

DEPARTMENTAL AUDIT COMMITTEE**TITLE: SIX MONTH ASSURANCE STATEMENT REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2013**

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KEY ISSUES

- The Policy Group statement refers to a number of legislative and policy issues relating to Minerals and Petroleum Branch which require to be addressed.
- The statement also draws attention to internal audit limited opinions and other issues relating to NITB.
- Reference is also made to the completion of PPEs, to the action that has been taken on the telecommunications project that was in receipt of Interreg IIIA funding and to clawback proceedings which have been instituted against Craigavon Borough Council by Energy Division.
- The Management Services Group statement refers to interaction between Finance Branch and Invest NI on grant accruals and to the steps currently being taken by European Support Unit to monitor progress on the delivery of alternative eligible expenditure to replace the claim for the Titanic Signature Building which was withdrawn.

ACTION REQUIRED

To note position.

TIMESCALE

Any remedial work to be undertaken as soon as possible.

DEPARTMENTAL AUDIT COMMITTEE

SIX MONTHLY ASSURANCE STATEMENTS FOR THE PERIOD ENDING 30 SEPTEMBER 2013

1. The six monthly assurance statements of Policy and Management Services Groups referred to the matters detailed in the following paragraphs.

Policy Group

Telecoms, Tourism & GSNI Division

Legislative Matters

2. **Minerals & Petroleum Branch** functions and activities relating to Mineral & Petroleum Licensing in NI are determined by the enacting legislation available to DETI, ie: Mineral Development Act (NI) 1969 (MDA 1969); Petroleum (Production) Act (NI) 1964. Further legislative/legal issues are arising from the application of legislation that is circa 50 years old in today's operational environment e.g. Rights of Access Over Land issues; issue of entitlement to compensation; Annual Mineral Statement etc. Given that the Branch's only legislative resource (1 DP on a 2 day working pattern) has been dedicated to working full time on the transposition of the CCS Directive referred to earlier, these other legislative issues are not being progressed within the Branch.

Moreover with the increased public concern emanating from the potential for "fracking" in NI, the legislative and policy framework for Minerals and Petroleum Licensing is becoming increasingly vulnerable to challenge – accordingly a wholesale review of the legislative, policy and operational framework for today's licensing activities may be required.

None of the above can take place without additional (suitably skilled) staff resources being deployed within the Branch.

3. **Minerals & Petroleum Branch:** In relation to the transposition of EU Directives, the following reference has been included in the DETI Corporate Risk Register: "Action is being taken by DETI (MAPB) relating to the incomplete transposition/implementation in NI of EU Directive CCS/CDD 2009/31/EC – the Carbon Capture & Storage Directive (this is due to the absence of specific NI legislation to regulate provisions pertaining to storage, transport and 3rd party access). MAPB is currently preparing an updated "Transposition Note" (TN) identifying those provisions of the Directive that remain to be transposed. DSO intends to use this TN as the basis for advising DETI on the precise legislative requirements to be enacted in order to make NI wholly compliant."

Post Project Evaluations

4. **Telecoms Branch:** The Post Project Evaluation (PPE) for the Avanti Satellite contract remains outstanding. Telecoms Branch tendered for independent consultancy in 2012/13 but no responses were received. A bid for £15k for external support was made in June monitoring but this was unsuccessful. A further successful bid was made in October monitoring. There is no provision to do this PPE internally.
5. **Minerals/GSNI:** Some additional analysis of the outcomes of the Deep Geothermal Energy Project is currently being undertaken – the PPE is expected to be finalised in quarter ending 31 December 2013.

Northern Ireland Tourist Board Issues

6. The following issues relating to the **Northern Ireland Tourist Board** were reported:
 - NITB's 2012/13 Accounts were unqualified.
 - The annual IAS Assurance Report on NITB was issued on 25 July 2013 and contained an overall limited opinion.
 - A final NITB IAS Report issued on 17 October 2013 on the Walled City Signature Project and provided a limited opinion consisting of three Priority 1 issues and four Priority 3 issues. A number of these issues are being dealt with in the context of the NITB Governance Action Plan, progress on which is reported on a regular basis to the O&L meetings and Departmental and NITB Audit Committees.
 - A follow up report to the Review of Payments to Creditors was issued on 5 June 2013 and this lifted the limited opinion previously issued.
 - A suspected internal fraud in respect of the Walled City Signature Project was subject to a formal investigation, led by DETI Internal Audit Service (IAS), in accordance with NITB's Fraud Response Plan. Progress was monitored by Tourism Policy Branch through NITB Oversight & Liaison Meetings. This investigation is now complete and appropriate follow up action has been taken.
7. Tourism Policy Branch is satisfied that all relevant information to monitor adherence to the MSFM is forthcoming as and when required.

Other Matters

8. Action continues to be taken on the Telecommunications Project which was in receipt of Intereg IIIA funding. A further technical report has been produced and this has helped clarify a number of key issues. The Northern Ireland Audit Office is now producing a report on the project.

Energy Division

9. The Division continues to pursue clawback of £198,747 from Craigavon Borough Council as a result of a suspected fraud connected with the

tendering process for the installation of renewable energy boilers. A Protective Writ was served on the Council in November 2011 and the Department continues to receive monthly updates. The Council is pursuing the matter through its insurers but, as yet, no repayment has been made.

Management Services Group

Finance Division

10. **Finance Branch** reports that Invest NI has significant closing grant accruals which are not verified until after the end of the financial year. There is always a risk associated with significant levels of accruals, particularly the risk that grant claims will not be received according to plan or not deemed to be eligible after inspection. These closing grant accruals have the potential to cause significant problems in relation to possible underspending or overspending.
11. Finance Branch continues to work closely with Invest NI to monitor financial performance in year and to examine future budgetary needs

European Support Unit (ESU)

N+2

12. Titanic Signature Project expenditure was withdrawn from the ERDF Programme in February 2013.
13. ESU worked with DFP and other Government Departments to identify alternative planned expenditure which could draw down the ERDF funding. This activity has now been identified but needs to deliver sufficient expenditure by the end of November 2013 to enable a claim to be submitted to the EC by the 31 December 2013 deadline. ESU continues to monitor progress on a weekly basis.

Non Departmental Public Bodies (NDPBs)

14. Issues raised in the six monthly assurance statements of NDPBs are referenced at Agenda Item 3 (NITB) and Agenda Item 14 (Invest NI, HSENI and GCCNI).