

Internal Audit



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TO: **Departmental Audit Committee**

FROM: **Elaine Dolan**
Internal Audit

13 November 2012

DRAFT REVISED INTERNAL AUDIT PLAN 2012/13

1. An Internal Audit Strategy (2011/12 – 2014/15) was endorsed by the Departmental Audit Committee in October 2012. The Strategy, which contained annual plans, was to remain responsive to the assurance needs of management, the Accounting Officer and Departmental Audit Committee and was to be flexible to address emerging issues.
2. A draft Audit Plan for 2012/13 was presented to the Departmental Audit Committee in June 2012 and it was noted that the plan was subject to change, based on resources available during 2012/13.
3. Internal Audit Service (IAS) has now undertaken a mid-year review of the plan based on discussions with Top Management Team, a review of the latest available corporate risk register and considerations of internal audit resources available. As a result, a proposed revised plan is set out in the attached report.
4. A number of revisions have been proposed as a result of changing priorities of management, changing circumstances and emerging issues.
5. IAS is satisfied that the proposed revisions will facilitate the provision of appropriate assurance in terms of an overall audit opinion to the Accounting Officer for the 2012/13 year and is satisfied that suitable priority has been given to the objectives and risks of the Department.
6. The proposed revised plan contains 223 days. IAS has calculated that there are 178 days of the 223 days yet to be delivered and estimates a shortfall in days available of 44 days for the joint DETI/NITB audit team.
7. Actions are being taken to address the estimated shortfall. IAS has submitted a bid to secure additional resource for staff substitution and management has advised the bid will be successful.

8. As a result of the additional resource, IAS is currently of the view that the proposed revised audit plan will be delivered in advance of the year end Departmental Audit Committee.
9. IAS will continue to monitor progress against the plan and will escalate future resource constraints, should they arise, on a timely basis.
10. Top Management Team have reviewed the revised plan and confirmed they are content.
11. IAS requests that Departmental Audit Committee members now review the attached report and consider its overall appropriateness, including whether suitable priority has been given to the objectives and risks of the Department in the revisions made to the Internal Audit Plan for 2012/13.
12. If content, please collectively confirm Departmental Audit Committee endorsement to elaine.dolan@detini.gov.uk.

Elaine Dolan
Ext 29216

cc **Mr Sterling**
 Mr Lewis
 Mr Cooper
 Mr Coyne
 Mr Cardwell

Department of Enterprise, Trade and Investment

Internal Audit Service

DRAFT REVISED INTERNAL AUDIT PLAN 2012/13

For Departmental Audit Committee consideration: November 2012

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1. INTRODUCTION AND EXECUTIVE SUMMARY

- 1.1 An Internal Audit Strategy for the period 2011/12 – 2014/15 was endorsed by the Departmental Audit Committee in October 2012. The Strategy contained annual plans for each of the years covered by the Strategy.
- 1.2 In accordance with the Strategy, it and the annual plans were to remain responsive to the assurance needs of management, the Accounting Officer and the Departmental Audit Committee and were to be flexible to address emerging risks and changes within the organisation.
- 1.3 A draft Audit Plan for 2012/13 was contained within the Internal Audit ‘Annual Report and Opinion 2011/12’ presented to the Departmental Audit Committee in June 2012. The report noted that the plan was subject to change, based on resources available during the 2012/13 year.
- 1.4 The plan presented to the Departmental Audit Committee in June 2012 was in line with the Strategy previously endorsed with one exception (the review of the Presbyterian Mutual Society scheduled for 2011/12 was deferred to 2012/13).
- 1.5 Internal Audit Service (IAS) has now undertaken a mid-year review of the current 2012/13 plan based on discussions with Top Management, a review of the latest available corporate risk register and considerations of internal audit resources available.
- 1.6 This report sets out a revised internal audit plan for 2012/13 as a result of the mid-year review and provides the rationale for proposed changes to the plan and also sets out the resource implications of such changes.
- 1.7 Section 2 summarises the proposed revisions to the 2012/13 Audit Plan. In summary:
 - It is proposed that one review is to be cancelled on the grounds that it is no longer relevant now or in the foreseeable future;
 - It is proposed that two reviews are to be deferred until 2013/14 (with advice and guidance to be provided in year for one of the areas deferred). One on the grounds that from the point of view of gaining assurance it is more appropriate to undertake in 2012/13, and the other

on the grounds that management believe they have sufficient assurance at this time given their detailed knowledge of the processes and controls in operation;

- two reviews are to be re-scoped to align with current circumstances in the areas under review ; and
- one review was brought forward to 2011/12 and an alternative agreed with management for 2012/13.

1.8 Top Management and IAS are satisfied that the proposed revisions to the audit plan are based on the need to ensure that suitable priority has been given to the objectives and risks of the Department and, as a result, will facilitate the provision of appropriate assurance in terms of an overall audit opinion to the Accounting Officer on the Department's risk management, control and governance for the 2012/13 year.

1.9 The resource implications of changes to the plan have been considered and a shortfall identified between auditor days available and days required to deliver the plan.

1.10 IAS is forecasting shortfalls across all business areas and, as a result, has submitted a bid to secure staff

substitution resource. Management has previously advised that the bid will be successful.

1.11 As a result of securing additional resource, IAS is currently of the view that the audit plan will be delivered in advance of the year end Departmental Audit Committee and that a timely and appropriate internal audit opinion of risk management, control and governance will be provided to the Accounting Officer to support the 2012/13 Governance Statement.

1.12 IAS will continue to monitor progress against the plan and will continue to escalate future resource constraints, should they arise, on a timely basis to senior management and the Departmental Audit Committee.

1.13 IAS does not currently envisage a shortfall in auditor days for the future plans contained within the Strategy (2013/14 and 2014/15) and, as outlined in the Strategy, considers the current IAS full team complement to be adequate.

2. REVISIONS TO AUDIT PLAN AND RATIONALE

- 2.1 As outlined in the introduction, IAS has now undertaken a mid-year review of the current 2012/13 plan based on discussions with Top Management, a review of the latest available corporate risk register and considerations of internal audit resources available.
- 2.2 As a result of this exercise, a number of proposed revisions to the Audit Plan have been made, as summarised in the table opposite.
- 2.3 A detailed rationale for the proposed changes is set out in Appendix 2.
- 2.4 A draft revised audit plan, subject to Departmental Audit Committee endorsement, is included at Appendix 3.
- 2.5 Top Management and IAS are satisfied that the proposed revisions to the audit plan are based on the need to ensure that suitable priority has been given to the objectives and risks of the Department and, as a result, will facilitate the provision of appropriate assurance in terms of an overall audit opinion to the Accounting Officer on the Department's risk management, control and governance for the 2012/13 year.

2.6 Table 1 Summary of proposed changes to plan

Review	Proposal
Departmental efficiencies and savings	Cancel on grounds that efficiencies are substantially delivered.
Presbyterian Mutual Society	Defer audit review until 2013/14. Provide systems development advice and guidance in 2012/13.
Project Management	Undertake review, and re-scope with a focus on BTI PAC recommendation (Project Monitoring)
Branch review	Focus on Industrial Provident Societies. Re-scope to specific focus on emerging issues.
Freedom of Information	Defer until 2013/14 on grounds that Top Management is currently fully content with their knowledge of risks in this area and the oversight mechanisms in place.
Gifts and Hospitality	Review brought forward to 2011/12. Accountability Grids proposed 2012/13.

3. RESOURCE IMPLICATIONS

- 3.1 The original 2012/13 audit plan outlined in the DETI Strategy for the period 2011/12 – 2014/15, as set out in Appendix 1, provided for 262 days audit coverage (including contingency). The plan presented to the June 2012 Departmental Audit Committee contained 273 days (the additional days related to a review of the PMS).
- 3.2 The revised plan outlined in this paper and included at Appendix 3 includes estimated coverage of 223 days.
- 3.3 IAS has undertaken a detailed staff planning exercise and estimates 568 available auditor days to the end of the financial year across all business areas. This calculation is based on the number of working days between 12th November 2012 and 31st March 2013 adjusted to allow for staff leave commitments, training and administration. The DETI IAS branch is split into three equal sized teams (DETI/NITB, Invest NI and DEL). If the available auditor days are assumed to be allocated equally across the three teams for the remainder of the financial year, there will be 189 days available for DETI and NITB. There are approximately 178 days yet to be

delivered on the proposed revised DETI annual plan and 120 days yet to be delivered on the NITB 2012/13 audit plan (including 10% contingency) resulting in a total days to be delivered figure for the DETI/NITB team of 298 days. 30 of the 298 days relates to EDO reviews which will be outsourced as part of a three year rolling contract with KPMG (assuming no conflicts). A further estimated 35 days are expected to be directly delivered by the HIA/Audit Manager in relation to the DETI policy review, IPS review and PMS advice and guidance. This leaves a balance of 233 days to be delivered by the audit team resulting in a shortfall of 44 days for the DETI/NITB audit team. This calculation is summarised in the table below:

3.4 *Table 2 Calculation of DETI/NITB team shortfall*

Available auditor days DETI/NITB	189
<i>Less:</i> days required to complete plans	(298)
<i>Add:</i> outsourced EDO days	30
<i>Add:</i> days to be delivered by HIA/DP	35
Shortfall	(44)

- 3.5 Similar planning exercises are currently taking place with Invest NI and DEL management and shortfalls are expected to arise.
- 3.6 As a result of the forecast shortfall in audit days available to deliver audit plans across business areas, IAS has submitted a bid to secure further funding for staff substitution (a number of days delivered to date have been delivered via staff substitution as a result of funding secured earlier in the financial year). Management have previously advised that the current bid will be successful and have indicated that IAS can proceed with outsourcing on this basis. A contract is currently in place with ASM and the contract terms allow for an extension to cover the next calendar year. IAS is currently liaising with ASM to confirm their ability to deliver the reviews required within the necessary timeframe.
- 3.7 As a result of the additional funding being provided for staff substitution, IAS is currently of the view that delivery of the proposed revised DETI audit plan is achievable in advance of the year end Departmental Audit Committee and will ensure that a timely and appropriate annual internal audit opinion on risk management, control and governance is provided to the Accounting Officer to support the 2012/13 Governance Statement.
- 3.8 IAS will continue to monitor delivery of the plan against available resources. Progress reports will continue to be provided to the Departmental Audit Committee and any future resource constraints identified will continue to be escalated to senior management and the Departmental Audit Committee on a timely basis.
- 3.9 Currently, on the assumption that the current backlog will be addressed and the current plan delivered within a suitable timeframe, IAS does not predict a shortfall in days available to deliver the remaining audit plans (2013/14 and 2014/15) as set out in the Internal Audit Strategy. The current shortfall in days is a result of reasons which are considered to be one-off in nature and, as set out on page 27 of the Internal Audit Strategy, the IAS full team complement is considered adequate. This assessment is, of course, based on a number of assumptions, including:

- the number of days to be delivered will not change significantly from those outlined in the Strategy (across all business areas);
- IAS will have a full team complement in place throughout 2013/14 and 2014/15 (currently IAS has one EO1 vacancy with a board currently being run centrally); and
- the skills and experience mix within the team will not change significantly throughout the Internal Audit Strategy period.

3.10 IAS will continue to monitor these assumptions and will notify senior management and the Departmental Audit Committee should circumstances change.

Appendix 1 2012/13 AUDIT PLAN AS PER AUDIT STRATEGY 2011/12 – 2014/15

Branch/Unit/Area	Review	Objectives	Link to draft corporate risks*	Audit coverage (days)
				2012/13
Financial systems/management				
Cross-cutting	Income and debtors	To assess the design and operating effectiveness of retained finance function procedures and controls relating to income and debtors	5,6	5
Cross-cutting	Departmental efficiencies and savings	To assess the adequacy and effectiveness of procedures and processes in place to meet Departmental targets by 1 April 2014	-	20
Cross-cutting	Government Procurement Card/DETI credit cards	To assess the design and operating effectiveness of procedures and controls relating to the Government Procurement Card and TSS credit card	5,6	5
Projects, grants and financial assistance (including EU expenditure)				
Mainly Energy/Telecoms	Project Management	To assess the adequacy and effectiveness of project management arrangements in respect of large projects administered by the Department (probable scope includes Telecoms Logon NI, Telecoms Broadband Fund, Telecoms Remote Broadband Services, Energy Renewable Heat Incentive, Energy Communications on Sustainable Energy) (to cover full process including appraisal and approval, LoO, pre-conditions/conditions, amendments, monitoring, grant vouching, evaluations etc)	2,3,5,6,7,10	25
Cross-cutting	External Delivery	To ensure that adequate and effective risk management,	3,5,6,7	15

Branch/Unit/Area	Review	Objectives	Link to draft corporate risks*	Audit coverage (days)
				2012/13
	Organisations	control and governance arrangements have been established over and within EDOs.		
European Support Unit	DETI Managing Authority	To assess compliance with the functions defined in Article 60 of Council Regulation (EC) 1083/2006	2,5,6,7,10	10
European Support Unit	DETI Certifying Authority	To assess compliance with the functions defined in Article 60 of Council Regulation (EC) 1083/2006	2,5,6,7,10	10
Policy and legislation				
Cross-cutting	Policy	Part 1: To establish the policy responsibilities and capabilities of the Department and to identify the various policy related activities underway within the 'Policy Cycle' (maintaining policy, strategic thinking, development of policy and implementation of policy change)	2,3,4,7	25
Operational				
Insolvency	Case Management System	To assess the design and operating effectiveness of procedures and controls in place over the integrated Case Management System	5,6,9	15
Private Office and Assembly Liaison Unit	Ministerial and Assembly information	To assess the adequacy and effectiveness of procedures and processes in place to ensure accurate and timely information is provided to the Minister and Assembly	1	15
Cross-cutting	Branch review	To assess the adequacy and effectiveness of procedures and processes in place in relation to risk management, internal control and governance within the branch. Branch tbc (GSNI/Minerals to be included)	2,3,4,5,6,7,9	15
Governance and risk				

Branch/Unit/Area	Review	Objectives	Link to draft corporate risks*	Audit coverage (days)
				2012/13
Information Management Unit	Freedom of Information	To assess the design and operating effectiveness of procedures and controls in place in relation to handling FOI requests	9	10
Cross-cutting	Risk management	To assess the adequacy and effectiveness of procedures and processes in place in relation to risk management and to ensure compliance with relevant guidance	1-10	10
Corporate Governance	Gifts and hospitality	To assess the design and operating effectiveness of procedures and controls in place in relation to the acceptance and provision of gifts and hospitality in accordance with relevant DAOs and the staff handbook	5,6	10
Information Security	Information Security	To assess the adequacy and effectiveness of the internal control environment in relation to information security and data protection	9	10
Information Security	Information Security	To perform validation of Departmental information security returns	9	8
Follow up reviews			-	30
Total days (before contingency)				238
Contingency days				24
Total days				262

* Adjusted to reflect revised DETI Corporate Risks as at July 2012

Key to colour coding: Priority and Frequency

Mandatory/agreed commitment	The coverage and frequency of these reviews are determined by public sector guidance (e.g. DAOs), SLAs in place between IAS and the DETI/DARD Audit Authorities or management commitments to NIAO recommendations
Priority 1	These reviews are considered fundamental to providing an opinion to the Accounting Officer due to the significance of funding involved, nature of funding, experience of issues within the Department or public sector more generally, degree of recent change in the area and/or direct linkage to draft corporate risks. These areas should be given priority over P2 and P3 reviews should there be a need to revisit the Strategy and defer/cancel reviews.
Priority 2	These reviews are considered important to providing an opinion to the Accounting Officer as a result of links to draft Corporate or Divisional/Branch risks or because management have specifically requested coverage in these areas. These reviews should be given priority over P3 reviews should there be a need to revisit the Strategy and defer/cancel reviews.
Priority 3	These reviews are not considered fundamental to providing an opinion to the Accounting Officer. However, they are included in the Strategy due to lack of IAS coverage in recent years or lack of assurance from other sources. Should new emerging issues or risks come to light, these reviews could be deferred or cancelled without significantly impacting upon the ability of the HIA to provide annual opinions to the AO.
Follow-up	Follow-ups will be conducted on an ongoing basis each year in line with materiality of issue identified in original report.

Appendix 2 RATIONALE FOR REVISIONS TO 2012/13 AUDIT PLAN

Review	Proposal	Original days 2012/13	Revised days 2012/13	Rationale
Departmental efficiencies and savings	Cancel	20	-	A review was planned for 2012/13 to assess the adequacy and effectiveness of procedures and processes in place to meet Departmental targets by 1 April 2014. This review was initially scheduled as a result of a specific request from management at a time when it was the Department's intention to produce a formal efficiency plan which set out how it would reduce staff numbers. However, as a result of a number of factors, Top Management agreed that a formal efficiency plan was not required and that the process would be overseen by meetings of Top Management augmented by HR and Finance representatives as necessary. Targeted efficiencies have substantially been met. Management are of the view that the current approach is working well and, as the process is being closely monitored by Top Management and not via a formal efficiency plan, an opinion from Internal Audit is no longer considered necessary. As a result, this review is being cancelled.
Presbyterian Mutual Society	Defer audit review until 2013/14. Provide systems development advice and guidance in 2012/13	15	10	A review was initially scheduled for 2011/12 and subsequently deferred to 2012/13 to assess the adequacy and effectiveness of the procedures and process in place in relation to oversight and monitoring of the Scheme Supervisors. Top Management have requested deferral of this review until 2013/14 on the basis that systems are being further developed in this area. Given that systems are currently in development, it is considered more appropriate that Internal Audit advice and guidance be sought within this development process, and this has been requested by the Accounting Officer. A number of days (estimated) are being set aside in the revised 2012/13 plan to provide for this.

Project Management	Re-scope review with a focus on BTI recommendations (Project Monitoring)	25	15	An annual review was scheduled to assess the adequacy and effectiveness of project management arrangements in respect of large projects administered by the Department, with the scope and project selection to be determined in year. A review of this nature was performed in March 2012 (as part of the 2011/12 audit plan) and the draft report contains a satisfactory opinion. The audit included testing of a comprehensive sample of projects across Energy and Telecoms. As a result of the timeliness of the 2011/12 review, the coverage achieved, the satisfactory opinion awarded and in light of actions committed in response to the Bioscience and Technology Institute Ltd PAC recommendations, Top Management and IAS is of the view that the days budgeted for the Project Management review should be re-allocated to focus specifically on the action allocated to IAS in relation to reviewing current project monitoring procedures.
Branch Review	Focus on Industrial Provident Societies. Re-scope from full branch review to specific focus on emerging issues	15	15	A review was scheduled for 2012/13 to assess the adequacy and effectiveness of procedures and processes in place in relation to risk management, internal control and governance within a branch (branch to be identified). Following discussions with Top Management, it is considered more appropriate that this review should focus on Industrial Provident Societies as a result of emerging issues in this area. The number of days allocated to this area remains unchanged as the specific scope has yet to be discussed and agreed with management.
Freedom of Information	Defer until 2012/14	10	-	A review was scheduled for 2012/13 to assess the design and operating effectiveness of procedures and controls in place in relation to handling FOI requests. Top management have requested the deferral of this review until 2013/14 as, whilst FOI is referred to within the Corporate Risk Register (Corporate Risk 9), management are fully content with their knowledge of risks in the area and the oversight arrangements currently in place. Management are therefore content to defer this review to facilitate the delivery of the Internal Audit plan on a timely basis (given the current resource constraints in place – refer to

				section 3).
Gifts and Hospitality	Review brought forward to 2011/12. Accountability Grids selected 2012/13.	10	10	A review was scheduled for 2012/13 to assess the design and operating effectiveness of procedures and controls in place in relation to the acceptance and provision of gifts and hospitality in accordance with relevant DAOs and the staff handbook. This review was brought forward to 2011/12 and a draft report is due to issue with a satisfactory opinion. As a result, as discussed with management, a different governance theme (Accountability Grids) was selected for the current year. The review was scoped to ensure that adequate and effective systems have been established to record the Department's progress against PAC commitments on the DFP 'Accountability Grid' database and to ensure that progress against PAC commitments is subject to an ongoing senior management monitoring and review process.

Appendix 3 REVISED INTERNAL AUDIT PLAN 2012/13

No.	Review	Objective	Status	Days
1	Income & Debtors	To assess the adequacy and effectiveness of risk management, internal control and governance in relation to income and debt management.	Fieldwork complete	5
2	Corporate Governance – Accountability Grids	To assess the adequacy and effectiveness of risk management, internal control and corporate governance arrangements to ensure that adequate and effective systems have been established to record the Department’s progress against PAC commitments on the DFP ‘Accountability Grid’ database and to ensure that progress against PAC commitments is subject to an ongoing senior management monitoring and review process.	Ongoing	10
3	Project Monitoring	To assess the adequacy and appropriateness of project monitoring procedures in light of BTI PAC findings.	To be scheduled	15
4	Managing Authority	To assess the adequacy and effectiveness of the arrangements established by management to ensure compliance with ERDF requirements.	Ongoing	10
5	Certifying Authority	To assess the adequacy and effectiveness of the arrangements established by management to ensure compliance with ERDF requirements.	Ongoing	10
6	Policy	To establish the policy responsibilities and capabilities of the Department and to identify the various policy related activities underway within the ‘Policy Cycle’ (maintaining policy, strategic thinking, development of policy and implementation of policy change).	To be scheduled	25
7	Insolvency Case Management System	To assess the adequacy and effectiveness of risk management, internal control and governance in relation to the administration of the case management system.	January 2013	15

No.	Review	Objective	Status	Days
8	Ministerial and Assembly Information	To assess the adequacy and effectiveness of procedures and processes in place to ensure accurate and timely information is provided to the Minister and Assembly.	Fieldwork complete	10
9	Industrial Provident Societies	Specific objective still to be determined following discussions with TMT and Head of Business Regulation.	To be scheduled	15
10	Risk Management	To assess the adequacy and effectiveness of procedures and processes in place in relation to risk management and to ensure compliance with relevant guidance.	February 2013	10
11	Government Procurement Card / DETI Credit Cards	To assess the design and operating effectiveness of procedures and controls relating to the Government Procurement Card and TSS credit card.	To be scheduled	5
12	Information Security	To assess the adequacy and effectiveness of the internal control environment in relation to information security and data protection.	March 2013	10
13	Information Security	To perform validation of Departmental information security returns as requested by the SIRO.	March 2013	8
14	External Delivery Organisations	To ensure that adequate and effective risk management, control and governance arrangements have been established over EDOs.	EDOs to be identified	15
15	Follow up reviews	To assess progress made by management in the implementation of recommendations made during previous Internal Audit reviews.	Ongoing	30
A&G 1	Presbyterian Mutual Society	To provide advice and guidance in relation to systems development as and when requested by management	As and when requested	10
Total days (before contingency)				203
Contingency days				20
Total days				223