

Draft 12 June 2014

**DRAFT MINUTES OF DEPARTMENTAL AUDIT COMMITTEE
HELD ON 28 MAY 2014 AT DETI, NETHERLEIGH**

Present: David Beck (Chairman)
Bill McGinnis (Audit Committee Member)
Anthony Harbinson (Audit Committee Member)

In attendance: David Sterling (DETI)
Eugene Rooney (DETI)
Trevor Cooper (DETI)
Elaine Dolan (DETI)
Iain McFarlane (DETI)
David Conliffe (DETI)
Frances MacBride (DETI)
Pat Cunningham (DETI)
Terry Coyne (DETI)
Neil Gray (NIAO)
Colette Kane (NIAO)
Stephen Brannigan (NIAO)

Minutes: Lee-Anne Hutchinson (DETI)

PRELIMINARY

1. The Chairman welcomed members and attendees to the Departmental Audit Committee. He referred to the Senior Management changes that would be taking place in the Department over the next few weeks and invited David Sterling to update the Committee. David Sterling confirmed that he would be taking up the position of DFP Permanent Secretary at the end of June / beginning of July and that his replacement would be Dr Andrew McCormick, currently the Permanent Secretary of DHSSPS. David Sterling also confirmed that David Thomson, the Head of Policy Group, is due to retire on 18 June 2014 and a suitable replacement has been requested. The Chairman expressed thanks to both David Sterling and David Thomson for their contribution to the Department in general and the Departmental Audit Committee in particular, and looked forward to working with Andrew McCormick.
2. The Chairman welcomed Stephen Brannigan to the Committee. Colette Kane confirmed that Stephen had joined NIAO as a graduate trainee and was observing the operations of a Departmental Audit Committee as part of his training and development. The Chairman also welcomed the minute taker, Lee-Anne Hutchinson, who had recently joined the Department and was attending her first meeting of the Committee.

POTENTIAL CONFLICTS OF INTEREST

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

APPROVAL OF MINUTES OF THE PREVIOUS MEETING ON 5 MARCH 2014

4. The minutes of the 5 March 2014 meeting were approved and adopted.

MATTERS RAISED BY DEPARTMENTAL AUDIT COMMITTEE AT ITS PREVIOUS MEETINGS

5. The Schedule of Action Points arising from previous meetings of the Departmental Audit Committee was reviewed. The position regarding outstanding actions is outlined in the following paragraphs.
6. Schedule Item 1 – Iain McFarlane informed the Committee that the review of the Departmental Gifts & Hospitality policy had been completed and was in the process of being approved.
7. Schedule Item 4 – Trevor Cooper confirmed that a meeting had been held with Central Procurement Directorate (CPD) to seek clarification as to whether a number of categories of NITB expenditure should be considered as procurement or grant. Following the meeting, CPD had sought advice from Departmental Solicitor's Office as there were differing opinions on the appropriate classification of expenditure. Trevor Cooper ~~agreed with confirmed to~~ Anthony Harbinson that the distinction between grant and procurement ~~can sometimes be~~ was problematic and ~~this~~ had ~~on occasion~~ resulted in legal proceedings in which the Courts had ruled that ~~even where a~~ grant ~~was being provided s supporting the provision a service should have been categorised as~~ procurement ~~process should have been undertaken~~. Trevor Cooper informed the Committee that it was hoped that definitive legal advice would be received shortly and would be followed by a meeting with NITB. The Chairman stated that he hoped the issues around categorisation of expenditure would be resolved shortly and would not reoccur. Anthony Harbinson commented that the position should become clearer once the legal advice was received and draft guidance updated.
8. Schedule Item 6 – Elaine Dolan confirmed that an update on the implementation of actions arising from the Internal Audit Internal Quality Assessment would be provided to the Committee at its autumn 2014 meeting.
9. Schedule Item 7 – Iain McFarlane confirmed that the updated NITB MSFM had been approved by DFP and was operational but went on to inform the Committee that the Invest NI MSFM had still not been finalised, although a final draft was being considered by Invest NI.

Eugene Rooney advised the Committee that Invest NI had indicated that comments on the final draft would be provided by the end of May. David Sterling welcomed this development and informed the Committee that the Department would aim to have the MSFM agreed by the end of June and sent to DFP for approval.

10. Schedule Item 8 – It was confirmed that 2014-15 business plans produced by DETI and its NDPBs would not contain targets relating to the avoidance of limited internal audit opinions.

THE EUROPEAN SUSTAINABLE COMPETITIVENESS PROGRAMME (ESCP) 2007/13 – 2013 PROGRAMME OF WORK IN SUPPORT OF THE ANNUAL CONTROL REPORT AND 2014 PROGRAMME OF WORK

11. Frances MacBride confirmed that the 2013 Annual Control Report (ACR), showing a final projected error rate of 0.67%, had been formally accepted by the Commission.
12. Frances went on to advise the Committee that the limited Internal Audit opinion on Invest NI's Business Improvement Agent programme had resulted in an exchange of correspondence with the Commission which led to a pre-suspension letter being issued for the Business Improvement Agent sub priority. Follow up work undertaken by Internal Audit led to the audit opinion being revised from limited to satisfactory. Although the majority of points raised in the pre suspension letter have been addressed some further work is being undertaken so that all the Commission's points can be addressed. No issues are anticipated.
13. The 2014 programme of work is underway. A sample of 37 projects with expenditure totalling approximately £52.5m, has been taken. Site visits are continuing and no significant issues have been found to date or anticipated. The work is due to be completed by the end of June 2014.
14. In response to a question from the Chairman, Frances confirmed that she had seen the references to EU issues contained in six monthly Assurance Statements. The Chairman indicated that he was reassured by this.

Action: Response to be provided to the EU Commission pre-suspension letter – Jackie Connolly.

INFORMATION SECURITY

15. Pat Cunningham confirmed that a number of pieces of work connected with Information Security and Business Continuity Planning had been undertaken during the year.
16. Pat confirmed that security sweeps had been conducted outside working hours at evenings and weekends. No issues of consequence had emerged.

17. Pat informed the Committee that the annual Internal Departmental Information Security Survey, covering DETI and its NDPBs, had been completed in January 2014. Pat also confirmed that the annual Security Risk Management Overview return to the Head of the Civil Service (HOCS) is in draft form and is currently with Internal Audit for consideration. No issues have arisen. The report is scheduled to be signed by the Permanent Secretary and provided to HOCS by the end of June 2014.
18. Pat reported that Internal Audit Service had provided a satisfactory opinion on Information Security processes. All DETI staff have completed the online training course on protecting information. An IT health check had been completed by an approved consultant and no issues had arisen. Looking forward, Pat confirmed that an external Penetration Test of IT systems is taking place but no major issues are anticipated.
19. Pat updated the Committee on Business Continuity Planning. He confirmed that the annual test of facilities at Newtownbreda (Netherleigh's contingency site) had taken place. A scenario based test of the Netherleigh Business Continuity Plan had been held in March 2014 and a report on the outcome, including lessons learned, had been considered by the Departmental Board at its 20 May meeting.
20. Pat confirmed that a number of tests of the 66101 Netherleigh communications channel had taken place. This number alerts staff by text to building related problems. Some 66% of staff in Netherleigh have registered for the service. Pat confirmed that this is a good uptake compared to other government departments.
21. Bill McGinnis enquired if IT systems routinely identify information sent from an official account to an external e mail account. Bill explained that his enquiry was triggered by the receipt of an e mail alerting him to his use of an official e mail account outside normal office hours. The consensus was that IT systems may be able to pick up classified documents but that the interaction between government and external e mail accounts was such that it would neither be feasible nor desirable for public bodies to be alerted every time an e mail was sent to an external e mail address.
22. Trevor Cooper referred to the recent attempted fraud against the Consumer Council whereby an external party breached the Council's IT security system and enquired if NPDBs were subject to the same [penetration testing policies and standards](#) as the NICS. Pat Cunningham confirmed that he was made aware of the incident and had been in discussions with the Consumer Council. However, while Pat was confident that NICS security systems are as up to date as possible he [personally](#) could not provide that assurance for NDPB's [since it was up to each NDPB to ensure its anti-penetration measures were up to date and effective](#).

23. The Chairman thanked Pat for his contribution and Pat left the meeting at this point.

Action: Annual Security Risk Management Overview report to be provided to HOCS by the end of June – Pat Cunningham

BTI – PROGRESS ON IMPLEMENTATION OF PAC RECOMMENDATIONS

24. Iain McFarlane updated the Committee on progress made on the implementation of the two outstanding recommendations from the BTI PAC report.
25. One internal audit staff member has completed the CIPFA investigative practice qualification; the other member of staff is scheduled to complete the qualification by the end of June. The remaining recommendation relates to PSNI's consideration of issues relating to potential fraud. Anthony Harbinson stated that his offer to intercede with the PSNI to expedite matters was still open. Iain McFarlane indicated that this offer would be considered further by the Department.

INTERNAL AUDIT UPDATE REPORT TO AUDIT COMMITTEE ON PROGRESS v PLAN, RECOMMENDATIONS REGISTER AND LIMITED OPINIONS

26. Elaine Dolan informed the Committee that the Internal Audit Service 2013-14 annual audit opinion for DETI was satisfactory in relation to DETI's risk management, control and governance processes. The IAS opinion was based on the results of audits and follow up reviews undertaken during the year.
27. Elaine confirmed that no limited opinions had arisen during the year. She informed the Committee that a Priority 1 finding had recently been raised in the draft report on Project Management. The finding related to the payment of grant on a telecoms project where grant had been paid on ~~ineligible~~ expenditure [ineligible from an EU perspective](#). The grant payments of £78,000 are to be offset against future claims from the project promoter.
28. Elaine confirmed that the final annual opinion provided on Shared Services by the Head of DFP's Internal Audit Service would be taken into consideration when finalising the Internal Audit opinion for DETI. This would be updated when the report was received.
29. Elaine confirmed that follow up reviews of outstanding recommendations is an ongoing process but was pleased to note the significant reduction in the list of outstanding recommendations since this time last year.
30. Elaine informed the Committee that both Invest NI and NITB will receive overall satisfactory opinions for 2013-14. NITB had an overall

limited opinion in 2012-13. However, follow up reviews undertaken by IAS have demonstrated that appropriate remedial action has been taken by management and the previous limited opinion will be lifted.

31. A discussion took place around the IAS Key Performance Indicators (KPIs). Elaine confirmed that one of the ten KPIs (5.1) is no longer relevant. Seven out of the remaining nine KPIs have been achieved with one on track for achievement. There are difficulties in relation to the achievement of the remaining KPI which relates to the issue of a draft report within 15 working days of fieldwork being completed. Elaine informed the Committee that DFP is currently completing a cross departmental bench marking exercise on KPIs which may result in standard targets being set across the system.
32. In response to a question from the Chairman regarding the completion of draft reports, Elaine indicated that the quality assurance process, which is largely undertaken at Deputy Principal level, can result in delays if there are a significant number of queries arising on draft reports and working papers following the DP's review. Anthony Harbinson considered that it was better to initially set challenging deadlines and then to reassess them as necessary in light of experience. Eugene Rooney agreed but was concerned that a focus on meeting tight deadlines might lead to a reduction on the quality of final reports. The Committee agreed that the aim was to strike the right balance between timeliness and quality and that some fine tuning may be required to ensure that quality reports are produced within challenging but achievable timescales.
33. In response to a question from Anthony Harbinson, Elaine Dolan highlighted that the recent EQA on the IAS to Invest NI and NITB raised concerns as to whether Invest NI and NITB regarded IAS as their own internal auditors. Elaine Dolan confirmed that this matter would be considered further when the EQA report is received.
34. The Chairman welcomed the 2013-14 overall audit opinion and particularly welcomed the remedial work that had been undertaken within NITB.

Action: Elaine Dolan to finalise 2013-14 Annual Audit Opinion in light of DFP's opinion on shared services.

PROPOSED INTERNAL AUDIT PLAN 2014-15

35. Elaine Dolan outlined the contents of the DETI Internal Audit plan for 2014-15. Elaine confirmed that 2014-15 is the final year of the three year IAS audit strategy and that earlier drafts of the plan have been revised to reflect emerging risks and changes in last year's plan.
36. Elaine confirmed that two Staff Officer auditors and one trainee auditor would be available for DETI audits with 279 audit days being budgeted. The position would be reviewed if the resource position

changed. Elaine confirmed that the DETI Accounting Officer was content with the plan.

37. Anthony Harbinson received confirmation from Elaine that she was content with the resource position and on that basis indicated that he was content with the plan which was then endorsed by the Committee.

RISK MANAGEMENT

38. Terry Coyne invited the Committee to note the interrelationship between the paper on risk management and the next paper on the agenda on six month assurance statements. Risk management is a forward looking process which seeks to identify and manage risks while the assurance process [also](#) looks back at events that have occurred including risks that have crystallised.
39. In relation to Divisional risks, Terry confirmed that the Departmental Board continues to review these risks on a quarterly basis. One new Divisional risk was reported by Economic Policy Division in the 31 March 2014 return. The risk, which has a medium impact and a high likelihood, relates to the ability of the Division to meet the timescale for the commitment contained in the Economic Pact for a review of "red tape".
40. Three significant divisional risks, two of which relate to Minerals and Petroleum Branch and one of which relates to the Insolvency Service, continue to be reported to the Committee. These risks also appear in the Corporate Risk Register.
41. Terry informed the Committee that the Departmental Board had held its 20 May 2014 meeting in Colby House, where Minerals and Petroleum Branch and the Geological Survey of Northern Ireland are based. The Board had considered risks around the transposition of the EU Carbon Capture and Storage Directive and the alignment of DETI's strategic policy and legislative framework with developments in the oil, gas and minerals exploration industry. The Head of the Tourism, Telecoms and GSNI Policy Division has been asked to prepare a paper which addresses the issues and sets out proposed solutions.
42. The Insolvency Service continues to implement a number of remedial actions to address the issues which have arisen around directors' disqualification as a result of the recession. A business case has been prepared for the engagement of private sector practitioners on a call off basis although there is continuing interaction with DSO around the public functions which it would be appropriate for the private sector to undertake.
43. Terry Coyne concluded by drawing attention to the reference in the Corporate Risk Register to the work that Energy Division is

undertaking in relation to obtaining State Aids clearance for the gas pipeline extension to the west of Northern Ireland.

44. The Committee noted the paper. In response to a request from the Chairman, Terry confirmed that the risk register would be produced on A3 paper in future.

Action: Terry Coyne to produce the risk table on A3 paper in future.

SIX MONTHLY ASSURANCE STATEMENT FOR PERIOD ENDED 31 MARCH 2014

45. Terry Coyne drew the Committee's attention to two issues identified in the six monthly assurance statement which have been included in the Governance Statement: claw back of a grant paid to Craigavon Borough Council in relation to renewable energy boilers; and the Bytel telecoms project.
46. Terry Coyne asked the Committee to note that Finance Division has drawn attention to resource and capital pressures that are building in Invest NI and NITB for 2015-16. These pressures are also present, but at a lower level, in 2014-15. Finance Division is working closely with Invest NI, NITB and DFP to manage the pressures. Finance Division also continues to draw attention to the uncertainty inherent in accruals accounting which is associated with forecasting Invest NI's year end grant accruals.
47. Terry confirmed that the implementation of NITB's governance action plan is almost complete. A draft IAS report, lifting the previous limited opinion on the Walled City project, has been issued.
48. In response to a question from Anthony Harbinson on the comprehensiveness of the six monthly assurance processes, Terry advised that the checklists which are completed to support the assurance process covered relevant areas of corporate governance. However, the checklists were continually being refined to reflect new governance requirements – for example, the inclusion of a section on the DSD Government Funders Database and the planned inclusion of a section on new document security classifications.
49. The Committee noted that the legal action against Craigavon Borough Council had been underway for some considerable time without resolution. David Sterling undertook to obtain an update from Energy Division and to update the Committee at its next meeting.

Action: David Sterling to provide the Committee with an update on the legal action against Craigavon Borough Council at its next meeting.

UPDATES FROM NDPBs AND CROSS BORDER BODIES

50. Iain McFarlane outlined the main issues arising from governance updates provided by NDPBs and Cross Border Bodies. He confirmed that Invest NI expects its annual report and accounts for 2013-14 to be laid at the end of June.
51. In relation to Invest NI's Report to Those Charged with Governance, Iain confirmed that Invest NI has reported that the only outstanding Priority 1 recommendation relates to the finalisation of the revised Management Statement and Financial Memorandums for both Invest NI and its subsidiary company NI-CO. Invest NI has identified a new risk relating to the number of business plans and casework that are being processed as a result of the changes to the Regional Aid rules on 1 July 2014.
52. Invest NI has confirmed that the limited IAS opinion on the Business Improvement Agent programme has been lifted following the implementation of remedial action which was verified through a follow up review undertaken by IAS.
53. Iain advised the Committee that the Department is engaging with DFP on two cases involving retrospective approval for expenditure on behalf of Invest NI.
54. Iain confirmed that the audit of NITB's 2013-14 annual accounts has not yet commenced but that it is anticipated that it will start after the summer recess. NITB is currently working through the recommendations in its 2012-13 Report to Those Charged with Governance. There is one Priority 1 issue relating to procurement and Letters of Offer for grants. NITB is addressing the issues raised.
55. Iain informed the Committee that NITB has drawn attention to the risks inherent in placing undue reliance on in-year monitoring to secure funding for tourism projects and the desirability of having greater certainty in relation to future resources. NITB has also drawn attention to a risk that slippage in the delivery of capital projects may lead to insufficient expenditure being incurred in advance of the October 2014 deadline for EU drawdown.
56. Iain confirmed that the Consumer Council's 2013-14 accounts are currently being audited and are due to be approved by its Board on 11 June 2014. Significant risks continue to be reported in relation to staff morale and the retention of staff pending the outcome of the review of the Council. An additional risk has been reported in relation to the lease of the Council's premises at Elizabeth House which is due to expire in March 2015. An options appraisal is being undertaken to inform the way forward.
57. The Consumer Council has reported an issue which arose at the end of 2013-14 in respect of employer and employee pension contributions. The Consumer Council, and a number of other public sector organisations, had been incorrectly interpreting guidance on the calculation of employer pension contributions in a particular situation. A review of contributions was undertaken and formal

confirmation that there is no outstanding liability is awaited. The review also revealed a small underpayment of employee pension contributions by staff in receipt of childcare vouchers which had been triggered by an upgrade of payroll software.

58. After the end of the financial year, the Consumer Council experienced an attempted fraud. A computer in the finance team was infected with a virus that resulted in a fraudulent payment over £37,000 being setup. The fraudulent payee was detected by a member of staff during the monthly payroll run and no payment was made.

58-59. Following notification the Department had engaged with DFP to alert the wider system of the issue and a meeting took place the following day involving Danske Bank, CCNI, DETI IAS, and DFP to review the actions taken and conclude on any further action that needed to be undertaken. All other DETI NDPBs and staff within DETI HQ were alerted to the incident and its background and DETI'S IT security sought and received assurance from central IT support that the actions taken were appropriate and no further IT action was required. DFP confirmed that it would follow up with a Dear Finance Director Letter that would provide fuller details to the wider system.

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59-60. ~~The Chairman remarked that this type of attempted fraud was unusual for the public sector.~~ Anthony Harbinson sought and received confirmation that the attempted fraud had been referred to the PSNI.

60-61. Anthony Harbinson informed the Committee that he chairs the Organised Crime Task Force which has received a number of reports of staff being tricked into amending details of suppliers (including bank account details) so that genuine payments are fraudulently diverted.

61-62. Iain informed the Committee that no significant issues had arisen in HSENI and that its 2013-14 accounts will be laid before 4 July 2014.

62-63. InterTradeIreland's annual accounts for the year ended 31 December 2013 are due to be laid by the end of July 2014. The Report to Those Charged with Governance for the 2012 accounts has been received. Two Priority 1 issues relating to perceived conflicts of interest and the acceptance of outside appointments by senior staff within two years of leaving office were raised. Processes are being put in place to manage the issues. The body continues to refer to its two risks relating to funding and relevance.

63-64. Iain confirmed that Tourism Ireland Ltd has no significant issues to report.

DAC CHAIRMAN'S MEETING WITH CHAIRS OF NDPBs

64-65. The Chairman confirmed that he had met the Chairs of NDPB and Cross Border Body Audit Committees on Wednesday, 16 April 2014. The feedback from attendees was positive and the opportunity to

discuss matters of mutual interest was welcomed. The main area of concern related to procurement and the role of Central Procurement Unit. Other issues raised included the need for suitable board members to be identified for service on audit committees and for individuals to be identified who can fill the Chair's role should the need arise. It was agreed that examples of good practice should be shared. The Chairman undertook to provide the Departmental Board with a short paper setting out the key points to emerge from the meeting.

Action: Departmental Board to be provided with a short paper setting out the key points to emerge from the meeting - Chairman.

TEST DRILLING

- | ~~65-66.~~ 65-66. Iain McFarlane confirmed that the test drilling fieldwork had been completed and that a draft report had been received from the economists for discussion. The review consisted of a process review, and a review of individual projects and post project evaluations.
- | ~~66-67.~~ 66-67. The sample size for the test drilling had increased this financial year. A total of 120 economic appraisals had been reviewed with only two being deemed not to be of an adequate standard. In percentage terms this means that 98% of the economic appraisals sampled were assessed as being adequate or above. This percentage is unchanged from last year.
- | ~~67-68.~~ 67-68. There was, however, a 7% decrease in the percentage of PPEs which were assessed as being adequate or above. The percentage fell from 93% in 2012-13 to 86% in 2013-14. A number of recommendations have been made in the draft report and these will be tabled at the next meeting of DAC.
- | ~~68-69.~~ 68-69. David Sterling informed the Committee that he was impressed with the high degree of compliance, particularly in view of the increase in Invest NI's delegations from 2010 onwards. The figures [provided assurance on demonstrated](#) the effectiveness of the oversight and challenge functions.

Action: The final report from the Test Drilling exercise is to be provided to the Departmental Audit Committee at its next meeting – Iain McFarlane

DIRECT AWARD CONTRACTS

- | ~~69-70.~~ 69-70. Trevor Cooper informed the Committee that a report had previously been provided to the Committee covering Direct Award Contracts awarded in the first six months of the 2013-14 year.
- | ~~70-71.~~ 70-71. Trevor reported that in the period from 1 October 2013 to 31 March 2014, twenty two Direct Award Contracts with a value of £1.09m had

been awarded by DETI and its NDPB's, with three quarters of the total value relating to Invest NI. All Direct Award Contracts have Accounting Officer approval.

- | ~~74.72.~~ David Sterling confirmed that the Public Accounts Committee had taken an interest in procurement generally and the use of Direct Award Contracts in particular. He confirmed that he closely scrutinises requests to approve the use of Direct Award Contracts and ensures that CPD has provided appropriate advice.

- | ~~72.73.~~ Anthony Harbinson referred to the paper provided to the Committee which contained details of a £750k extension to an existing contract for Representative Services in GB and Europe, and asked for the rationale behind the extension. Trevor confirmed that the extension had been caused by Invest NI underestimating the time taken to obtain necessary approvals for expenditure.

- | ~~73.74.~~ David Sterling referred to a contract which Economic Policy Division had to extend for the supply of industry standard analytical software for which there is only one supplier. The Department has experienced some frustration with the categorisation of the supply of this type of software as a Direct Award Contract. Anthony Harbinson confirmed that similar problems had been encountered in the Department of Justice and suggested that initial contracts for the supply of software might include maintenance clauses to ensure that upgrades are supplied over the life of the system. Other circumstances which give rise to Direct Award Contracts are the lack of responses to tenders for the supply of goods and services. If only one supplier responds, the contract is regarded as a Direct Award Contract.

- | ~~74.~~ [The Chairman confirmed he was content with the information provided to the Committee and the explanations regarding the use of Direct Award Contracts.](#)

DAC CHAIRMAN'S ANNUAL REPORT TO THE DEPARTMENTAL BOARD

75. The Chairman informed the Committee this was the second year that this report had been produced. The Committee discussed the draft and suggested that a reference to the Departmental Board's consideration of risk appetite should be included in the section on risk and that the updates on the Presbyterian Mutual Society provided to the Committee should be included under the forms of assurance. The Chairman requested that any comments or questions on the draft be provided to him and the Secretariat by 4 June 2014.

Action: Report to be updated and tabled at 25 June 2014 Departmental Board Meeting – Secretariat / Chairman

ANNUAL REVIEW OF CORPORATE GOVERNANCE ARRANGEMENTS – COMPLIANCE WITH THE 2013 CORPORATE GOVERNANCE CODE

76. Terry Coyne informed the Committee that the 2013 Corporate Governance Code, published in April 2013, is applicable from the 2013-14 financial year onwards. The Departmental Board is required to assess the Department's compliance with the code and include a reference to the outcome of its assessment in the Governance Statement using a "comply or explain" approach.
77. Terry confirmed that the Departmental Board had considered the Department's compliance with the Code at its meeting on 20 May 2014 and was broadly content that the Department is compliant. The Departmental Board agreed that the framework within which it operates will be reviewed later this year in the context of the appointment of an additional Independent Board Member later this year and the appointment of a new Permanent Secretary and Grade 3.
78. Terry concluded by confirming that DFP has been alerted to a number of provisions in the section the Code which covers relationships with Arm's Length Bodies which are at variance with existing DFP guidance or are not covered by existing guidance. [DFP is reviewing this matter and it seems likely that not all of the Code will be deemed to be appropriate to the circumstances of Northern Ireland.](#)

GOVERNANCE STATEMENT

79. Terry Coyne informed the Committee that this is the second Governance Statement that DETI has produced. He referred to the review of Governance Statements undertaken by NIAO following the publication of 2012-13 accounts which had resulted in NIAO producing a helpful fact sheet of findings and recommendations.
80. Terry confirmed that the Governance Statement had been considered by the Departmental Board at its meeting on 20 May 2014. Terry summarised the sources of assurance that had been relied upon when preparing the draft Statement and outlined additional sources of assurance that would be factored in to the final Statement.
81. Colette Kane advised that the section of the Governance Statement that deals with Public Accounts Committee issues should be [revised with a view to reflecting the fact](#) that not all recommendations in the PAC Report on Invest NI Performance had been accepted and to refer to the implementation of those recommendations that had been accepted.
82. The Committee confirmed it was content with the sources of assurance and with the draft Governance Statement, subject to any necessary updates.

Action: Update Governance Statement to reflect additional information received.

DRAFT RESOURCE ACCOUNTS 2013 -14

83. Trevor Cooper informed the Committee that DFP had written to departments to seek information regarding payments made to North South Bodies prior to the approval of their business plans for the 2013 calendar year. DFP has indicated that any such payments [should be notified to NIAO and](#) would be considered irregular.
84. Trevor confirmed that DETI had made payments [of this nature to InterTradeIreland, and that NIAO have been provided the details totalling approximately £113K to InterTradeIreland in the 2013-14 financial year.](#) A discussion took place around the issue during which Anthony Harbinson expressed an opinion that approval of the Corporate Plan ~~should~~would provide cover for expenditure, and Colette Kane informed the Committee that NIAO had previously taken legal advice on the issue which was at variance with DFP's view. The consensus of the Committee was that the issue was essentially technical in nature and that it did not represent a significant internal control issue.
85. At this point David Sterling left the meeting for a prior engagement.
86. David Conliffe provided the Committee with an overview of the 2013-14 annual resource accounts which had been compiled in accordance with relevant DFP guidance. The Committee indicated that it was content with the reasonableness of the accounting policies used.
87. Anthony Harbinson drew attention to the disclosure of the number and cost of exit packages at note 3.1 and suggested that the Department should consider how it would respond to enquiries once the accounts are published.
88. Colette Kane confirmed that NIAO's audit of the resource accounts was underway and is progressing well. She noted that the two key risks identified at the outset of the audit related to the Presbyterian Mutual Society and Harland & Wolff plc and informed the Committee that NIAO is seeking further information on the recoverability of the loan provided to the Presbyterian Mutual Society and the Harland and Wolff provisions which ~~is~~are based on an actuarial review.
89. In response to a question from Bill McGinnis around the feasibility of supplying the additional information sought by NIAO before the deadline for sign off of the accounts, Trevor stated that the information for PMS should be readily available. ~~However, in~~ relation to the actuarial review of Harland and Wolff provisions, the timetable for the provision of additional information by the actuary would be dependent on the amount of information required by NIAO and the costs of providing that information.

PRESBYTERIAN MUTUAL SOCIETY UPDATE

90. Iain McFarlane provided the Committee with an update on the Presbyterian Mutual Society. He informed the Committee that the Joint Supervisors have provided DETI with a 10 year forecast to 2020 (including a 12 month forecast to 31 December 2014) for consideration. McClure Watters, the Department's advisors have provided advice on the projections. DETI is now considering this advice and engaging with the Supervisors on next steps. Regular updates will be provided to the Departmental Audit Committee.

NIAO AUDIT UPDATE

91. Colette Kane informed the Committee that the audit of Invest NI's 2013-14 accounts was proving very complex as a result of issues arising from Invest NI's acquisition of Bedford Street Developments Ltd, the assets and liabilities of which are to be consolidated with Invest NI's accounts. She explained that NIAO staff do not have in depth knowledge of property sector audits and as a consequence NIAO is having to obtain advice from other sources.
92. Colette advised the Committee that she still expected the summer recess accounts deadline to be met, notwithstanding the property related issues. However, in order to ensure an unqualified audit opinion, issues around the two retrospective expenditure approvals need to be satisfactorily resolved.
93. Colette went on to confirm that the Consumer Council's and HSENI's accounts are on track to be signed before the summer recess. In response to a question from Trevor Cooper in relation to the timescale for the audit of DETI's accounts, Colette stated that NIAO is still working towards its summer recess deadline, but, as Invest NI's expenditure has a material impact on the Department's accounts, the position will be kept under review.
94. In relation to the current NIAO review of the Bytel project, Neil Gray confirmed that NIAO officials had met DETI officials during April. Neil informed the Committee that approximately 98% of the first draft report is complete but that information is awaited from the C&AG in the Republic of Ireland. Neil advised that he anticipated that a first draft report would be issued to the Department at the end of May / beginning of June.
95. Eugene Rooney informed the Committee that the Department had still to respond to a small number of questions raised by NIAO. Neil Gray confirmed that the answers could be provided later.

INVESTIGATIONS

96. Iain McFarlane informed the Committee that Departmental officials had met with the PSNI [to discuss in relation to](#) the Bytel project and that [a review of actions was ongoingengagement was ongoing](#).

97. Elaine referred to the Fraud Notification register and updated the Committee on the potential fraud relating to the Renewable Heat Payment Scheme administered by Energy Division. The potential fraud related to a claim for grant on the installation of unaccredited Ground Source Heat Pumps and Air Source Heat Pumps. Since the initial investigation, the Ground Source Heat Pumps have been accredited, although the Air Source Heat Pumps have not yet received accreditation. Grant claims involving the installer who installed the pumps will be closely checked over the next six months through 100% site visits.
98. DFP has indicated that the wider system will be advised of the circumstances surrounding the attempted fraud against the Consumer Council through the issue of a Dear Finance Director letter.

GUIDANCE ISSUED SINCE LAST MEETING

99. Terry Coyne updated the Committee on guidance issued since its last meeting and drew the Committee attention to key issues highlighted in the 2012-13 Annual Fraud Report and the updated Audit and Risk Assurance Committee Handbook.

FORWARD WORK PLAN / INDICATIVE AGENDAS

100. The Committee considered and noted the indicative agenda for the next meeting on 25 June 2014 at 2.30pm.

ANY OTHER BUSINESS

101. There being no further business the meeting was adjourned.