

Department of Enterprise, Trade and Investment

Internal Audit Service

FINAL INTERNAL AUDIT PLAN 2015/16

Approved by the Departmental Accounting Officer on 21st April 2015 and subsequently submitted to the Departmental Audit Committee for endorsement on 1st June 2015

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1. INTRODUCTION AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide a draft Internal Audit Plan covering the period 2015/16 for Departmental Audit Committee consideration and endorsement. An Internal Audit Strategy was previously in place for the 2011/12 – 2014/15 period from which the annual audit plans were derived.
- 1.2 The proposed plan has been developed based on recent discussions between Internal Audit, the Departmental Accounting Officer, senior management and the Chair of the Departmental Audit Committee. It was agreed that a one year risk based plan should be developed as an interim measure due to a number of internal and external factors currently relevant to DETI.
- 1.3 Section 2 provides the specific detail on the approach taken to identify the necessary Internal Audit coverage required during the 2014/15 period. Factors taken into account include Audit Authority, Audit Committee

requests and annual compliance requirements have also been taken into account.

- 1.4 Section 3 provides an overview of the Internal Audit resources available during the period. Internal Audit is content that based on the draft plan and assuming that the current staff compliment is in place throughout the financial year, resources appear sufficient to deliver the plan. A contingency budget has also been included to respond to emerging issues and to allow for additional resources which may be required to complete reviews.
- 1.5 The supporting rationale for all proposed reviews to be included in the 2015/16 plan is detailed at appendix 2 and the draft 2015/16 plan is set out at appendix 3. Management and Internal Audit are satisfied that the proposed draft plan will facilitate the provision of appropriate assurances in terms of an overall audit opinion to the Accounting Officer on the organisation's risk management, control and governance for the 2015/16 year.

2. IDENTIFICATION OF INTERNAL AUDIT COVERAGE FOR THE 2015/16 PERIOD

- 2.1 Public Sector Internal Audit Standards (PSIAS) state that the HIA must develop a risk based plan which is linked to a strategic or high level statement of how the Internal Audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 2.2 An Internal Audit Strategy for DETI was in place for the 2011/12 – 2014/15 reporting period. During this period, annual risk based audit plans were developed on the basis of the strategy and were subject to an ongoing periodic review process to ensure they remained appropriate and were responsive to new or emerging issues. Any amendments to the plans were subject to Departmental Audit Committee endorsement as required.
- 2.3 While Internal Audit remains conscious of the PSIAS planning requirements, the audit management team met with the Departmental Accounting Officer, senior

management and the Chair of the Departmental Audit Committee in February 2015 to discuss the proposed way forward in terms of audit planning and it was agreed that a one year risk based plan covering the 2015/16 reporting period should be developed as an interim measure. The following factors influenced this decision:-

- *Departmental Efficiency Savings / Budgetary Constraints*
The Northern Ireland Executive's budget requires each NICS Department to make year-on-year efficiency savings. It is anticipated that there will be a significant reduction in programme/capital expenditure and the number of staff in post. These factors will have a direct impact on the setting and delivery of business objectives and associated targets. The extent of change will also affect the risk profile of Divisions/business areas.
- *Departmental Changes resulting from NICS Restructuring*

In the context of significant organisational changes, it is important that any new Audit Strategy is linked to the future direction of the Department which will only be properly known when the arrangements for the amalgamation with DEL and the targets in a new PFG are fully understood.

- *NICS Programme for Government (PFG)*
DETI are currently in the process of developing the 2015/16 operating plan. Management have advised that the business objectives and associated targets will be largely based on the existing 2014/15 targets taking into account the absence of an agreed PFG and relevant budgetary constraints highlighted above.

2.4 In developing the 2015/16 Internal Audit plan, Internal Audit took also into account the draft budget position for 2015/16, the DETI corporate Risk Register at February 2015, and the continued relevancy of any reviews which had been included in previous plans but had been subject to deferral at the request of management and/or to

enable Internal Audit to respond to new or emerging issues.

2.5 Internal Audit and the top management team also agreed on the inclusion of a number of priority review areas including PMS, Telecoms and Energy projects/schemes. Appendix 1 details the rationale for each review included in the draft 2015/16 plan and Appendix 2 cross-references these to the risks on the DETI corporate risk register.

2.6 Internal Audit has previously included reviews of Risk Management and Information Management and Governance arrangements in the annual audit programme. For 2015/2016 Internal Audit is of the view that given the satisfactory opinions previously provided and the need to focus resources on high risk systems during 2015/16, that sufficient assurances can be taken from previous internal audit coverage and going forward these reviews will be carried out every other year.

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2.7 Based on the results of previous audit coverage, Internal Audit also discussed with management the assurance requirements in relation to a number of key business areas including Minerals/GSNI and the Official Receiver within the Insolvency Service. However, due to resource pressures within Minerals/GSNI and a detailed follow up report on the Official Receiver having issued in January 2014, it was agreed that reviews of these areas would be carried out during the early stages of the 2016/17 reporting period.

3. REVIEW OF INTERNAL AUDIT RESOURCES

- 3.1 Using past experience and judgement, Internal Audit management have estimated the number of days required to deliver each assignment identified in the proposed audit plan and the total number of staff days required to carry out the planned programme of work.
- 3.2 The auditor days required to deliver the DETI proposed plan for 2015/16 is 277 days and includes 15 days for the completion of follow up fieldwork and 15 days contingency.
- 3.3 The calculation of available individual audit staff days per year has been agreed between HIAs across the NICs and is determined as follows:-
- | | |
|--------------------------------------|-------------------|
| Less: Professional training and CPD | (11) |
| Less: administration and contingency | <u>(18)</u> |
| Total available days per SO Auditor | <u>190</u> |
- 3.4 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.
- 3.5 The 2015/16 team responsible for DETI and Tourism NI audit plans will consist of two SO Auditors (one full time with Trade Union commitments & carryover of annual leave (resultant loss of 20 days) / one working a reduced hours working pattern (resultant loss of 26 days) and 45 days output from an EO1 trainee auditor. In line with best practice in other audit units, 60 days of direct audit work will also be provided by the Audit manager. As a result, the total number of man days available is (170 + 164 + 45 + 60) = 439 days less 175 days required to deliver the Tourism NI plan = 264 available days.
- 3.6 The auditor days required to deliver the DETI proposed plan for 2015/16 is 267 days against 264 available days. It is anticipated that any shortfall/overrun will be addressed by direct audit work provided by the Audit

manager and the utilisation of the contingency budget as required. Based on the draft plan, our commitments to other business areas and assuming the current staff compliment is in place throughout the financial year, resources appear sufficient to deliver the plan.

3.7 The HIA will continue to monitor audit resources required and available to provide the audit service on a regular basis, particularly in relation to the issue of whether there will be an audit manager in post, and will escalate issues/potential issues on a timely basis to management and report these to the Departmental Audit Committee in IAS update reports.

APPENDIX 1 RATIONALE FOR PROPOSED 2015/16 INTERNAL AUDIT PLAN

Number	Review	Rationale
1.	Tourism, Telecoms and GSNI	Telecoms are responsible for the ongoing management and delivery of a significant number of high value projects including the Northern Ireland Broadband Improvement Project (NIBIP), the UK Superfast Rollout Programme during the 2015/16 period. The NIBIP is a collaborative investment of £23.7m by DETI and is part financed by the European Regional Development Fund under the European Sustainable Competitiveness Programme for Northern Ireland. The Superfast Rollout Programme is led by the Department of Culture, Media and Sport (DCMS) and DETI has been provisionally allocated £7.24m under Phase 2 of the Programme. Telecoms intend to seek match funding to bring the total to £14.48m. Given the significant expenditure and risks associated with the delivery of these projects, it was agreed with management that assurances over these projects and the management of any associated contracts are therefore required. The Audit Authority has also requested a systems review be undertaken to provide assurances over the eligibility of EC funded element of these projects to confirm compliance with relevant key EC requirements. Internal Audit also intends to review the Departmental payment arrangements in place for making payments on behalf of Belfast and Londonderry Councils in relation to the Super Connected Cities and the roll out of the expansion programme. Follow up work will also be undertaken as required.

Number	Review	Rationale
2.	Business Regulation Division	Management have requested a review of the PMS governance and oversight arrangements and the process for making payments to the appointed scheme supervisors. A review of Trading Standards/Consumer Affairs Branch was also requested as there has been limited internal audit coverage in this business area over the last 5-6 years and management have requested assurances over the procurement, budgetary control, fee income and the actual discharge of core business activities in this area.
3.	Energy	Energy Division is responsible for the management and delivery of the 'Gas to the West' project which has attracted grant funding of up to £32.5M previously approved by the Northern Ireland Executive. Energy Division is also responsible for the non-domestic Renewable Heat Incentive (RHI) scheme and the Domestic Renewable Heat Incentive and Premium Payment Premium (RHPP) scheme. The RHI has an allocated resource budget of £10.5M in 2015/16. The delivery of the domestic element of the RHI is also at an early stage of development. It was therefore agreed that a review of the RHI schemes and the 'Gas to the West' project would be beneficial to address any potential audit issues at an early stage.
4.	Finance Division	The Northern Ireland Executive's budget requires each NICS Department to make year-on-year efficiency savings. Internal Audit is of the view that there is a significant level of risk associated with the structured delivery of these savings and the degree of reliance that can be placed on the accuracy and completeness of baseline data

Number	Review	Rationale
		required to measure, monitor and report on the efficiencies being delivered. As a result, a consulting review of these processes has been included in the 2015/16 audit plan. Management also requested a review be undertaken of the internal control arrangements established over the administration of Harland and Wolff plc and the management oversight arrangements of the managing agents. A risk based systems review was previously carried out in 2011/12 therefore a timely assurance is required in this area.
5.	Casework and Test Drilling	As a result of our discussions with the Chair of the Departmental Audit Committee it was agreed that an internal audit review of Casework Committee approvals and compliance with DAO (DFP) 06/12 – Departmental Delegations / Requirements for DFP Approval should be included in the 2015/16 plan. It was agreed that this is an important aspect of the Department's internal control arrangements in terms of the efficient implementation of delegated authority limits and the achievement of accountability and value for money.
6.	HR & Central Support Division	A review of Information Management and Governance arrangements has been brought forward from 2014/15 as a substantial opinion had previously been provided in the 2013/14 reporting period. It is anticipated going forward that a review of these arrangements will be carried out every other year so that resources are focused on high risk systems. Internal Audit will continue to independently validate the annual Information Security validation submitted to HOCs.

Number	Review	Rationale
7.	HR & Central Support Division	FD (DFP) 09/14 - Inclusion of Complaints Handling in Internal Audit Programmes' states that consideration should be given to the inclusion of complaint handling within Departmental audit strategies / plans to provide assurance on compliance with the standards agreed by PSG. In addition, it was also agreed with management to undertake a review of the DETI Public Appointments Unit due to provide a timely assurance in this area.
8.	EU Programmes	The Audit Authority is required to provide the EC Commission with an assurance over the DETI internal control framework established over the new EU Funding Programme 2014-20.

APPENDIX 2 PROPOSED INTERNAL AUDIT PLAN 2015/16 – Version 1 (March 2015)

Number	Review	Proposed Scope <i>(The specific scope of some reviews will be developed further on completion of IAS preliminary surveys prior to each review)</i>	Budgeted audit days	Link to Corporate Risk Register
1.	Telecoms	<ul style="list-style-type: none"> - Expenditure Appraisal and Evaluation - Procurement - Project Management - Payments including Verification of Claims - Interim & Post-project Evaluations - Compliance with EC Regulations 	25	CR1, CR3, CR4, CR7
2.	PMS	<ul style="list-style-type: none"> - PMS Governance and Oversight Arrangements - Payment of Fees to Scheme Supervisors 	15	CR3, CR5
3.	Trading Standards / Consumer Affairs Branch	<ul style="list-style-type: none"> - Business Planning and Delivery - Procurement - Budgetary Control & Monitoring - Fee Income 	20	CR1, CR3, CR6
4.	Energy	<ul style="list-style-type: none"> - Expenditure Appraisal and Evaluation - Procurement - Project Management - Payments including Verification of Claims - Interim & Post-project Evaluations 	60	CR1, CR3, CR4, CR7
5.	H&W PLC	<ul style="list-style-type: none"> - Governance & Oversight Arrangements - Administration of Employer and Public liability claims - Reconciliation of H&W Account 	10	CR3
6.	Casework and Test Drilling	<ul style="list-style-type: none"> - Casework Committee Roles and Responsibilities - Casework Committee Approvals - Compliance with DAO (DFP) 06/12 - Departmental Delegations / Requirements for DFP Approval 	15	CR3, CR4
7.	EU Programmes	<ul style="list-style-type: none"> - EC Compliance Review of DETI internal control framework established over the new EU Funding Programme <i>(Delivered by Audit Manager)</i> 	40	CR1, CR3, CR4, CR7

Number	Review	Proposed Scope <i>(The specific scope of some reviews will be developed further on completion of IAS preliminary surveys prior to each review)</i>	Budgeted audit days	Link to Corporate Risk Register
8.	Complaints Handling	- DAO (DFP) 17/06 - Review of complaints handling and compliance with agreed PSG standards	2	CR3
9.	Public Appointments Unit	- To examine the system of internal control established over the DETI & NDPB Public Appointment Process	Cancel as Interreg follow up carried out by HS5	CR3
10.	Departmental Efficiencies & Savings	- To provide consulting support to management in relation to Departmental efficiencies and savings plans as required	10	CR1, CR3, CR4,
11.	Information Management	- 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	CR3, CR6
12.	Information Security Validation	- Validation of Departmental information security returns	135	CR3, CR6

Number	Review	Proposed Scope <i>(The specific scope of some reviews will be developed further on completion of IAS preliminary surveys prior to each review)</i>	Budgeted audit days	Link to Corporate Risk Register
13.	Follow-Up Reviews	To ensure that satisfactory progress has been made to implement all recommendations made within agreed timescales	15	All
14.	A&G	Ad hoc advice and guidance – 20 days (Delivered by Audit Manager)	20	-
15.	Contingency	Days allocated to manage any budget overrun on specific assignments in <i>exceptional</i> circumstances	745	-
Total days			267	