

**DRAFT MINUTES OF DEPARTMENTAL AUDIT COMMITTEE
HELD ON 17 SEPTEMBER 2010**

PRESENT:	Dr Ian McMorris	(Chairman)
	Bill McGinnis	(Audit Committee Member)
	Noel Cornick	(Audit Committee Member)
IN ATTENDANCE:	David Sterling	(DETI)
	Colin Lewis	(DETI)
	Trevor Cooper	(DETI)
	Elaine Dolan	(DETI)
	Terry Coyne	(DETI)
	Mark Cardwell	(DETI)
	Gerry McGinn	(Invest NI Audit Committee Chair)
	Mel Chittock	(Invest NI)
	Elaine Topping	(GCCNI)
	Jim Collins	(HSENI)
	Charlie McMurray	(NITB)
	Neil Gray	(NIAO)
	Colette Kane	(NIAO)
	Alan Orme	(NIAO)
	Deborah Best	(NIAO (observer))
Apologies:	Sean Donaghy	(DHSSPS)
	Jackie Connolly	(DETI)
	Kathryn Thomson	(NITB)
	Bob McCann	(GCCNI Audit Committee Chair)
	Stephanie Lowry	(HSENI Audit Committee Chair)
MINUTE TAKER:	Jill Hawthorne	(DETI)

PRELIMINARY

1. The Chairman welcomed attendees to the Departmental Audit Committee. The Chairman advised that Sean Donaghy was unable to attend the meeting as it was his last day in the NICS. The Chairman thanked Sean Donaghy for his contribution to the Departmental Audit Committee.

POTENTIAL CONFLICTS OF INTEREST

2. The Chairman asked those present to declare any issues which might give rise to a real or perceived conflict of interest.
3. Ian Mc Morris and Bill McGinnis stated that their interests were unchanged since the last meeting held on 29 June. None of the other attendees declared an interest.

APPROVAL OF MINUTES OF THE PREVIOUS MEETINGS ON 16 MARCH AND 29 JUNE 2010

4. The minutes of the 16 March and 29 June meetings 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.
6. Schedule Item 1 – Noel Cornick informed the Committee that issues relating the Titanic Signature Building Project were being addressed and that an update would be provided at the next meeting of the Departmental Audit Committee.
7. Schedule Item 2 – Terry Coyne advised that the draft Test Drilling report had been circulated to HoDs and NDPBs. It was noted that this issue would be covered in more detail later in the proceedings under agenda item 6.
8. Schedule Item 4 – Ian McMorris advised that he had received a paper on this matter from Elaine Dolan. He asked for a meeting involving DAC members, the DAC Secretariat and IAS to be arranged to discuss the way forward. Ian McMorris asked attendees from NDPBs to ensure that arrangements were put in place to ensure that assessments of the effectiveness of their audit committees were undertaken.
9. Schedule Item 9 – The Committee noted that as responsibility for Investigations had transferred this item could be deleted as an action point.

Action 1: Noel Cornick to provide an update on issues relating to the Titanic Signature Project at the next meeting of the Departmental Audit Committee.

Action 2: NDPB representatives to ensure that arrangements are put in place to ensure that a review of the effectiveness of their respective audit committees is undertaken. The outcomes of such reviews should be reported back to the Departmental Audit Committee.

NIAO REPORT TO THOSE CHARGED WITH GOVERNANCE

10. Trevor Cooper informed the Committee that two priority one issues had been raised in the DETI Report to Those Charged with Governance. One of these related to the provision of a “closing report” to the Public Accounts Committee (PAC) in relation to an investigation. It was noted that this has been actioned. The other priority one issue related to an assessment of revenue implications caused by the delay in the implementation of the EU Hydrocarbons Directive. It was noted that this recommendation was being actioned.

11. Mel Chittock informed the Committee that one priority one issue was raised in the Invest NI Report. It related to the Register of Interests which is maintained for Invest NI employees. NIAO has recommended that the Register of Interests should include details of commercial land owned by Invest NI employees. Mel Chittock advised that Invest NI is currently developing revised guidance on this issue which should be finalised within the next two weeks. Trevor Cooper indicated that further consideration might be given to how various areas of the Department approach the matter.
12. Charlie McMurray reported that the NITB Management letter did not highlight any priority one issues. He drew the Committee's attention to issues relating to EU funding of the Titanic Signature Project. Although funding for the project has not yet been confirmed by the EU, NITB's balance sheet lists an EU debtor. Both NITB and the Department had written to NIAO confirming the position with the EU prior to the accounts being signed. It was noted that a meeting with the EU Commission is due to be held over the next few weeks. NITB confirmed that this issue features on their risk register.
13. Jim Collins informed the Committee that one priority two issue and two priority three issues were raised in the HSENI Management Letter. It was noted that the NIAO report on HSENI had been published at the start of September. The recommendations in the report are being implemented.
14. Noel Cornick advised the Committee that the accounts of Tourism Ireland Limited and InterTradeIreland had been approved, with no significant issues arising
15. Colette Kane advised that the DETI, Invest NI and HSENI accounts had been signed before the summer recess and the NITB accounts had been signed at the start of September. Accounts for GCCNI have not yet been finalised. Colette indicated that she was content with quality of the accounts and the audit process.

Action: ACB to consider the approach to registers of interests across the department.

TEST DRILLING

16. Terry Coyne advised that the draft Test Drilling report had been circulated to Heads of Division and NDPBs following the last meeting of DAC. A few minor presentational amendments had been made to the report, the final version of which was due to issue shortly. The implementation of the six recommendations arising from the review will be monitored by Accountability and Casework Branch.
17. Colin Lewis stressed that whilst no significant issues were identified during this year's review, business areas should not become complacent. He advised that the outcome of recent programme evaluations had suggested there was some inconsistency in the quality of post project evaluations. He stressed the importance of ensuring that any recommendations were disseminated and acted upon. Trevor Cooper stated that there was an

onus on NDPBs to ensure that any recommendations of relevance were implemented within their organisations.

Action: Accountability and Casework Branch to provide a progress update on actions falling to it from the report. NDPBs to report on implementation of recommendations in their areas.

NITB MOR ACTION PLAN

18. Terry Coyne advised the Committee that the leases for the 11 holiday cottages have been transferred back to the owners at no cost to either party. The cost of the disposal exercise was £24,000, against estimated future costs of £750,000 that would have been incurred over the remainder of the leasing periods.

19. It was agreed that this issue could be removed from future agendas of the DAC.

EBT PAC REPORT – ACTION PLAN

20. Terry Coyne reported that work on actions relating to the Action Plan was largely complete. Invest NI has finalised revised guidance on External Delivery Organisations (EDOs). The Invest NI guidance would be considered to determine read-across to DETI HQ and NITB.

21. It was agreed that this issue be removed from future agendas of the DAC.

Action: Accountability and Casework Branch to consider, in conjunction with others as necessary, the applicability of Invest NI guidance to other organisations.

VALENCE PAC REPORT ACTION PLAN

22. The Public Accounts Committee held an evidence session on 18 June 2009 to consider Valence Technology, an inward investment project that was offered financial assistance by IDB in 1993. The PAC report contained 20 recommendations, for which an action plan has been developed by Invest NI. Mel Chittock advised the Committee that the proposed actions to implement these recommendations have been sub-categorised into policy/guidance; training; and process.

23. An extensive discussion ensued on the issues arising from Valence. It was noted that a number of parallels could be drawn between the points raised in the PAC report had those emerging from other cases that have been subject to consideration by the PAC. Mel Chittock stated that many of the points raised by the PAC were already addressed and encapsulated in existing Invest NI guidance.

24. The following broad conclusions were drawn:

- There is a need to undertake robust appraisals at the outset of projects based on complete and accurate information;
- Projects must be reappraised if they are not delivering what they set out to deliver; and
- If a project is experiencing difficulty the issues should be escalated to the next level of management.

25. It was acknowledged that the real challenge is to embed adherence to processes within the cultures of our organisations.

Action: Mel Chittock to provide a progress update to the DAC on the implementation of the actions arising from the PAC report on Valence Technology.

ARMS LENGTH BODIES REVIEW

26. Trevor Cooper provided an update to the Committee on the recent review of DETI's sponsorship arrangements with three of its arms length bodies: NITB, HSENI and GCCNI. Invest NI was excluded from the scope of the review as IREP was considering, inter alia, the interface between Invest NI and the Department.

27. Overall the review team found that good sponsorship arrangements existed in DETI. A paper will be discussed at the 19 October meeting of the Departmental Board, with a view to obtaining agreement on how the recommendations arising from the review are to be taken forward.

EXTERNAL DELIVERY ORGANISATION (EDO) REVIEWS (2009/10) – PROGRESS UPDATE

28. Elaine Dolan advised that the 2009/10 EDO exercise is nearing completion. There are two outstanding Invest NI reports, which relate to the Technology and Strategy Board (TSB) a public body. The sponsor control report contains a 'limited' audit opinion and the inspection report contains a 'no audit opinion' due to the unwillingness of the EDO to provide the review team with full access and on the grounds that as a public body it is already subject to audit. Efforts to resolve the situation are continuing and it was suggested that further assurance might be sought from other audit services however it was clear that the position needed to be resolved.

29. Central Procurement Directorate is being consulted regarding procurement arrangements for a three year programme of reviews of EDO sponsor arrangements and EDO inspections. The aim is to commence the 2010-11 EDO programme in November.

Action: Invest NI to resolve TSB issue.

STATUS OF IAS REPORTS WITH LIMITED AUDIT OPINIONS

30. Elaine Dolan informed the Committee that the draft report in respect of the Titanic Signature Project has identified some weaknesses in relation to project management and governance arrangements. The report contains an overall 'limited' opinion. A meeting has taken place between DETI, NITB and IAS to discuss a number of the issues raised in the report and a revised report has been issued to management. It was noted that the issues raised are currently being addressed.
31. Trevor Cooper noted that there were four other limited opinions in relation to Invest NI EDO reviews and emphasised that there was a need for Invest NI to closely monitor the implementation of any recommendations arising as opposed to waiting for a follow up review.

INTERNAL AUDIT PROGRAMMES FOR 2010/11

32. Elaine Dolan advised that formal approval for the proposed 2010/11 programme, which was discussed at the 29 June meeting, was now being sought from the Committee. In response to a question from Bill McGinnis, Elaine Dolan confirmed that the number of audit days for this year's programme was comparable to that for 2009/10. She also confirmed that, at the present time, she has adequate resources to deliver the 2010/11 programme. The Committee was content to formally endorse the proposed 2010/11 audit programme.

INTERNAL AUDIT PROGRESS ON 2010/11 IAS REPORTS FOR DETI, INVEST NI AND NITB

33. Elaine Dolan reported that the audit programmes for DETI, Invest and NITB are progressing satisfactorily, with no limited opinions emerging from work completed to-date. It was noted that there had been an amendment to the Invest NI plan. As a result, it is likely that at least one Invest NI review may need to be postponed until the next financial year. Elaine Dolan advised that any proposed amendments to the Invest NI programme would be subject to DAC approval.

INTERNAL AUDIT – INTERNAL QUALITY REVIEW OF INTERNAL AUDIT

34. Elaine Dolan advised the Committee that Internal Audit Service is required to undertake internal quality reviews (IQAs) on a periodic basis. An IQA of the DETI Internal Audit function was undertaken during July – August 2010. A number of findings and actions were identified, the majority of which related to the development or updating of documentation. It was noted that the most significant issue arising related to the need for Internal Audit Strategies to be developed and approved. Elaine Dolan confirmed that work on a strategic planning process is already underway and that the proposed Strategy would be brought forward for Accounting Officer and Audit Committee endorsement in due course.
35. The IQA concluded that there were no significant issues arising and that an overall 'satisfactory' assessment was appropriate. The Committee commended the work undertaken by IAS.

Action: IAS to implement actions identified as part of the Internal Quality Review and to provide a progress update at the 10 February 2011 meeting of the Departmental Audit Committee.

RISK MANAGEMENT AND QUARTERLY ASSURANCE REPORTS FOR Q/E 30 JUNE 2010

36. Terry Coyne reported that three Corporate Risks within Finance and EU Division had been de-escalated from high impact / high likelihood to high impact / medium likelihood. He advised that a Corporate Risk, relating to DETI's sponsorship of Invest NI has had a change in management status from 'fully managed' to 'partially managed'. This reflects the work that is currently being undertaken on drafting a new Management Statement and Financial Memorandum and the bedding in of the new risk mitigation processes introduced as part of the review of Invest NI's delegations.
37. In relation to Quarterly Assurance Statements, it was noted that work is continuing on the Presbyterian Mutual Society.
38. Trevor Cooper updated the Committee on issues relating to the vouching of EREF expenditure incurred on Invest NI's Business Improvement Training Programme (BITP). He explained that grants have been based on activity levels rather than on vouched expenditure, which meant that expenditure is not eligible for EU draw-down. Trevor Cooper and Mel Chittock stated that it was disappointing that this issue has arisen, given that it is not dissimilar to issues arising in the past.
39. Bill McGinnis considered that there was a risk of reputational damage as a result of the issues which have arisen. Ian McMorris if the requirement for vouching was confined to EU funded programmes. Trevor Cooper confirmed that there was a general requirement for grant related expenditure to be supported by appropriate and adequate vouching before grants were paid where the letter of offer had vouched and approved expenditure as a condition of grant.
40. Mel Chittock advised the Committee Invest NI was currently examining other programmes to ensure that similar issues had not occurred. He also advised that at this point of time, it was not possible to accurately gauge the financial implications.
41. In relation to Invest NI's Risk Register and Quarterly Assurance Statement, Gerry McGinn advised the Committee that Invest NI was alert to the potential risks which arise from Invest NI's increased delegated limits. Mel Chittock reported that Invest NI was dealing with an internal control issue relating to an amendment to a Letter of Offer. He advised that an internal review is to be undertaken on this matter which has already been discussed with NIAO.
42. Charlie McMurray reported that the NITB Risk Register had been updated to take account of the 2010/11 Operating Plan. He advised that the Titanic Project continued to feature on their Risk Register.

43. Jim Collins confirmed that there were no new risks identified within HSENI during the period. He further advised that there no risks had crystallised. No significant issues were reported in the Quarterly Assurance Statement.
44. Elaine Topping advised that the risk around 'Loss of credibility / inaccurate advice' had escalated as a result of payroll issues. GCCNI will be liaising with the Department with a view to identifying how to address the issues arising and action required going forward.

Action: The next Departmental Audit Committee on 11 November to receive a report on Risk Management and Quarterly Assurance Statements as at the end of September 2010.

NIAO REPORTS

45. Collette Kane informed the Committee that work on the Insolvency Account was ongoing and that she was currently awaiting the Minerals and Petroleum Accounts. Trevor Cooper undertook to revert to Collette Kane regarding progress. Colette Kane advised that no significant issues were identified during the audit of Tourism Ireland Ltd.
46. Neil Gray advised that the NIAO value for money report of HSENI had been published earlier in the month. No significant issues had been identified. He also drew the Committee's attention to the planned publication, on 30 September, of the PAC report on Campsie Office Accommodation and Synergy E Business Incubator Units. He also advised that work on the Review of NITB Signature Projects and the Review of Invest NI's Performance is ongoing.
47. Alan Orme advised that work on CORE and Bioscience Technology Institute (BTI) was still ongoing. The report on CORE has been agreed by the Department and the NIAO and is due to be published in October.

Action: Trevor Cooper to revert to Colette Kane in relation to the position on the Minerals and Petroleum Accounts.

INVESTIGATIONS

48. Trevor Cooper provided the Committee with an update on the progress of current investigations.

GUIDANCE ISSUED

49. Terry Coyne summarised the key pieces of guidance issued by Accountability and Casework Branch during the period March – September 2010.

NATIONAL FRAUD INITIATIVE

50. Terry Coyne informed the Committee that the 2010/11 National Fraud Initiative was getting underway. DETI was participating in this major data matching exercise with data sets relating to payroll, pensions and creditors being matched.

ANY OTHER BUSINESS

51. Mel Chittock referred to some difficulties being experienced by Invest NI in relation to Central Procurement Directorate's interpretation of the extent of the procurement exercise necessary for the renewal of software licences.

Action: Mel Chittock and Trevor Cooper to discuss Invest NI procurement issues with a view to progressing with CPD.

52. There being no further business, the meeting was concluded.

DEPARTMENTAL AUDIT COMMITTEE

AGENDA FOR MEETING ON 11 NOVEMBER 2010 AT 2 PM IN CONFERENCE ROOM A, NETHERLEIGH: MEETING EXPECTED TO LAST APPROXIMATELY 2 HOURS 15 MINUTES

1. Chairman's introduction. *Time 5 minutes.*
2. Declaration of any issues that might give rise to a real or perceived conflict of interest (**Chairman**). *Time 5 minutes.*
3. Approval of minutes of previous meeting on 17 September 2010. (**Chairman** – minutes attached). *Time 10 minutes. [DAC 3]*
4. Summary of progress on matters raised by Departmental Audit Committee at its previous meetings (**Chairman** – schedule attached). *Time 5 minutes. [DAC 4]*
5. Reports To Those Charged With Governance (papers attached for TIL & ITI) *Time 20 minutes [DAC 5]*
 - Consumer Council – Bob McCann (verbal update)
 - TIL - John Power
 - ITI - Noel Cornick
6. Valence Technology PAC Action Plan (paper attached – **Mel Chittock**) *Time 10 minutes [DAC 6]*
7. Progress Report on EDO Exercise 2009/10 (paper attached – **Mark Cardwell**) *Time 5 minutes [DAC 7]*
8. Internal Audit – Reports with Limited Opinions (paper attached – **Mark Cardwell**) *Time 5 minutes [DAC 8]*
9. Internal Audit – Programmes for 2010/11 – verbal updates from NDPB representatives:
 - **Stephanie Lowry**, HSENI,
 - **Bob McCann**, GCCNI,
 - **Noel Cornick** ITI and TIL

Time 15 minutes
10. Internal Audit – Progress on 2010/11 IAS Reports for DETI, Invest NI, NITB (paper attached – **Mark Cardwell**) plus any issues arising from Internal Audit work in other bodies *Time 10 minutes [DAC 10]*