review of the effectiveness of the system of internal control is informed by the work of IRS and also the administrative staff of the House of Commons, who have responsibility for the development and maintenance of the control framework, and comments made by the external auditors in their management letter and other reports. The Members Estimate Audit Committee takes a close interest in the work of internal audit, with particular emphasis on promoting economy, efficiency and effectiveness, risk assessment and internal control. The Director of Finance and Administration and I regularly attend the meetings of the Audit Committee.

As far as controls over expenditure are concerned and in light of the work carried out by IRS, I am satisfied as to the general adequacy of the internal control system within the ambit of the House of Commons: Members accounts during 2006-07, following the steps that have been taken on risk awareness and risk management.

Malcolm Jack
Accounting Officer

16 July 2007

Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the House of Commons: Members for the year ended 31 March 2007. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by the House's Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the House of Commons Financial Reporting Manual and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Commons Financial Reporting Manual. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the House has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the House of Commons' application of best practice guidance on corporate governance including, amongst other sources, the Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the House's corporate governance procedures or its risk and control procedures.

As set out in the Statement on Internal Control, the framework of rules governing the administration of Members' allowances is drawn from Resolutions of the House of Commons. The framework is based on the principle that Members are primarily responsible for identifying, claiming and certifying their own expenditure on allowances. The House of Commons Service (the Department of Finance and Administration) is responsible for ensuring that the stated purpose of Members' claims falls within the agreed framework. The controls on allowance expenditure therefore ensure that payments are correctly accounted for and paid to the correct recipient; but it is primarily the responsibility of Members to ensure the regularity and propriety of expenditure for which they claim reimbursement. My audit of these allowances considers whether payments from the House of Commons: Members Estimate are supported by Members' claims, whether the purpose of the expenditure stated on the claims meet that of the relevant allowance, and whether the House of Commons Service (the Department of Finance and Administration) have properly accounted for these claims.

As further set out in the Statement on Internal Control, financial assistance to Opposition parties is paid in accordance with Resolutions of the House of Commons. These Resolutions require each recipient party to certify, through an external auditor, that expenditure has been incurred for parliamentary purposes. My audit of these amounts considers whether payments to recipients are in line with the resolutions, whether the House of Commons Service has properly accounted for these amounts and received certificates from external auditors, in accordance with the Resolutions, which confirm that expenditure has been incurred for parliamentary purposes.

I read the other information contained in the Foreword and the unaudited part of the Remuneration Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the House's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the House of Commons Financial Reporting Manual of the state of the House's affairs as at 31 March 2007 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended.
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Commons Financial Reporting Manual; and
- information given within the Foreword is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

18 July 2007

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

Statement of Parliamentary Supply

Summary of Resource Outturn

For the year ended 31 March 2007

| Request for Resources | Estimate | | | Outturn | | | Net Total Outturn compared with Estimate: saving/(excess) ¹ | 2005-06 Net Total |
|---|------------------------|--------|-----------|------------------------|--------|-----------|--|-------------------|
| | Salaries & other costs | Grants | Net Total | Salaries & other costs | Grants | Net Total | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Members' salaries, Allowances and Other costs | 150,500 | 6,500 | 157,000 | 149,435 | 6,555 | 155,990 | 1,010 | 156,598 |
| Total resources | 150,500 | 6,500 | 157,000 | 149,435 | 6,555 | 155,990 | 1,010 | 156,598 |
| Non-operating cost A in A | (3) | | (3) | (2) | | (2) | (1) | (2) |

Summary of net cash requirement 2006-07

| | Note | Estimate | Outturn | Net Total Outturn compared with Estimate: saving/(excess) ¹ | 2005-06 Outturn |
|----------------------|------|----------|---------|--|-----------------|
| | | £000 | £000 | £000 | £000 |
| Net cash requirement | 3 | 158,200 | 155,496 | 2,704 | 156,073 |

Summary of income payable to the Consolidated Fund.

In addition to appropriations in aid, the following income relates to the House and is payable to the Consolidated Fund (cash receipts being shown in italics)

| | Note | Forecast 2006-07 | | Outturn 2006-07 | |
|---|------|------------------|----------|-----------------|----------|
| | | Income | Receipts | Income | Receipts |
| | | £000 | £000 | £000 | £000 |
| Total income payable to the Consolidated Fund | 4 | - | - | 28 | 28 |

¹ Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 12).

The Notes on pages 24 to 37 form part of this account.

Operating Cost Statement

for the year ended 31 March 2007

| | Note | Salary & related costs £000 | 2006-07 | 2005-06 | |
|--|------|--------------------------------|---------------------|----------------|----------------|
| | | | Other Costs £000 | Income £000 | £000 |
| Programme Costs | | | | | |
| Members' Salaries, allowances and other costs | | | | | |
| Members' salaries | 6 | 43,423 | | | 47,864 |
| Members' pensions | 6 | 11,485 | | | 10,172 |
| Other costs | 7 | | 94,527 | | 92,200 |
| Grants to other bodies | 7 | | 6,555 | | 6,362 |
| Totals | | 54,908 | 101,082 | - | |
| Net Operating Cost | | | | 155,990 | 156,598 |

Statement of Recognised Gains and Losses

for the year ended 31 March 2007

| | Note | 2006-07 £000 | 2005-06 £000 |
|--|------|-----------------|------------------|
| Gain/(loss) on pension liabilities due to changes in actuarial assumptions | 13 | 33,500 | (7,000) |
| Recognised gains and losses for the financial year | | 33,500 | (7,000) |
| Prior year adjustment to pension liabilities | 13 | - | (119,000) |
| Total gains and losses recognised since last annual accounts | | 33,500 | (126,000) |

The Notes on pages 24 to 37 form part of this account.

Balance Sheet

as at 31 March 2007

| | Note | 2006-07 | | 2005-06 | |
|---|------|------------------|------------------|------------------|------------------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets: | | | | | |
| Tangible assets | 8 | 1,918 | | 778 | |
| Intangible assets | 9 | 5 | | 22 | |
| | | | 1,923 | | 800 |
| Current assets: | | | | | |
| Debtors | 10 | 388 | | 344 | |
| Cash at bank and in hand | 11 | 259 | | 180 | |
| | | 647 | | 524 | |
| Creditors (amounts falling due within one year) | 12 | (11,177) | | (11,096) | |
| Net current liabilities | | | (10,530) | | (10,572) |
| Total assets less current liabilities | | | (8,607) | | (9,772) |
| Provisions for liabilities and charges | 13 | (103,143) | | (130,628) | |
| | | | (103,143) | | (130,628) |
| | | | (111,750) | | (140,400) |
| Taxpayers' equity: | | | | | |
| General Fund | 14 | | (111,750) | | (140,400) |
| | | | (111,750) | | (140,400) |

Malcolm Jack
Accounting Officer

16 July 2007

The Notes on pages 24 to 37 form part of this account.

Cash Flow Statement

for the year ended 31 March 2007

| | | 2006-07 | 2005-06 |
|---|----------|-----------|--------------|
| | Note | £000 | £000 |
| Net cash outflow from operating activities | 15a | (153,779) | (155,003) |
| Capital expenditure and financial investment | 15b, 15c | (1,717) | (1,070) |
| Receipts due to the Consolidated Fund which are outside the scope of House activities | 4 | 28 | 30 |
| Payments of amounts due to the Consolidated Fund | | (46) | (16) |
| Financing ¹ | 15d | 155,593 | 155,600 |
| Increase/(decrease) in cash in the period | 15e | 79 | (459) |

¹The amount of grant actually issued to support the net cash requirement equalled £155,592,929.

Net Operating Costs by Aim

for the year ended 31 March 2007

| Request for Resources | Note | 2006-07 | | | 2005-06 | | |
|--|------|---------------|----------------|-------------|---------------|----------------|-------------|
| | | Gross £000 | Income £000 | Net £000 | Gross £000 | Income £000 | Net £000 |
| Members' Salaries allowances and other costs | 16 | 155,990 | - | 155,990 | 156,598 | - | 156,598 |
| Net Operating costs | | 155,990 | - | 155,990 | 156,598 | - | 156,598 |

The objectives of the House of Commons: Members Estimate are as follows:

To put elected Members of Parliament in a position to conduct their work on behalf of their constituents by meeting:

- Salary and related costs of Members and their staff;
- Expenses wholly, necessarily and exclusively incurred in the performance of their duties;
- Appropriate travel costs of Members, their staff and their families;
- Centrally provided services including insurance, computers and other IT equipment, help for Members with disabilities, litigation, security, and training for staff;

To put Opposition parties in a position to conduct their parliamentary or representative functions effectively;

To provide an annual grant to the Members' Fund to assist former Members and their dependants.

The Notes on pages 24 to 37 form part of this account.

Notes to the Resource Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the House of Commons Financial Reporting Manual. Accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under UK GAAP, two further primary statements are prepared. *The Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. *The Statement of Resources by Aim* and supporting notes analyse the House's expenditure by objective.

1.1 Accounting convention

These financial statements are prepared on an accruals basis under the historical cost accounting method.

1.2 Tangible fixed assets

Prior to 2006-07 the IT equipment was stated at current cost and valued using appropriate indices from the historical tables 1 and 4 of the Office of National Statistics publication MM17 "Price index numbers for current cost accounting". Other equipment was stated at historic cost. From 2006-07 IT equipment will not be re-valued if the revaluation adjustments do not have a material impact upon the figures. In 2006-07 IT equipment purchases were valued at historic cost. IT equipment that is attributable to specific workstations is grouped and capitalised.

1.3 Depreciation

Depreciation is charged on a straight line basis and is calculated at rates sufficient to write off the value of tangible fixed assets by equal instalments over their estimated useful lives.

For accounting purposes the useful economic life is deemed to be 4 years.

1.4 Intangible fixed assets

Intangible fixed assets comprise extended warranty covers and software licences purchased through the Members' Central IT provision (CIT). These assets are amortised over the life of the warranty or the life of the hardware on which it is installed.

1.5 Investments

There are no short term current investments.

1.6 Stocks and work in progress

No stocks are held and there is no work in progress.

1.7 Research and development

There is no research and development activity.

1.8 Operating income

No operating income is anticipated or collected under the Estimate. However, if a Member was found to have been overpaid on an allowance then the debt would be recovered either directly by cash payment, by delaying costs to be claimed until a later allowance period, or through reducing the subsequent year's allowance. Any cash receipts over and above those identified as debts at the year end are surrendered to the Consolidated Fund. Receipts of insurance payments for lost or damaged IT equipment are surrendered to the Consolidated Fund.

1.9 Capital charge

A charge, reflecting the cost of capital utilised, is calculated at the Treasury standard rate of 3.5% on all assets (except cash balances with the Paymaster General) less liabilities. There is negative capital charge to the accounts in 2006-07 since liabilities in respect of unclaimed allowances exceed assets.

1.10 Foreign exchange

Those transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. There were no foreign exchange transactions during 2006-07.

1.11 Pensions

Members of Parliament receive a pension from the Parliamentary Contributory Pension Fund (PCPF). The scheme is a defined benefit scheme based on final salary and is funded by contributions from Members and the Exchequer. As at 1 April 2002 this was based on an accrual rate of 1/50th for every year of service subject to a maximum of 33 1/3 years. The Parliamentary Pension (Amendment) Act 2002 gave Members the option, on an individual basis, to increase the accrual rate from 15 July 2002 to 1/40th of final pensionable pay for each year of service if they increased their personal contribution from 6% to 9% of pay.

The Government Actuary determines the amount the Exchequer pays after each triennial valuation of the fund. The rate of contribution in 2006-07 was 26.8% of salary per member of the PCPF.

The maximum pension available at 65 is 2/3 of final salary. There is an option to commute part of the pension for a tax-free lump sum dependent on age and length of service. The introduction of a 1/40th scheme resulted in a number of longer serving Members reaching their maximum period of service and therefore ceasing to contribute.

The supplementary pension contributions associated with the Ministerial element of a Member's salary are funded by the Estimate and are included in the pensions figure in Note 6. The Ministerial salary supplement itself is funded by the relevant Government Department direct.

The Managing Trustees are current Members of the House of Commons plus one retired former Member. The scheme's investments are managed by the Bank of New York. The scheme is administered by Superannuation of the University of London. The cost of administering the scheme is included as an administration cost within the House of Commons: Administration accounts.

The accounts of the PCPF are published separately. Further information about the Parliamentary Contributory Pension Fund or a copy of the Annual Report can be obtained from The Parliamentary Contributory Pension Fund Secretariat, Pensions Unit, Department of Finance and Administration, House of Commons, London, SW1A 0AA.

1.12 Early departure costs

Under the PCPF scheme rules, normal retiring age is 65, but a Member with at least 20 years' service can retire at 60 with an immediate pension. It is also possible for Members over the age of 50 to retire with an immediate pension that will be subject to an actuarial reduction dependent on age and length of service. In addition, if the Trustees of the PCPF are satisfied that a Member's ill health permanently prevents them from carrying out their duties, they can retire early with an immediate pension. All early retirement costs are met from the Fund and are not identified separately.

1.13 Staff pension provision

Since November 2003, Members' employees have automatically joined the Portcullis Pension Plan, although they can opt out if they wish. When the Plan was first set up, a small group of employees, who met certain criteria, were allowed to stay with their existing providers.

All employees within the Plan benefit from a contribution paid by the House of 10% of their earnings. They can decide how this is split between the two providers, Norwich Union and AXA Sun Life, and how the funds are invested. Employees can also make voluntary contributions if they wish. In addition, all the members of the Plan benefit from death in service cover of twice their salary.

1.14 Grants to other bodies

Financial assistance is provided to Opposition parties and the Members' Fund.

1.15 Leases

No operating or finance leases are held.

1.16 Private Finance Initiative (PFI) transactions

There were no PFI transactions.

1.17 VAT

This account is outside the scope of VAT. Output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

1.18 Programme expenditure

The Operating Cost Statement shows details of programme costs, which include Members' salaries, allowances and pension costs. Details of how these may be claimed are outlined in the Green Book, issued by the Department of Finance and Administration at the House of Commons.

The allowance expenditure disclosed in these resource accounts relates to Members' claims arising from the accounting period covered by the accounts. It includes claims received after the year-end to pay for activity arising within the accounting period. The Green book allows claims against each year's allowance budget to be submitted up to two months after the financial year; however, in exceptional circumstances claims received more than two months after the accounting year-end may be paid (i.e. by 31 May).

Members who have specific spending plans are able to apply to carry forward up to 10% of their Incidental Expenses Provision and Staffing Allowance. In certain circumstances they can also ask for an advance. Apart from exceptional circumstances, approved by the Speaker, any request must be submitted within two months of the end of the financial year. Movements between years will be managed within the overall resources and net cash requirement for those years.

The year-end accrual balance represents claims from Members received during the two months after the year-end, which relate to the accounting period covered by the resource accounts. This balance is supplemented by an estimate for subsequent exceptional claims that may be authorized for payment after the two months cut-off period has expired.

Prepayments are disclosed for Parliamentary Contributory Pension Fund, Childcare and the purchases of season tickets where the services will be delivered in the next accounting period.

1.19 Going concern

Although the closing balance on the General Fund is negative and is likely to remain so in future years, the Members Estimate will continue to receive annual funds voted by Parliament to cover Members' salaries and allowances.

1.20 Costs of administering Members' salaries and allowances

The cost of administering Members' allowances and salaries is included as an administration cost within the House of Commons: Administration accounts.

1.21 Third party assets

There are no third party assets held.

2. Reconciliation of Estimates, accounts and budgets

Reconciliation of accounts to capital budget

| | Note | 2006-07 | | 2005-06 |
|-------------------------------|------|-----------------|--------------|------------|
| | | Final provision | Outturn | Outturn |
| | | £000 | £000 | £000 |
| Additions to assets | 8, 9 | | 1,719 | 1,072 |
| (Disposals) at net book value | 8, 9 | | (3) | (158) |
| Capital Budget | | 2,203 | 1,716 | 914 |

3. Reconciliation of resources to cash requirement

| | Note | Estimate | Outturn | Net total outturn compared with Estimate: saving/(excess) |
|---|-------|----------------|----------------|---|
| | | £000 | £000 | £000 |
| Resource Outturn | | 157,000 | 155,990 | 1,010 |
| Capital | | | | |
| Acquisition of fixed assets | 8, 9 | 2,203 | 1,719 | 484 |
| Non operating A in A | | | | |
| Proceeds of fixed asset disposals | 5 | (3) | (2) | (1) |
| Accruals adjustments | | | | |
| Non-cash items | 7 | (1,000) | (2,253) | 1,253 |
| Changes in working capital other than cash | 10,12 | - | 42 | (42) |
| Changes in creditors falling due after more than one year | 12 | - | - | - |
| Net Cash Requirement | | 158,200 | 155,496 | 2,704 |

4. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the House and is payable to the Consolidated Fund (cash receipts being shown in italics)

| | Forecast 2006-07 | | Outturn 2006-07 | |
|--|------------------|----------|-----------------|-----------|
| | Income | Receipts | Income | Receipts |
| | £000 | £000 | £000 | £000 |
| Other amounts collectable on behalf of the Consolidated Fund | - | - | | |
| Non-operating income and receipts – excess A in A | | | | |
| Excess cash surrenderable to the Consolidated Fund | - | - | 28 | 28 |
| Total income payable to the Consolidated Fund | - | - | 28 | 28 |

5. Non-Operating income

| | 2006-07 | 2005-06 |
|--------------------------|---------|---------|
| | £000 | £000 |
| Disposal of fixed assets | 2 | 2 |

6. Members numbers and costs

6.1 Members costs comprise:

| | 2006-07 | 2005-06 |
|------------------------|---------------|---------------|
| | £000 | £000 |
| Members' salaries | 39,235 | 38,404 |
| Resettlement Grant | - | 5,375 |
| London Supplement | 136 | 109 |
| Social security costs | 4,052 | 3,976 |
| Other pension costs | 11,485 | 10,172 |
| Total net costs | 54,908 | 58,036 |

There are 646 seats in the House of Commons. During 2006-07, a total of 641 Members took up their seats with 5 Members abstaining from taking the oath. The annual salary, as at 31 March 2007, of each Member was £60,277. Included in the Members' salary costs are the additional salaries for the Chairman of Ways and Means (£39,631), two Deputy Chairmen of Ways and Means (£34,831 each), thirty two Chairmen of the Select Committees (£13,370 each) and the thirty two Chairmen of the Standing Committees (£2,668 - £13,370 each).

6.2 The House of Commons Members Fund (HCMF)

The HCMF was set up by the House of Commons Members' Fund Act 1939 as amended by subsequent Acts between 1948 to 1991. The Fund is not a pension scheme as defined by the House Financial Reporting Manual but functions primarily as a benevolent fund and operates to provide for former Members and their dependants who find themselves in difficult circumstances. These accounts only show the contribution paid into HCMF each year on behalf of all Members. Separate accounts for the HCMF are published. The last full valuation of the HCMF was as at 30 September 2003 when the Government Actuary assessed the value of the assets at £3.307million. The total liability of the fund was £2.030 million, giving a surplus of £1.277 million. The Government Actuary is currently in the process of completing the next full valuation as at 30 September 2006.

7. Net programme costs

| Note | 2006-07 | | 2005-06 | |
|---|---------|----------------|---------|---------------|
| | £000 | £000 | £000 | £000 |
| Other Costs – Members' Staff Salaries, Staff Pensions and other expenses | | | | |
| Cash Items | | | | |
| Staffing Allowance | 53,274 | | 50,695 | |
| Incidental Expenses Provision | 12,989 | | 12,748 | |
| Additional Costs Allowance | 11,447 | | 10,866 | |
| Travel expenses | 6,253 | | 5,994 | |
| Contributions to Members' staff pensions | 4,659 | | 4,196 | |
| Winding Up Allowance | 68 | | 3,775 | |
| Central service provision | 2,925 | | 1,825 | |
| Staff redundancy | 22 | | 780 | |
| Insurance | 313 | | 284 | |
| Temporary secretarial assistance | 324 | | 320 | |
| Write off of bad debt | - | | 10 | |
| Grants to other bodies | | | | |
| Financial assistance to Opposition parties | 6,340 | | 6,147 | |
| Members' Fund | 215 | | 215 | |
| Subtotal | | 98,829 | | 97,855 |
| Non-cash items | | | | |
| Depreciation and amortisation of fixed assets: | | | | |
| Tangible fixed assets | 8 | 576 | 181 | |
| Intangible fixed assets | 9 | 17 | 215 | |
| Loss on revaluation of tangible fixed assets | 8 | - | 178 | |
| Loss on disposal of fixed assets | 8 | 1 | 156 | |
| Pension provision | 13 | 6,015 | 4,628 | |
| Audit fee | 14 | 50 | 50 | |
| Capital charge | 14 | (4,406) | (4,701) | |
| Subtotal | | 2,253 | | 707 |
| Grand Total | | 101,082 | | 98,562 |

8. Tangible fixed assets

The tangible fixed assets consists of IT equipment

| | 2006-07 |
|--|----------------|
| | £000 |
| Cost | |
| At 1 April 2006 | 1,545 |
| Additions | 1,719 |
| Disposals | (191) |
| Loss on revaluation | - |
| Gain on revaluation | - |
| At 31 March 2007 | 3,073 |
| Depreciation | |
| At 1 April 2006 | 767 |
| Charge in year | 576 |
| Disposals | (188) |
| Revaluation | |
| At 31 March 2007 | 1,155 |
| Net book value at 31 March 2007 | 1,918 |
| Net book value at 31 March 2006 | 778 |

9. Intangible fixed assets

The House's intangible fixed assets comprise software licences.

| | 2006-07 |
|--|----------------|
| | £000 |
| Cost or valuation | |
| At 1 April 2006 | 855 |
| Additions | - |
| Disposals | (790) |
| At 31 March 2007 | 65 |
| Amortisation | |
| At 1 April 2006 | 833 |
| Charged in year | 17 |
| Disposals | (790) |
| At 31 March 2007 | 60 |
| Net book value at 31 March 2007 | 5 |
| Net book value at 31 March 2006 | 22 |

10. Debtors

| | As at 31 March 2007 | As at 31 March 2006 |
|---|--------------------------------|--------------------------------|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| Members | 36 | 55 |
| Deposits and advances | 22 | 21 |
| Other debtors | 313 | 155 |
| Prepayments and accrued income | 17 | 113 |
| | 388 | 344 |

There are no outstanding debtors due to the Consolidated Fund.

11. Cash at bank and in hand

| | As at 31 March 2007 | As at 31 March 2006 |
|---|------------------------|------------------------|
| | £000 | £000 |
| Balance at 1 April | 180 | 639 |
| Net change in cash balances | 79 | (459) |
| Balance at 31 March | 259 | 180 |
| The following balances at 31 March were held at: | | |
| Office of HM Paymaster General | 259 | 180 |
| Commercial banks and cash in hand | - | - |
| Balance at 31 March | 259 | 180 |
| Amounts issued from the Consolidated Fund but not spent at year end | 254 | 156 |
| Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund | 5 | 24 |
| | 259 | 180 |

12. Creditors

| | As at 31 March 2007 | As at 31 March 2006 |
|--|------------------------|------------------------|
| | £000 | £000 |
| Amounts falling due within one year | | |
| Other taxation and social security | 2,854 | 2,503 |
| Members | 260 | 262 |
| Other creditors – current | 747 | 1,909 |
| Other creditors - capital | - | - |
| Accruals and deferred income | 7,057 | 6,242 |
| | 10,918 | 10,916 |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 254 | 156 |
| Consolidated Fund extra receipts due to be paid to the Consolidated Fund | | |
| received | 5 | 24 |
| receivable | - | - |
| | 11,177 | 11,096 |

13. Provisions and liabilities

The PCPF is a defined benefit scheme. The Government Actuary's Department (GAD) provided an estimate of the financial position as at 31 March 2007. A full actuarial valuation was last carried out at 31 March 2005. The major assumptions used by GAD were:

| | As at 31 March 2007 | As at 31 March 2006 |
|---|--------------------------------|--------------------------------|
| Rate of increase in salaries | 4.9% | 4.7% |
| Rate of increase in pensions in payment | 4.9% | 4.7% |
| Discount rate | 5.4% | 4.9% |
| Inflation assumption | 3.4% | 3.2% |
| | 2006-07 | 2005-06 |
| | £000 | £000 |
| Movement in deficit during the year | | |
| Deficit in scheme at beginning of year | (130,628) | (119,000) |
| Current service cost (net of member contributions) ¹ | (16,500) | (12,800) |
| Employer contributions | 11,485 | 10,172 |
| Other finance income ² | (1,000) | (2,000) |
| Actuarial loss ³ | 33,500 | (7,000) |
| Deficit in scheme at end of year | (103,143) | (130,628) |
| ¹Analysis of amounts charged to operating profit | | |
| Current service cost (net of member contributions) | 16,500 | 12,800 |
| | 16,500 | 12,800 |
| ²Analysis of amount credited to the finance income | | |
| Expected return on pension scheme assets | 22,700 | 20,000 |
| Interest on pension scheme liabilities | (23,700) | (22,000) |
| Net return | (1,000) | (2,000) |
| ³Analysis of amount recognised in Statement of Recognised Gains and Losses (SRGL) | | |
| Actual return less expected return on pension scheme assets | 3,800 | 48,000 |
| Experienced gains arising on the scheme liabilities | 5,900 | 4,000 |
| Changes in assumptions underlying the present value of the scheme liabilities | 23,800 | (59,000) |
| Actuarial loss recognised in SRGL | 33,500 | (7,000) |
| Benefits paid | 13,000 | 16,000 |
| Member contributions | (4,200) | (4,000) |

| Analysis of Assets and Liabilities | Long term rate of return 2006-07 | Value at 31 March 2007 | Value at 31 March 2006 |
|------------------------------------|----------------------------------|------------------------|------------------------|
| | | £million | £million |
| Equities | 6.70% | 290 | 255 |
| Bonds | 4.70% | 80 | 78 |
| Others | 4.75% | 6 | 16 |
| Total value of assets | | 376 | 349 |
| Present value of Fund liabilities | | (479) | (480) |
| Net pension liability | | (103) | (131) |

14. General Fund

| | Note | As at 31 March 2007 | As at 31 March 2006 |
|--|-------|---------------------|---------------------|
| | | £000 | £000 |
| Balance at 1 April | | (140,400) | (9,224) |
| Prior Year Adjustment | | - | (119,000) |
| | | (140,400) | (128,224) |
| Net Parliamentary Funding | | | |
| Drawn down | | 155,593 | 155,600 |
| Deemed | | 157 | 629 |
| Year end adjustment | | | |
| Supply creditor – current year | 11 | (254) | (156) |
| Net Transfer from Operating Activities | | | |
| Net Operating Cost | 6 & 7 | (155,990) | (156,598) |
| Non Cash Charges | | | |
| Cost of capital | | (4,406) | (4,701) |
| Auditors' remuneration | | 50 | 50 |
| Actuarial gain recognised in SRGL | 13 | 33,500 | (7,000) |
| Balance at 31 March | | (111,750) | (140,400) |

15. Notes to the Cash Flow Statement**15(a) Reconciliation of operating cost to operating cash flows**

| | Note | 2006-07 £000 | 2005-06 £000 |
|---|-------------|-------------------------------|-------------------------------|
| Net operating cost | 6 & 7 | (155,990) | (156,598) |
| Adjustments for non-cash transactions | 7 | 2,253 | 707 |
| (Increase)/decrease in debtors | 10 | (44) | (88) |
| Increase in creditors | 12 | 2 | 976 |
| <i>less increase in capital creditors</i> | | - | - |
| Net cash outflow from operating activities | | (153,779) | (155,003) |

15(b) Analysis of capital expenditure and financial investment

| | Note | 2006-07 £000 | 2005-06 £000 |
|---|-------------|-------------------------------|-------------------------------|
| Tangible fixed asset additions | 8 | (1,719) | (1,072) |
| Intangible fixed asset additions | 9 | - | - |
| Proceeds on disposal of fixed assets | 5 | 2 | 2 |
| Net cash outflow from investing activities | | (1,717) | (1,070) |

15(c) Analysis of capital expenditure and financial investment by Request for Resources

| | Capital expenditure £000 | Loans etc £000 | A in A £000 | Net total £000 |
|-----------------------------------|---|---------------------------------|------------------------------|---------------------------------|
| Request for Resources | 1,719 | - | (2) | 1,717 |
| Net movement in debtors/creditors | - | - | - | - |
| Total 2006-07 | 1,719 | - | (2) | 1,717 |
| Total 2005-06 | 1,072 | - | (2) | 1,070 |

15(d) Analysis of financing

| | Note | 2006-07 £000 | 2005-06 £000 |
|--|-------------|-------------------------------|-------------------------------|
| From the Consolidated Fund (Supply) – current year | 14 | 155,593 | 155,600 |
| From the Consolidated Fund (Supply) – prior year | 14 | - | - |
| Net financing | | 155,593 | 155,600 |

15(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

| | Note | 2006-07 £000 | 2005-06 £000 |
|---|------|-----------------|-----------------|
| Net cash requirement | 3 | (155,496) | (156,073) |
| From the Consolidated Fund (Supply) – current year | 14 | 155,593 | 155,600 |
| From the Consolidated Fund Supply – prior year | 14 | - | - |
| Amounts due to the Consolidated Fund received in prior year and paid over | | (23) | (10) |
| Amounts due to the Consolidated Fund received and not paid | | 5 | 24 |
| (Decrease)/increase in cash | | 79 | (459) |

16. Notes to the Statement of Resources by Aim

Capital is employed exclusively for programme purpose.

Programme expenditure has been allocated as follows:

| | 2006-07 £000 | 2005-06 £000 |
|---|-----------------|-----------------|
| Request for Resources : Members' salaries, allowances and other costs | 155,990 | 156,598 |

Capital Employed by Aim at 31 March 2006

| | 2006-07 £000 | 2005-06 £000 |
|---|------------------|------------------|
| Request for Resources : Members' salaries, allowances and other costs | (111,750) | (140,400) |

17. Capital commitments

There were no capital commitments as at 31 March 2007.

18. Contingent liabilities disclosed under FRS 12

There are currently no contingent liabilities falling within the requirement of FRS 12 that need to be disclosed.

19. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

There are currently no contingent liabilities not required to be disclosed under FRS 12, but need to be included for parliamentary reporting and accountability purposes.

20. Losses and special payments

There were no losses or special payments made in 2006-07.

21. Related-party transactions

The House of Commons: Administration Estimate is regarded as a related party. The House of Commons Commission provide resources for the following services to Members and their staff: accommodation, utilities, catering, security, communications and administration. IT equipment provided to both Houses is being managed by the Parliamentary Information and Communications Technology (PICT) service. In addition, the remuneration package for Members of Parliament is approved by Resolution of the House of Commons. Members also act as Managing Trustees for the Parliamentary Contributory Pension Fund and the House of Commons Members' Fund.

The Register of Members' Interests provides information of any pecuniary interest or other material benefit which a Member receives which might reasonably be thought by others to influence his or her actions, speeches, or votes in Parliament, or actions taken in his or her capacity as a Member of Parliament. The Register is published soon after the beginning of a new Parliament under the authority of the Select Committee on Standards and Privileges, and annually thereafter. Between publications the Register is regularly updated in a loose leaf form and this is available for public inspection in the Committee Office of the House of Commons. Employment agreements deposited with the Registrar are available for personal inspection only.

The House of Commons: Members Estimate provides financial assistance to Opposition parties to carry out their parliamentary or representative functions. The total payable to each party is linked to a formula based on the number of seats won and the votes cast at the previous General Election.

22. Post balance sheet events

In accordance with Financial Reporting Standard 21 events after the balance sheet date are disclosed, where material up to the date on which the financial statements are authorised for issue. In the public sector this is interpreted as the date of despatch to the Clerk of the House of Commons for laying before Parliament. This date is 24 July 2007.

House of Commons: Members Estimate

Audit Committee Annual Report

2006-07

Members Estimate Audit Committee Annual Report for 2006-07

Introduction

This is the third annual report of the House of Commons Members Estimate Audit Committee, which was established by the House of Commons Members Estimate Committee on 14 June 2004, following changes to the governance structure for the Members Estimate agreed by the House in January 2004.

Membership

In 2006-07 the Rt Hon Theresa May MP served as Chairman of the Committee, and Nick Harvey MP as a member of the Committee. There were also two external members of the Committee, Sir Thomas Legg KCB QC and Mr David Taylor FCA.

The Clerk of the House, the Director of Finance and Administration and the Director of the Internal Review Service attend meetings, although they may withdraw for specific items at the Committee's, or their own, request. In October 2006 Sir Roger Sands KCB retired from the position of Clerk of the House, and his place was taken by Dr Malcolm Jack.

The Committee's secretary is the Private Secretary to the Clerk of the House, Miss Tracey Garratty.

Terms of Reference

In June 2006 the Members Estimate Committee agreed to a minor amendment to the Committee's terms of reference to allow the Committee to receive and consider management letters. This brings the terms of reference into line with those of the Administration Estimate Audit Committee.

The Committee's terms of reference are annexed to this report.

Meetings

The Committee met three times in the financial year 2006-07.

Information about the Committee

The Committee has a page on the Parliament website on which are published its membership, terms of reference and annual reports. Formal minutes of meetings are also published on-line.

Administration Estimate Audit Committee

The Committee has the same membership as the Administration Estimate Audit Committee (AEAC) and usually meets immediately after meetings of the AEAC. Areas of overlap between the Audit Committees, for example in relation to the regular report on the work of the Internal Review Service (IRS), are usually discussed in AEAC meetings but minuted separately.

The Committee has agreed to adopt the same arrangements and procedures as the AEAC, as far as is practicable. Consequently:

- representatives from the National Audit Office and PricewaterhouseCoopers, who work with the House's Internal Review Service, usually attend meetings of the Committee;
- internal audit reports are considered first by the external members of the Committee, who may refer matters for discussion by the full Committee; and

- notwithstanding the difference in the roles of the Commission and the Members Estimate Committee in respect of the two House Estimates, the same procedure is used for advising the Accounting Officer on the Members Accounts as is used in relation to the Administration Accounts.

The annual report of the AEAC will be published with the House of Commons Commission's Annual Report for 2006-07 in the summer.

Internal audit reports

Two audits relating to the Members Estimate were considered by the Committee at its three meetings. A further four audits were delivered after the Committee's final meeting in 2006-07 but before the end of the financial year. These audits will be considered at the Committee's meeting in April 2007.

Audit reports are usually considered first by the external members of the Committee, who may choose to bring matters to the attention of the full Committee. Neither of the two audit reports delivered by the Committee's February meeting needed to be discussed by the Committee as a whole: the audit opinion and summary of recommendations of the audit of resettlement grant payments was circulated to the Committee to take note, and the audit of Members' staff redundancy payments was considered by the external members only.

In 2005-06 the Committee agreed to commission a process review of Members' allowances that would concentrate on ensuring that the Green Book could be clearly interpreted by Members and staff of the House. Much progress has been made in 2006-07, with a number of workshops being held with both operational staff and their managers to investigate the practicalities of using the Green Book, and individual interviews being conducted with senior staff. Sir Thomas Legg has acted as a liaison point between the Committee and IRS during the audit, and kept the Committee updated with progress during the year. The Committee will consider a discussion paper based on the results of the process review at its April 2007 meeting, and will decide what recommendations if any to make to the Members Estimate Committee.

House of Commons: Members Accounts

The external members of the Committee met with NAO and Department of Finance and Administration staff on 22 June 2006 to discuss the draft House of Commons: Members Accounts for 2005-06, following which the accounts were discussed by the full Committee at its 12 July meeting prior to being signed off by the Clerk of the House, as Accounting Officer.

One of the results of faster closing was that two significant accruals adjustments which were made to the accounts, meaning that the accounts received a qualified audit opinion, took place between the external members meeting the NAO and the accounts being discussed by the Committee as a whole. The Committee noted that these adjustments had been necessary for two reasons: firstly a higher than expected number of post year-end claims for allowances by Members, and secondly a revised calculation from the Government Actuary's Department attributable to the adoption of the FRS17 accounting standard. Other issues raised in the Committee's discussion of the accounts were paperwork for IT equipment disposal; and provision of supporting documentation for fixed assets.

The Committee also received an audit completion memorandum for 2005-06 and an audit strategy memorandum for 2006-07 from the National Audit Office.

The Committee wishes to congratulate those officials of the House and the NAO who contributed to the House meeting the Treasury's aim that public sector resource accounts for 2005-06 should be completed by July 2006.

Other areas of work

In 2005-06 the Committee agreed to the Leader of the House's invitation that it should undertake a review of the governance of the Members' Fund jointly with the Trustees of the Fund, and appointed John Stoker to undertake the review on its behalf. Lord Burnett was appointed on behalf of the Trustees. Throughout the year the Committee was kept updated with the progress of the joint review, and it is hoped that a report, endorsed by both the Committee and the Trustees, will be presented to the Members Estimate Committee early in 2007-08.

The Committee's current terms of reference are shown below:

On behalf of the Members Estimate Committee, to:

- have general oversight of the work of internal audit and review relating to the Members Estimate, with particular emphasis on promoting economic, efficient and effective administration, and on risk assessment and control assurance;
- receive and consider reports from the Internal Review Service (IRS), together with management letters and external audit material relating to the Members Estimate;
- monitor and review the external auditor's independence, objectivity and effectiveness, and to make recommendations to the Members Estimate Committee about the external auditor's appointment;
- advise the Accounting Officer in the exercise of his responsibilities;
- consider and recommend to the Accounting Officer the internal review programme for the Members Estimate;
- encourage best financial practice, use of resources and governance in relation to the Members Estimate;
- report annually, the report to be published with the Members Estimate annual accounts.