

From: [Conliffe, David](#)
To: [Cooper, Trevor](#)
Cc: [White, Fiona](#); [Coyne, Terence](#)
Subject: FW: Annual Report etc
Date: 12 May 2010 15:37:04
Attachments: [Minute 12 May TC to DS re Annual Report Resource Accounts.doc](#)
[DETI Statement on Internal Control Draft 11 May 2010.doc.DOC](#)
[Annual Report for the year ended 31 March 2010.doc](#)
Importance: High

Trevor,

Please find enclosed annual report, SIC and note to D Sterling incorporating Terry's updates.

Regards

David Conliffe

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To: David Sterling

 cc Colin Lewis
 Bernie Brankin
 Fiona McCauseland
 Fiona White
 David Conliffe
 Jill Hawthorne
 Carol Donnelly
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12 May 2010

From: Trevor Cooper

**DETI RESOURCE ACCOUNTS 2009/10: DRAFT ANNUAL REPORT AND
 DRAFT STATEMENT OF INTERNAL CONTROL**

Issue: To provide a copy of the draft 2009-10 Annual Report and Statement of Internal Control

Timeframe: Resource Accounts due with NIAO on 21 May

Need to Referral to the Executive N/A

Presentational Issues: None

Freedom of Information: None

Financial Implications: None

Legislative Implications: None

Statutory Equality Implications: None

Recommendation: That you review the Annual Report and Statement of Internal Control and revert to me with any comments

1. The annual report together with the financial statements comprises the Department's "Resource Accounts", which are due to be with the Northern Ireland Audit Office by 21 May.
2. In light of your impending leave, I attach, for your consideration, the Department's 2009-10 annual report. It is anticipated that the actual financial

statements and associated schedules will be available for you to review early next week.

Annual Report

3. The annual report contains five distinct elements:

(a) Director's Report

This contains background information about the Department, including information on its structure and corporate governance arrangements. It also references policies in relation to disabled persons, equal opportunities, employees and payment of suppliers.

(b) Management Commentary

This provides more detail on the Department, including the economic context in which it works and details of performance. All Divisions within DETI have provided input to the Management Commentary, which has been cleared by Colin Lewis and David Thomson.

(c) Sustainability Report

This provides details of the Department's contribution to sustainable development in the context of the economy, the environment and wider society.

(d) Financial Performance Review

This sets out, at high level, details of the Department's actual performance against budget and also refers to the basis on which the Department is assessed as a going concern and major provisions against future liabilities where the timing or amount is uncertain.

(e) Remuneration Report

This provides details of the remuneration and pension entitlements of the Minister and Senior Civil Servants.

Statement of Internal Control

4. Also attached is the Statement of Internal Control. This follows the format prescribed in the Financial Reporting Manual. There is a separate section on information security. Under the heading "Significant Internal Control Problems" the following issues have been referenced:

- (a) Reports to the Public Accounts Committee on the investigations which were referred to in the Emerging Business Trust PAC hearing (CAM Benchmarking; Bioscience and Technology Institute; and Novatech)

- (b) The PAC hearing on Valence Technology and the Memorandum of Reply;
 - (c) The forthcoming PAC hearing on Campsie and Synergy;
 - (d) The Bytel investigation (suitably anonymised); and
 - (e) The Hydrocarbons Directive.
5. Last year's statement contained a reference to EU remedial work that had been undertaken by Invest NI. As the weaknesses identified had been addressed in 2008-09, the issue has not been referred to in this year's statement.
 6. Last year's statement also included references to issues in both Account NI and HR Connect. DFP will again, this year, be providing assurances from its Internal Audit Service on these common services. These are expected by the middle of next week by the latest. Pending receipt of the DFP assurances no reference has been made in the draft statement. Should issues be brought to our attention, the statement will be amended.
 7. The Statement of Internal Control will be kept under review between the date of submission to NIAO and sign off. It will be amended to reflect any further issues that may arise.

Further Information

8. Compilation of the Management Commentary and Sustainability Report has been co-ordinated by Fiona McCausland. I should be grateful if you would revert to Fiona if you have any comments on those sections of the report. I am happy to take comments on the other parts of the annual report which has been produced with input from David Conliffe (financial information) and Terry Coyne (corporate governance). I will also be pleased to discuss the draft Statement of Internal Control.

TREVOR COOPER

Statement on Internal Control - Statement for year to 31 March 2010**1. Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Enterprise, Trade and Investment's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The Department sponsors four non departmental public bodies (NDPBs): Invest Northern Ireland; Northern Ireland Tourist Board; Health and Safety Executive for Northern Ireland and the General Consumer Council for Northern Ireland. I have designated the Chief Executives of those NDPBs as Accounting Officers for their organisations. Their responsibilities are set out in the NDPB Accounting Officer Memorandum, which they received when taking up appointment.

The Department and the Department of Enterprise, Trade and Employment in the Republic of Ireland jointly sponsor InterTradeIreland and the Department jointly sponsors Tourism Ireland Limited alongside the Department of Arts, Sport and Tourism in the Republic of Ireland. I have designated the Chief Executives of InterTradeIreland and Tourism Ireland Limited as the Accountable Persons for these organisations.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2010 and up to the date of approval of the accounts, and accords with Department of Finance and Personnel guidance.

3. Capacity to Handle Risk

Under the leadership of the Departmental Board and the Departmental Audit Committee, we are carrying out appropriate procedures to ensure that we identify the Department's objectives and risks and devise a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Department has set out its attitude to risk in relation to the achievement of the Department's objectives. More specifically the Department has:

- a Risk Management policy document;
- delivered risk management training for relevant staff;

- produced risk registers at strategic (corporate) and operational (divisional) levels;
- maintained a system of quarterly risk reporting via stewardship statements by heads of division for the year ended 31 March 2010; and
- maintained a formal system of risk reporting to the Departmental Board and the Departmental Audit Committee for the year ended 31 March 2010.

4. The Risk and Control Framework

The Departmental Board has ensured that procedures are in place for verifying that risk management and internal control are regularly reviewed and reported on. As well as regular reports to the Departmental Board, risk management and internal control are regularly reviewed by the Departmental Audit Committee. Risk management is continually being incorporated into the corporate planning and decision-making processes of the Department.

During the year, assurance statements were submitted, on a quarterly basis, to the Departmental Accounting Officer by the Heads of Management Services Group and Policy Group. Quarterly assurance statements were also submitted by the Chief Executives of the Department's four NDPBs. These provided an account of internal control matters arising in each of the reporting periods.

The Departmental Board and the Departmental Audit Committee receive periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and to monitor progress on key projects.

The Department's key objectives and risks are regularly assessed to ensure consistency of treatment.

Quarterly oversight and liaison meetings take place between Departmental and NDPB representatives. These meetings cover performance against targets; finance issues; policy issues; and corporate governance issues.

5. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letters and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Departmental Board and the Departmental Audit Committee and plans to address weaknesses and ensure continuous improvement of the system are in place.

The Departmental Board and the Departmental Audit Committee meet quarterly and receive regular reports on risk management and internal control issues. Representatives from the Northern Ireland Audit Office attend the Departmental Audit Committee.

Reflecting the emphasis which the Department gives to an effective corporate governance framework, key procedures are regularly reviewed and revised in order to strengthen and improve controls. Appropriate guidance and delegated limits are established to promote control and consistency in decision making across the Department's activities.

The Department has an Internal Audit Service, which operates to HM Treasury's Government Internal Audit Standards. Internal Audit Service constructs its annual audit programme in light of the Department's and NDPBs' Risk Registers. Internal Audit Service submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement. Internal Audit Service has provided an overall satisfactory opinion with regard to the adequacy of the Department's risk management, control and governance processes for the 2009-10 year.

Information Security

During the year work continued to improve information security awareness and dissemination of best practice. This included the roll-out of online data protection awareness training for all staff which commenced in April 2009 and the production and circulation of a DETI Information Security Policy document in September 2009 which consolidated information security policy guidance into a single easily accessible format for staff. The Department has in place a Senior Information Risk Owner and Information Asset Owners across business areas to provide further assurance that information assets are properly managed. Awareness seminars were provided for Information Asset Owners in November 2009. Information Security is a standing item at Departmental Board meetings and Heads of Branches are required to review information security compliance in their quarterly internal assurance statement checklists.

6. Significant Internal Control Problems

Public Accounts Committee Issues

In November 2008 the Department provided a progress report to the Assembly Public Accounts Committee on investigations into three bodies which had been established between 1990 and 1998 with the assistance of public funds. Reports are being provided to the Committee by the Department at the conclusion of each investigation.

On 18 June 2009, Invest NI and the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "Review of Assistance to Valence Technology: A Case Study on Inward Investment". The Committee's report was

published on 10 September 2009. The Department's response to the report was contained in a Memorandum of Reply, which was presented to the Assembly by the Department of Finance and Personnel.

On 20 May 2010, Invest NI and the Department provided evidence to the Assembly's Public Accounts Committee on an NIAO report "Campsie Office Accommodation and Synergy e-Business Incubator. The Committee's report is awaited. The Department's response to the report will be contained in a Memorandum of Reply, which will be presented to the Assembly by the Department of Finance and Personnel.

Other Issues

During 2008-09, the Department initiated an investigation following receipt of anonymous allegations concerning grant funding to a company. The investigation is ongoing.

Following reviews of the Consumer Council's payroll undertaken by DETI's Internal Audit Service and the Consumer Council's internal auditors, issues have been identified in relation to the Consumer Council's adherence to the general NICS pay structure. Arrangements have been made to ensure that practices reflect NICS policy.

The Department had failed to implement EC Directive 94/22/EC on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbons ("The Hydrocarbons Directive") which had a binding date for implementation of 1 July 1995. Remedial action is being taken to correct this deficiency and additional staff have been deployed to work on the necessary legislation required to implement the directive.

David Sterling
Accounting Officer
June 2010