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To: [Cooper, Trevor](#)
Subject: Updated - DAC minutes- 24 June 15
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Attachments: [Updated - DAC minutes- 24 June 15.docx](#)

Trevor

I have updated the draft minutes. Could you let me know if you are content with paragraph 19.

Regards

Terry

Terence Coyne

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MINUTES OF DEPARTMENTAL AUDIT COMMITTEE HELD ON 24 JUNE 2015 AT DETI, NETHERLEIGH

Present: David Beck (Chairman)
Bill McGinnis (Audit Committee Member)
Claire Hughes (Audit Committee Member)

In attendance: Andrew McCormick (DETI)
Eugene Rooney (DETI)
Trevor Cooper (DETI)
David Conliffe (DETI)
Iain McFarlane (DETI)
Michael Woods (DETI)
Terry Coyne (DETI)
Colette Kane (NIAO)
Kristina Lucas (NIAO)

Minutes: Lee-Anne Hutchinson (DETI)

Apologies: Anthony Harbinson (Audit Committee Member)

PRELIMINARY

1. The Chairman welcomed members and attendees to the Departmental Audit Committee. The Chairman stated that the purpose of the meeting was to consider the Department's Resource Accounts for 2014-15. He confirmed that the meeting would be of a relatively short duration as a number of issues had been discussed in depth at the previous meeting on 1 June.
2. The Chairman welcomed Kristina Lucas from the Northern Ireland Audit Office (NIAO) to her first meeting of the Departmental Audit Committee. The Chairman confirmed that Bill McGinnis was attending his last meeting as a Committee member and thanked Bill for his contribution to the Departmental Committee and his support to the Department over the years. Andrew McCormick also thanked Bill for his contribution and support. Bill expressed his thanks to the Chairman and his fellow Committee members for their support over the years, and expressed his gratitude to officials who attended Committee meetings and supported the work of the Committee.
3. The Chairman confirmed that the Committee had held separate meetings with NIAO and Internal Audit prior to the meeting, both of had been positive.

POTENTIAL CONFLICTS OF INTEREST

4. Audit Committee members confirmed that there were no changes to the interests that they had previously declared.

DRAFT DETI REPORT TO THOSE CHARGED WITH GOVERNANCE

5. Colette Kane confirmed that NIAO had provided DETI with the draft Report to Those Charged with Governance (RTTCWG) on 22 June as scheduled. Colette confirmed that NIAO's audit of the Resource Accounts was nearly complete and although there were a few outstanding issues to be finalised during NIAO's review process, no significant issues were expected. Colette confirmed that the RTTCWG, was still a draft document and may be subject to amendment following NIAO's final review of the accounts.
6. Colette outlined the content of the RTTCWG. She drew the Committee's attention to the two Emphasis of Matter issues in the C&AG's audit certificate. These relate to:
 - The carrying value in the Department's accounts of the £175 million loan provided to the Presbyterian Mutual Society (PMS). NIAO has now examined documentation in support of the loan's carrying value; and
 - The provision for future liabilities of Harland & Wolff plc. NIAO has considered the actuarial review produced in 2013-14.
7. Colette informed the Committee that no significant issues, weaknesses or irregularities had been identified to date by NIAO. She confirmed that NIAO still had to review further the updated Governance Statement.
8. Colette confirmed that the accounts produced for audit and the Department's accounting policies were of a high quality. There were no irregularity or propriety issues and the remuneration report was completed correctly in accordance with DFP guidance.
9. David Conliffe joined the meeting at this point.
10. Colette confirmed that the RTTCWG would contain four recommendations relating to:
 - The availability of the PMS annual audited accounts. Trevor Cooper accepted that these accounts should have been available earlier. He noted that they had now been received and provided to NIAO. Colette confirmed this and informed the Committee that the priority rating of the recommendation would be reduced from Priority 1 to Priority 2;

- The alignment of the carrying value of provisions for future H&W claims in DETI's accounts and the accounts of H&W plc; the reasonableness of settlements in employer's liability cases; and the use of a third party to pay settlement costs (Priority 2). Trevor Cooper confirmed that all three H&W plc Directors and the Company Secretary were present at the Audit Committee and they would consider the recommendation around further review of the controls over the third party;
 - A CFER due from Invest NI which has been in DETI's accounts in receivables and payables for three years (Priority 2). Colette recommended that the balance be reviewed and any necessary adjustments made; and
 - Evidence to support a challenge by DETI to the quantum of the fees of the PMS joint supervisors (Priority 2). Bill McGinnis queried the level of advice required by DETI on PMS. Trevor Cooper informed the Committee that the complexity of the PMS administration, in particular the need to engage on a large number of loans due and manage a large property portfolio, necessitated the provision of extensive advice. Eugene Rooney confirmed this and pointed to the complex loan book and property portfolio which required continuous management.
11. Colette confirmed that NIAO had discussed with DETI officials whether a disclosure should be made as a result of uncertainties over future budgets. Trevor Cooper confirmed that DETI had run revised cashflows which indicated that on current assumptions DETI's position looked to be manageable.
12. Colette concluded by noting that there were no data handling incidents during the year and that no issues had arisen in 2014-15 in relation to the approval of business plans for North South Bodies after grant had been paid. She confirmed that the letter of representation (on the Agenda at Item 6) is a standard letter for signature by the Accounting Officer.

CORPORATE RISK REGISTER

13. Terry Coyne confirmed that the Corporate Risk Register had been reviewed by the Departmental Board at its meeting on 23 June.
14. Terry informed that Committee that issues associated with the Non-Domestic Renewable Heat Incentive referred to in the Corporate Risk Register would be discussed later in the meeting. Terry confirmed that amendments to risks made since the Committee's last meeting on 1 June were routine in nature but that there had been some slippage in target dates.

15. Terry drew the Committee's attention to work planned by European Support Unit on raising awareness throughout departments and NPDBs of the rules relating to Industrial State Aid. He went on to refer to the revision of the target date for the engagement of external support by the Insolvency Service, which had now been moved back to September 2015.
16. Terry concluded by informing the Committee that arm's length bodies, with the exception of Invest NI and HSENI, continued to raise future funding requirements as a risk.

DETI ANNUAL ACCOUNTS INCLUDING GOVERNANCE STATEMENT

17. Trevor Cooper outlined the significant changes made to the Governance Statement since the Committee's last meeting on 1 June, which were highlighted by way of tracked changes in the papers. He informed the Committee that more detail had been provided around the risk relating to disqualification of directors and that a reference had been included in relation to the action being taken to claw back grant paid to Bytel Networks Ltd.
18. Trevor Cooper informed the Committee that references had been included in the Governance Statement to payments of grants to North/South bodies in 2013-14 (no issues arose in 2014-15), and to two emphasis of matter issues in the C&AG's audit certificate: the H&W provision and the PMS loan.
19. Trevor Cooper concluded by referring to financial and governance issues that had emerged in connection with the Non-Domestic Renewable Heat Incentive (RHI) Scheme. Trevor informed the Committee that the Non-Domestic RHI Scheme has been launched in November 2012, with expenditure on new commitments beyond March 2015 being subject to re-approval. Expenditure in the period covered by the 2014-15 accounts is covered by existing DFP approvals. DETI is, however, currently engaging with DFP in relation to approval for expenditure in 2015-16, and in relation to updated forecast Annually Managed Expenditure (AME) Budget requirements over and above the forecast AME Budget requirements provided by the Department to DFP in December 2014. Whilst expenditure in the 2014-15 period covered in the accounts falls within existing DFP approvals, the Department has decided to include a reference to the Non-Domestic RHI Scheme in the draft Governance Statement on the basis that it is currently engaging with DFP on re-approval of the Scheme and on expenditure arising from new offers in 2015-16. In response to a question from Bill McGinnis, Eugene Rooney and Trevor Cooper confirmed that the Scheme had legislative cover in Northern Ireland for its operation.

20. The Committee endorsed the Governance Statement which is included in the annual Resource Accounts, subject, as noted at paragraph 7, to any further amendments which were not anticipated to be significant.
21. David Conliffe informed the Committee that NIAO had recommended a number of narrative changes and additional disclosures to the accounts. David confirmed that an additional accrual of £2.1m in relation to the Non-Domestic Renewable Heat Incentive has been included in the accounts. He went on to confirm, in response to a question raised at the Committee's 1 June meeting, that the table on page 9 of the accounts, which contains details of directors, senior managers and employees, was correct and had been prepared in accordance with FReM guidance. He explained that the term "directors" encompassed the Minister, the Permanent Secretary, Deputy Secretaries and Departmental Board Members. David also confirmed that pension information was now included in the accounts.
22. David referred to the Analysis of Net Resource Outturn by Function table at page 64 of the accounts and confirmed that outturn compared to estimate had been adjusted to reflect virement obtained from DFP. He informed the Committee that commitments arising from the Renewable Heat Incentive Scheme had been disclosed in Note 9.3 at page 88 of the accounts, and that the 2013-14 comparator figure had been restated. David concluded by referring to a foreign exchange risk inherent in transactions with the EU and confirming that a £50,000 loan to the Northern Ireland Science Park had been disclosed at Note 11, page 89. In response to a request from the Chairman, David undertook to explore the possibility of incorporating version control into the 2015-16 accounts but did point to potential difficulties as a result of the accounts being a mixture of Word documents and Excel spreadsheets.

Action: David Conliffe to consider incorporating version control into the 2015-16 accounts.

LETTER OF REPRESENTATION - ADVICE ON ACCOUNTS

23. David Conliffe outlined the contents of his draft minute to the Accounting Officer in relation to the signing of the 2014-15 Resource Accounts and the Letter of Representation to NIAO. The Chairman confirmed that he and Committee members were content with the content of the Letter of Representation.
24. The Committee endorsed the Accounts and recommended that they be signed by the Accounting Officer.
25. Eugene Rooney left the meeting at this point.

ANY OTHER BUSINESS

26. The Chairman expressed thanks on behalf of the Committee to the work that all those associated with the preparation of the Resource Accounts had undertaken.
27. The Chairman concluded by once again thanking Bill McGinnis for the contribution that he had made to the Departmental Audit Committee since his appointment and wished Bill every success in the future. The sentiment was endorsed by those present.