Department of Enterprise, Trade and Investment

Internal Audit Service

INTERNAL AUDIT PLAN 2014/15

For Audit Committee consideration: 28th May 2014

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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 (refer to Appendix 1).

1.2   The Strategy 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   The purpose of this report is to provide a draft Internal Audit Plan for 2014/15 for Departmental Audit Committee consideration.   The plan has been based on the Strategy but has been updated to reflect prior year deferrals and emerging issues/risks.

1.4   Section 2 summarises the proposed revisions to the 2014/15 Internal Audit Plan. In summary:

- four reviews are being cancelled (Fixed Assets which is considered low risk, Payments which has received coverage elsewhere; EDOs as management consider that DETI currently has none and Project Management as a review of Telecoms is included this year which accounted for approximately 42% of DETI grant payments in 13/14);

- two reviews are being deferred in light of recent coverage (Presbyterian Mutual Society (PMS) and Fraud);

- four additional reviews are included that were either deferred from the prior year (External Quality Review of CCNI IA function) or that were new requests for 2013/14 (Invest NI Performance Validation, Insolvency and Business Continuity Planning);

- one review has been removed as it was brought forward to 2013/14 (Corporate and Business Planning).

1.5   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 DETI and, as a result, will facilitate

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the provision of appropriate assurance in terms of an overall audit opinion to the Accounting Officer on the organisation's risk management, control and governance arrangements for the 2014/15 year.

1.6   Consideration of IAS resources is included in Section 3. Calculation of anticipated auditor days required for the revised plan against auditor days available suggests that resources are sufficient.

1.7   The resource situation will continue to be kept under review and any issues arising will be escalated to management on a timely basis and reported to the Departmental Audit Committee as part of the IAS update reports.

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2.   FINAL AUDIT PLAN AND RATIONALE FOR CHANGES

2.1   A number of proposed revisions to the Audit Plan (compared to the original endorsed Strategy) have been made, as summarised in the table opposite.

2.2   A detailed rationale for the proposed changes is set out in Appendix 2.

2.3   A revised audit plan 2014/15, subject to Departmental Audit Committee endorsement, is included at Appendix 3.

2.4   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 DETI and, as a result, will facilitate the provision of an appropriate overall audit opinion to the Accounting Officer on the organisation's risk management, control and governance arrangements for the 2014/15 year.

2.5   *Table 1 Summary of proposed changes to plan*

Review	Proposal
Fixed Assets	Cancel
Payments	Cancel
Presbyterian Mutual Society	Defer
External Delivery Organisations	Cancel
Project Management	Cancel
Corporate and Business Planning	Brought forward to 2013/14
External Quality Review of IA function to CCNI	Include
Fraud	Defer
Invest NI Performance Validation	Include
Insolvency	Include
Business Continuity Planning	Include

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3.   RESOURCES

3.1   As set out in the Internal Audit Strategy, the calculation of available individual audit staff days per year has been agreed between HIAs across the NICS and is determined as follows:-

Total working days available	219
Less: Professional training and CPD	(11)
Less: administration and contingency	(18)
Total available days per SO Auditor	**190**

3.2   The planning allocation for trainee auditors has also been agreed between HIAs across the NICS and is 0% and 50% of normal productive time in years 1 and 2 respectively (due to training time commitments and varying developmental progression). On completion of 2 full years within Internal Audit trainee allocations will be considered to be 100% productive.

3.3   IAS anticipates that the 2014/15 team responsible for DETI audit will consist of two SO Auditors (one SO works reduced hours which equates to 164 days and one SO has additional leave of 20 days to take in 2014/15 and so will only be available 170 days) and one trainee auditor who will be in their second year (however, it is estimated DETI will only avail of approximately 70% of the trainee auditor's time as another trainee auditor in the branch will be going on maternity leave during 2014/2015 – this equates to 67 days). As a result, IAS anticipates 401[1] available auditor days (170 + 164 + 67). 122 days have been allocated to NITB leaving 279 available days for DETI.

3.4   Using past experience and judgement, Internal Audit management have estimated the number of audit staff days and skills required to carry out each assignment identified in the proposed audit plan and the total audit staff days required to carry out the planned programme of work (refer to Appendix 3).

3.5   The auditor days required to deliver the DETI proposed plan for 2014/15 is 279 days against 279 available days and includes 31 days contingency/consultancy built into the plan. Based on the plan and assuming a full staff compliment is in place throughout the financial year (with

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[1] Planning period June - June

exception of trainee auditor as noted above), resources appear sufficient to deliver the plan. A staff substitution contract is in place for the remainder of the current calendar year and can be called upon if required.

3.6   The HIA will continue to monitor audit resources required and available to provide the audit service on a regular basis, and will escalate issues/potential issues on a timely basis to management and report these to the Departmental Audit Committee in IAS update reports.

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Appendix 1: Internal Audit Strategy 2011/12 – 2014/15 – Version 1.0 (October 2011)

Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
Financial systems/management							
Finance Accounts	Cash and bank	To assess the design and operating effectiveness of retained finance function procedures and controls relating to bank and cash	4,5	5			
Cross-cutting	Payments	To assess the design and operating effectiveness of retained finance function procedures and controls relating to purchasing and payments (including salaries and wages transfers)	4,5				8
Cross-cutting	Income and debtors	To assess the design and operating effectiveness of retained finance function procedures and controls relating to income and debtors	4,5		5		
Cross-cutting	Travel & subsistence	To assess the design and operating effectiveness of procedures and controls relating to travel and subsistence and to review a sample of claims to assess regularity	4,5			5	

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
Finance Accounts	Fixed assets	To assess the design and operating effectiveness of retained finance function procedures and controls relating to retained fixed assets	4,5				5
Finance Branch	Budgetary control	To assess the design and operating effectiveness of procedures and controls relating to budgetary monitoring and control	2,3,4,5	5			
Finance Accounts Accountability & Invest NI Casework	General ledger and month end close processes	To assess the design and operating effectiveness of procedures and controls relating to the financial ledger, month end close and management reporting processes	3,4,5	5			
Cross-cutting	Procurement	To ensure that procurement of goods and services is performed in accordance with relevant public sector and Departmental requirements	4,5,6,9	20			20
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		

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
Insolvency	Central Accounting Unit	To assess the design and operating effectiveness of procedures and processes in place in relation to the Insolvency Account and other CAU responsibilities, including budgeting, forecasting and submission of Departmental returns.	4,5			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	4,5	10	5	5	10
Projects, grants and financial assistance (including EU expenditure)							
Finance Accounts Accountability & Invest NI Casework	H&W PLC	To assess the adequacy and effectiveness of the procedures and process in place in relation to Employers and Public liability claims	4,5	15			
Credit Unions and Industrial Provident Societies	Presbyterian Mutual Society	To assess the adequacy and effectiveness of the procedures and process in place in relation to oversight and monitoring of the Scheme Supervisors	5,7	15			15

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
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)	2,3,4,5,6,9	25	25	25	25
Cross-cutting	External Delivery Organisations	To ensure that adequate and effective risk management, control and governance arrangements have been established over and within EDOs.	3,4,5,6	7	15	7	15
Telecoms	Next Generation Broadband	To assess the management and control systems established in relation to the ERDF funded	3,4,5,6,9	20			

Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
		project and to test compliance with Structural Fund Regulations (DARD Audit Authority Request)					
European Support Unit	DETI Managing Authority	To assess compliance with the functions defined in Article 60 of Council Regulation (EC) 1083/2006	2,4,5,6,9		10		
European Support Unit	DETI Certifying Authority	To assess compliance with the functions defined in Article 60 of Council Regulation (EC) 1083/2006	2,4,5,6,9		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)	2,3,6		25		
Cross-cutting	Policy	Part 2: To ensure that all policy related activity is performed in accordance with 'A Practical Guide to Policy Making in Northern Ireland' and 'The Policy Toolkit'.	2,3,6			25	

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
		Policy making case studies available from OFMDFM will be used for best practice benchmarking purposes, where applicable.					
Cross-cutting	Legislation	To ensure the design and operating effectiveness of procedures and processes in place for the development of legislation (to include Insolvency and TSS)	2,3,6			12	
Operational							
Departmental HR	Managing attendance	To assess the adequacy and effectiveness of DHR's procedures and process for managing attendance	2	15			15
Departmental HR	Departmental HR	To assess the adequacy and effectiveness of DHR's procedures and processes , such as recruitment and performance management (excluding managing attendance)	2,8				20
Insolvency	Internal review processes	To assess the adequacy and effectiveness of the internal review process of the handling of cases by the Official Receiver	4,5	20			

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
Insolvency	Case Management System	To assess the design and operating effectiveness of procedures and controls in place over the integrated Case Management System	4,5,8		15		
Foresight and Horizon Scanning Unit/Innovation Policy	MATRIX	To assess the design and operating effectiveness of procedures and controls in relation to MATRIX and the implementation of MATRIX recommendations	2,5,6			15	
Business Development Unit	Social Economy Network	To assess the adequacy and effectiveness of procedures and processes in place over the Social Economy Network	2,5,6				15
Central Management Unit	Honours nominations	To assess the adequacy and effectiveness of procedures and processes in place to identify and submit honours nominations	-			10	
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	2,3,4,5,6,8		15		15

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
		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)					
Cross-cutting	Contract management	To assess the adequacy and effectiveness of procedures and processes in place in relation to contract management arrangements	4,5,6			20	
Governance and risk							
Sponsored bodies	External Quality Review of IA function	To evaluate the quality of the internal audit service and to identify actions for improvement (in line with the Internal Audit Quality Assessment Framework where applicable)	4,5	15		15	
Sponsored bodies	Sponsor control arrangements	To assess the adequacy and effectiveness of sponsor control arrangements	3,4,6,9			20	10
Departmental Business Support	Business continuity	To assess the adequacy and effectiveness of risk management, internal control and governance in relation to business continuity	1	10			

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
		planning					
Energy/Cross-cutting	Emergency planning	To assess the adequacy and effectiveness of risk management, internal control and governance in relation to emergency planning	-	10			
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	8		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	1-9	5	10	5	5
Corporate Governance	Corporate Governance overview	To assess the adequacy and effectiveness of corporate governance arrangements within the Department	4	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	4,5		10		

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Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	2012/13	2013/14	2014/15
Corporate Governance	Stewardship reporting	To assess the adequacy and effectiveness of procedures and processes in place in relation to the bi-annual stewardship reporting process and to sample test assurances provided	3,4			10	
Cross-cutting	Fraud	To assess the organisation's capability to manage the risk of fraud	5				12
Cross-cutting	Corporate and business planning	To assess the adequacy and effectiveness of procedures and processes in place to develop the corporate and business plans	2				12
Cross-cutting	Monitoring performance	To assess the adequacy and effectiveness of procedures and processes in place to monitor performance as outlined in Corporate and Operating plans	2,3			12	
Information Security	Information Security	To assess the adequacy and effectiveness of the internal control environment in relation to information security and data protection	8	10	10	10	10
Information Security	Information Security	To perform validation of Departmental information security	8	8	8	8	8

Branch/Unit/Area	Review	Objectives	Link to draft corporate risks	Audit coverage (days)			
				2011/12	**2012/13**	**2013/14**	**2014/15**
		returns					
Follow up reviews			-	30	30	30	30
Total days (before contingency)				**260**	**238**	**254**	**260**
Contingency days				26	24	25	26
Total days				**286**	**262**	**279**	**286**

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

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| 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 |
| | Follow-ups will be conducted on an ongoing basis each year. |

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Appendix 2 RATIONALE FOR PROPOSED REVISIONS TO 2014/15 INTERNAL AUDIT PLAN

Proposed Review	Initial Review(s) 2014/15	Proposal	Rationale
-	Fixed Assets	Cancel	In light of the small number of DETI fixed assets and annual NIAO audit coverage of this area, management are content that an IAS review is not required.
-	Payments	Cancel	Payment processes have been included in the scope of numerous reviews as part of the 2012/13 and 2013/14 audit plans e.g. annual Project and Contract Management reviews, annual GPC reviews, Northern Ireland Science Park Procurement, H&W PLC and Next Generation Broadband. -
-	Presbyterian Mutual Society	Defer	This review has recently been performed (final report issued January 2014) as it was deferred from prior years. IAS therefore considers further coverage is not required until the next strategic planning period.
-	External Delivery Organisations	Cancel	Management do not consider that any EDOs currently exist in relation to DETI.
-	Corporate and Business Planning	Brought forward to 13/14	This review was combined with the monitoring performance review and brought forward to 2013/14 (final report issued October 2013).
	Project Management	Cancel	Project Management reviews have been performed for the past three years in the Department with satisfactory opinions awarded each year. Rather than undertake a cross cutting Project Management review, a full scope review of Telecoms is scheduled for 2014/15 (which accounted for £5.14m of £12.25m (42%) grants payable in 2013/14). The scheduled review of the Social Economy Network will also provide coverage in this area.
External Quality	-	Include (deferred	This review was deferred from the previous year. An EQA of the service provided to

Proposed Review	Initial Review(s) 2014/15	Proposal	Rationale
Review of an Internal Audit function to CCNI		from prior year)	HSENI was performed in December 2011 so the focus of this review is intended to be the internal audit service provided to CCNI.
	Fraud	Defer	Managing the Risk of Fraud (NI) – A Guide for Managers states that Internal Audit should 'periodically review the organisations capability to manage the risk of fraud as a discrete subject area' and, as a result, a review of Fraud was included in the DETI Strategy. However, during the strategic planning period, IAS has provided input to the Departmental Fraud Strategy, Anti-Fraud Policy and Fraud Response Plan and therefore proposes to defer the Fraud review for consideration in the next strategic planning period.
Invest NI Performance Validation	-	New assignment	Included at the request of management. This review is likely to be required annually going forward and is in response to a PAC recommendation arising from the Invest NI Performance Review. The review will involve a team from DETI comprising Internal Audit, Policy Evaluation and Liaison and Statistician colleagues under the direction of the Head of Management Services Group.
Insolvency	-	Include	Included at the request of management and in light of the newly escalated corporate risk.
Business Continuity Planning	-	Include	There are a number of brought forward recommendations which have not yet been fully closed off (from final report issued in June 2012). As a result, a review has been scheduled which will focus on brought forward recommendations. The review will also consider arrangements in place in Fermanagh House and Newtownbreda at the request of management.

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Appendix 3 PROPOSED INTERNAL AUDIT PLAN 2014/15 – Version 1 (March 2014)

No.	Review	Proposed scope	Days
Financial Systems/Management			
1	Procurement	- Expenditure Appraisal and Evaluation - Compliance with Departmental and CPD Policies and Procedures and Guidance Notes - Supplier monitoring and review systems - Payments - Post-Project Evaluations	20
2	Government Procurement Card	- Compliance with DAO (DFP) 24/02 – Issue and Use of Payment Cards (inc. credit cards) - Policies and procedures - The issue and re-issue of cards including authorisations - Use & storage of payment cards - Audit trail inc. payment reconciliation process	5
Projects, Grants and Financial Assistance (including EU expenditure)			
3	Social Enterprise NI	- Policy and Background - Procurement and Appointment of Social Enterprise NI - Funding, monitoring, expenditure vouching and payment procedures - Governance and Oversight Arrangements - Performance Monitoring and Reporting - Inclusion of payments on the Government Funders Database	15
Operational			
4	Departmental HR - Managing Attendance	*Managing Attendance* - Compliance with NICS Managing Attendance Policies and Procedures - Performance monitoring and reporting - DHR/HR Connect interface arrangements *DHR Training Budget Function* - Coordination and delivery of Departmental training needs (inc HR Connect interface) - Budgetary Monitoring and Control	20
5	Telecoms Branch Review	Full scope review, to include: - Business Planning & Performance Monitoring - Budgetary Monitoring and Control - Project Monitoring and Control (inc. compliance with EC key requirements) - Claims Checking and Payments Processes	20
6	Insolvency	Full scope review, to include: - The Director's Disqualifications Unit - The Insolvency Audit Team (in terms of adding value) - Appointment of Insolvency Practitioners	30

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No.	Review	Proposed scope	Days
		- Official Receiver	
7	Invest NI Performance Validation	- Assistance with validation of a sample of Invest NI performance targets for 2013/14	20
Governance and Risk			
8	Business Continuity Planning	- Overview of Business Continuity arrangements with specific focus on Fermanagh House and Newtownbreda - Follow up on previous recommendations	10
9	Sponsor control arrangements	To ensure that adequate and effective sponsor control arrangements have been established for all NDPBs within DETI. This will include a review of: - Contractual arrangements - Corporate Governance arrangements - Monitoring arrangements - Funding arrangements	30
10	External Quality Review of IA function (CCNI)	To carry out an external quality review of the Internal Audit function provided to CCNI utilising the 'Internal Audit Quality Assurance Framework' (IAQAF) document which has recently been issued by HM Treasury to assist in the evaluation of the quality of the internal audit service provided to an organisation. The scope will include a review of the following: - Purpose and positioning - Structures and resources - Audit execution - Impact	15
11	Risk Management	- Risk Management processes & procedures - Risk identification process - Application of criteria to identified risks - Prioritisation of risks - Relationship between objectives and risks - Assignment of ownership of risks - Scenario planning - Review/revision of risk analysis	5

12	Corporate Governance	- To assess the Departmental Board's compliance with the DAO (DFP) 06/13 – Corporate Governance in Central Government Departments: Code of Good Practice NI. The specific scope of this review will include:
		  - Accountability (Roles and Responsibilities)
		  - The role of the Departmental Board
		  - Board Composition and Operating Framework
		  - Board Effectiveness
		  - Risk Management *
			10

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No.	Review	Proposed scope	Days
		- Oversight role of Arms Length Bodies* ** reliance will be placed on sponsor control review and risk management reviews at #10 & #13 above*	
13	Information Management and Governance	- Information Security policy & procedures - Roles and responsibilities - ICT systems and accreditation - Progress on implementation of mandatory requirements of the Cabinet Office 'Security Policy Framework' (Feb 2011) - Records Management	10
14	Information Security	- Validation of Departmental information security returns	8
Follow up			
15	Follow up reviews	To assess progress made by management in the implementation of recommendations made during previous Internal Audit reviews.	30
Total days (before contingency)			**248**
Contingency days *(possible advice & guidance on procurement processes if procurement under £30k brought in-house and also a recent request has been received from Business Regulation Division in relation to vouching requirements)*			**31**
Total days			**279**

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