

DAC Agenda Item 8

DEPARTMENTAL AUDIT COMMITTEE: 28 MAY 2014

**TITLE OF PAPER: ANNUAL INTERNAL AUDIT REPORT & OPINION
2013/14**

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KEY ISSUES

- The Annual Opinion sets out that the Department has established and maintained **satisfactory** risk management, control and governance processes during 2013/14.
- A number of factors were taken into consideration when forming the opinion, including audit reviews performed during 2013/14, the results of follow-up reviews, audit work undertaken in the Department's Arms Length Bodies and the Inter-Departmental Assurances provided by DFP (the annual DFP assurance is currently outstanding).
- The results of internal audit work performed across the Department and Arms Length Bodies during the period was, overall, satisfactory.
- The report provides a progress update against plans for DETI, Invest NI and NITB and recommendations registers. In line with best practice, the report also confirms the independence of the Internal Audit Branch, sets out other assurances relied on, confirms compliance with Public Sector Internal Audit Standards, sets out the Internal Audit Quality Assurance and Improvement Programme and also provides an update on staffing.
- In terms of performance, the report sets out that all feedback received to date has been positive and that 7 of 10 Key Performance Indicators were achieved, 1 is on schedule for achievement, 1 is no longer relevant and 1 was not fully achieved.

DECISION REQUIRED

- None.

ACTION REQUIRED

- Departmental Audit Committee to note.

TIMESCALE

- N/A

DEPARTMENT OF ENTERPRISE TRADE AND INVESTMENT

Internal Audit Service

**DRAFT Annual Internal Audit Opinion and Report
2013/14**

For Departmental Audit Committee consideration: 28th May 2014

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ABBREVIATIONS

AO	Accounting Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CPD	Central Procurement Directorate
CSQ	Customer Service Questionnaire
DAC	Departmental Audit Committee
DAO	Dear Accounting Officer
Department/DETI	Department of Enterprise, Trade and Investment
DFP	Department of Finance and Personnel
DP	Deputy Principal
EO1	Executive Officer 1
EQA	External Quality Review
GIAC	Government Internal Audit Certificate
GIAS	Government Internal Audit Standards (February 2011)
GAU	Government Advertising Unit
HIA	Head of Internal Audit
IAS	Internal Audit Service
IASAB	Internal Audit Standards Advisory Board
IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
IQA	Internal Quality Assessment
KPIs	Key Performance Indicators
MoU	Memoranda of Understanding
NDPBs	Non Departmental Public Bodies
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NITB	Northern Ireland Tourist Board
PSIAS	Public Sector Internal Audit Standards (April 2013)
RIASS	Relevant Internal Audit Standard Setters
SO	Staff Officer

1.0 INTRODUCTION

- 1.1 In accordance with Public Sector Internal Audit Standards (effective from 1 April 2013), the Head of Internal Audit is required to provide the Permanent Secretary, in his capacity as Accounting Officer, with an independent and objective opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.
- 1.2 Risk management, control and governance comprise the policies, procedures and operations in place to:
- Establish and monitor the achievement of DETI's objectives;
 - Identify, assess and manage the risks to achieving DETI's objectives;
 - Advise on and evaluate policy within the responsibilities of the Accounting Officer;
 - Ensure the economical, effective and efficient use of resources;
 - Ensure compliance with established policies, procedures, laws and regulations;
 - Safeguard DETI's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
 - Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
- 1.3 This Annual Opinion and Report, provided by Internal Audit, is a key element of the framework of assurance the Accounting Officer needs to inform his Governance Statement. The opinion is based on the adequacy of risk management, control and governance observed from completing the Internal Audit Plan 2013/4, other ad-hoc advisory work completed on control systems, the results of investigation work and the results of follow-up testing performed.
- 1.4 This report provides a summary of the work performed by Internal Audit during 2013/2014 incorporating assurance work, primarily in the form of risk-based audits and special reviews commissioned by management.
- 1.5 The audit plan for 2013/14 was formulated with due consideration given to a number of factors including the key corporate and operational risks facing DETI,

Audit Committee priorities and commitments, cyclical timings / considerations and any ongoing commitments made to the Audit Authority. The audit plan was subject to an ongoing monitoring and review process throughout the reporting period to ensure that it remained appropriate in order to form a sound basis for the opinion provided to the Accounting Officer. A summary of the audits completed compared to the final agreed audit plan is contained in Appendix A.

- 1.6 The Annual Opinion and Report also takes account of audit work completed in the Department's Arms Length Bodies, the results of follow-up work undertaken during the year and the results of DFP Internal Audit work on Inter-Departmental systems and processes.
- 1.8 Internal audit has a professional duty to provide an unbiased and objective view and we can confirm that the unit is organisationally independent from the operations we evaluate and report on.
- 1.9 Internal audit can also confirm that there were no restrictions or limitations on the scope of the work of internal audit during the reporting period.

2.0 OVERALL AUDIT OPINION 2013/14

Annual Opinion

2.1 Based on the audit work performed as outlined below, we are of the view that DETI has established and maintained **satisfactory** risk management, control and governance processes during 2013/14.

2.2 We can only provide our opinion based on the adequacy of risk management, internal controls and governance within the organisation arising from the results of audits that we have completed during the year. In this context, it is important to note that:

- A system of internal control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.
- It is management's responsibility to maintain internal controls on an ongoing basis and ensure that an adequate system of internal control is operated for the prevention, detection and investigation of irregularities including fraud and corruption.
- The internal audit function forms part of the overall internal control structure of the organisation.
- It is the responsibility of internal audit to assess the adequacy of the internal control arrangements put in place by management and to perform testing to ensure those controls were operating for the period under review.

Audit Reviews performed in 2013/14

2.3 This year's annual opinion takes account of the audit assignments detailed in Section 3, with further detail provided at Appendix A. A summary of the number of reports issued (final/draft) and not yet issued is included in Table 1 below:

Table 1

	Substantial/Satisfactory	Limited	No opinion applicable	Reports outstanding
2013/14	12	0	3 ¹	1

¹ One of these relates to the EDO review of A4E which has reached draft report stage – refer to page 10.

- 2.4 No limited opinions have emerged from the DETI 2013/14 Internal Audit plan. However, one priority 1 finding has recently been raised in the draft Project Management report in relation to grant vouching of one specific Telecoms project.

Follow-Up Reviews

- 2.5 This year's annual opinion also takes into account the results of follow-up work carried out during 2013/14. Whilst follow-up testing is a continuous process, the results of follow-up work undertaken during the year have been positive and the number of recommendations on the DETI recommendations register has reduced significantly since the same period last year. The register currently contains no Priority 1 recommendations (note: one P1 recommendation will be added to the register when the Project Management report issues in final version as referred to at 2.4 above).

Arms Length Bodies (ALBs)

- 2.6 In forming the overall opinion we have taken into consideration the results of audit work undertaken in the Department's Arms Length Bodies. DETI IAS provides Internal Audit Services to Invest NI and NITB, both of which received/will receive an overall satisfactory opinion for 2013/14.
- 2.7 In the prior year, NITB received an overall limited opinion with a number of significant audit recommendations outstanding at the year end (primarily in relation to Procurement and the Walled City Signature Project). IAS performed follow-up testing on all reviews awarded a limited opinion as part of the 2013/14 NITB plan and is content with action taken by management and with progress made in implementing audit recommendations. As a result, all limited opinions carried forward into 2013/14 have/will be lifted. No new NITB limited opinions arose during the 2013/14 year.
- 2.8 Internal Audit results of reviews undertaken in DETI's other ALBs by outsourced Internal Audit providers are all positive. Further detail on the results of internal audit work carried out in the Department's ALBs is set out in Section 4.

Inter-Departmental Assurances

- 2.9 The results of the DFP Head of Internal Audits annual inter-departmental assurance report on all services provided by DFP to other Departments needs to be considered in forming the internal audit opinion for DETI. This includes Central Procurement Directorate (CPD), Account NI, IT Assist, HR Connect, and the Departmental Solicitors Office (DSO). At the time of drafting this report, the Annual Inter-Departmental Assurance Report for 2013/14 was not available. However, in the 2013/14 Mid-Year Report and Opinion the DFP HIA provided a satisfactory opinion on Account NI, IT Assist, HR Connect and CAL and an overall satisfactory opinion on ESS. A limited assurance was provided on HR Connect Information Governance. This report, which is still in draft, was jointly commissioned by the NICS SIRO Forum and the findings were reported to that body.

3.0 AUDIT ACTIVITY AND SUMMARY OF RESULTS FOR 2013/14

3.1 A draft Internal Audit Plan for 2013/14 was presented to the Departmental Audit Committee in March 2013. The plan presented was in line with the Internal Audit Strategy endorsed by the Departmental Audit Committee in October 2012. A small number of amendments were made to the plan and presented to the Audit Committee in December 2013 following a mid-year review and one further deferral agreed in March 2014.

3.2 The table below provides an overview of the Internal Audit reports issued in the period (final/draft), audit opinions and number of issues by priority:

Table 2

Review Ref.	Area Reviewed	Opinion (final/draft)	No of Priority 1 findings	No of Priority 2 findings	No of Priority 3 findings
DETI					
IA10/DETI13	Insolvency Central Accounting Unit	Satisfactory	-	3	1
IA15/DETI/13	Government Procurement Card	Satisfactory	-	-	2
IA02/DETI/13	Presbyterian Mutual Society	Satisfactory	-	-	-
IA06/DETI/13	Project Management	Satisfactory	1	-	2
IA03/DETI/13	NI Science Park Connect Programme	Satisfactory	-	3	-
IA14/DETI/13	Government Funders Database	Satisfactory	-	-	1

Review Ref.	Area Reviewed	Opinion (final/draft)	No of Priority 1 findings	No of Priority 2 findings	No of Priority 3 findings
IA07/DETI/13	Legislation	Satisfactory	-	-	1
IA04/DETI/13	Matrix	Satisfactory	-	-	2
IA06/DETI/13	Contract Management	Satisfactory	-	-	2
IA01/DETI/13	Freedom of Information	Satisfactory	-	1	-
IA05/DETI/13	Corporate and operational planning; and monitoring performance	Satisfactory	-	1	-
IA11/DETI/13	Stewardship reporting	Substantial	-	-	1
	Risk Management	N/A (Advice & guidance)	-	-	-
	External Delivery Organisations - A4E Inspection	No opinion provided*	-	-	-
	Information Security Validation – completed May 2014	N/A (Validation exercise)			
Totals			1	8	12

* No opinion has currently been provided by KPMG in relation to the EDO inspection of A4E as a result of a significant amount of documentation being retained at the A4E Head Office in England and therefore not subject to review by the EDO inspection team to date. IAS has scheduled a meeting with the relevant DETI branch management and Head of Division to determine next steps, including whether there is a need for an inspection visit to England, before finalising the report.

4. NON DEPARTMENTAL PUBLIC BODIES (NDPB) & CROSS BORDER BODIES

4.1 DETI sponsors four Non-Departmental Public Bodies (NDPBs) and acts as co-sponsor to two organisations set up under the Belfast Agreement – InterTradeIreland (ITI) and Tourism Ireland Limited (TIL). DETI IAS provides Internal Audit Services to Invest NI and NITB.

Invest NI

4.2. IAS considers that overall Invest NI has established and maintained satisfactory risk management, control and governance processes during the 2013/14 year. A summary of the work undertaken by IAS as part of the 2013/14 plan is included at Appendix B. One report (General ledger, month end close and Management System) received a substantial opinion. Five reports (Offers and Claims Management System, Dusseldorf Office, Business Information Centres, Local Economic Development and Accountability Grids) containing satisfactory opinions have issued in final. A further eight draft reports (Information Security Management Systems, i-expenses, Jobs Fund, Interim Management Programme, Selective Financial Assistance, Grant for Research and Development and Technology Advisory Unit) have issued to management with a satisfactory opinion. One report, Business Improvement Agent, received a limited opinion which was subsequently revised to satisfactory after a follow-up review.

4.3 The EDO rolling inspection continued in 2013/14 with a number of reports (final/draft) issued to date containing satisfactory opinions. One draft report, in relation to the inspection of the Engineering Training Council from the 2012/13 programme, contains a potential limited opinion. IAS is content that this potential limited opinion has minimal impact on the overall annual opinion provided to Invest NI in light of materiality (the contract is worth £23,500 over 2 years), the fact that Invest NI has not made any payments under the contract to date and given that the related Sponsor Control report (issued January 2014) contained a satisfactory opinion.

4.4 Other work carried out in 2013/14 related to the follow-up of recommendations from prior years. Follow-up testing confirmed that the prior year limited opinion on

Programme Evaluations could be lifted. Appendix E provides a summary of the Invest NI recommendations register.

NITB

- 4.5 NITB received an overall Internal Audit limited opinion in the prior year (2012/13). The factors contributing to the limited opinion included a Procurement limited opinion carried forward from 2011/12, a Walled City Signature Project limited opinion arising in 2012/13 and subsequent suspected fraud investigation which raised a number of findings and a limited opinion in relation to Payments to Creditors arising in 2012/13. A follow-up report issued on Payments to Creditors in June 2013 confirming that the limited opinion had been lifted. A Tourism Development Scheme draft report has recently issued which confirms that the Walled City Signature Project limited opinion can be lifted and that significant progress has been made in addressing the recommendations arising from the suspected fraud investigation. Fieldwork on the 2013/14 full audit of procurement has also recently completed and IAS anticipates that the procurement limited opinion can also now be lifted.
- 4.6 In light of the above and the results of other audits performed as part of the 2013/14 NITB Internal Audit Plan, IAS considers that overall NITB has established and maintained satisfactory risk management, control and governance processes during the 2013/14 year. Overall, five final and two draft reports have issued with satisfactory opinions. A summary of the reviews undertaken is set out at Appendix C. The NITB recommendations register is included at Appendix F.

Health & Safety Executive

- 4.7 There were five reviews carried out during the year, all of which received substantial assurance opinions (Gas Safety arrangements, Financial controls, Legislation Unit, Case Management System and Joint Working with District Councils).

Consumer Council

- 4.8 Five reviews were carried out during the year. The reviews of Consumer Support and Human Resources received substantial assurance opinions and the remaining three (Corporate Governance/Risk Management, Purchasing/Procurement and

Payroll – review of statutory maternity payments) all received satisfactory assurance opinions. The scope of the review for ‘Payroll - statutory maternity payments’ was limited to considering the accuracy of statutory claims submitted to HRMC. The overall audit opinion provided by the Internal Audit provider was satisfactory.

Tourism Ireland Limited

- 4.9 Nine reviews were carried out during the year, of which at least satisfactory and above assurance opinions were received (Procurement processes, Measuring and Reporting of KPI's, Technical Security Assessment, Fixed Assets, Corporate Governance Compliance, Internal financial controls, Travel and Subsistence, HR functions/processes/procedures, and a Senior Management Salaries review).

InterTradelreland

- 4.10 Two reviews were carried out during the year (Performance Assessment – the Datakraft system and Programme and Corporate Communications) which received substantial and satisfactory opinions respectively. The overall audit opinion provided by the Internal Audit provider was satisfactory.

5. OTHER ASSURANCE PROVIDERS AND REVIEW BODIES

- 5.1 It is not always necessary for IAS to directly audit processes in order to gain assurance about them. Where well developed assurance processes are in place, these processes can often be used to deliver a significant contribution to the audit opinion. There may also be opportunities for other assurance providers and review bodies to rely on the work performed by IAS to avoid duplication and enhance efficiency.
- 5.2 The Head of Internal Audit for DFP provides annual and mid-year inter-departmental assurance report on all services provided by DFP to other Departments. This includes Central Procurement Directorate, Account NI, IT Assist, HR Connect, and the Departmental Solicitors Office. At the time of drafting this report, the Annual Inter-Departmental Assurance Report for 2013/14 was not available. However, in the 2013/14 Mid-Year Report and Opinion the DFP HIA has provided a satisfactory opinion on Account NI, IT Assist, HR Connect and CAL and an overall satisfactory opinion on ESS. A limited assurance has been provided on HR Connect Information Governance. This report was jointly commissioned by the NICS SIRO Forum and the findings have been reported to that body.
- 5.3 Other assurance processes in place and considered in the formulation of the annual audit opinion include the following:
- External Audit - Internal Audit has developed, and will maintain, effective working relationships with NIAO. Specific processes established with the NIAO which will ensure continued co-operation include –
 - Regular meetings between Internal Audit and NIAO management;
 - Co-ordination of internal and external audit plans;
 - Issue of final Internal Audit reports to NIAO for review; and
 - Exchange of information between internal and external operational audit staff.

6. COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

- 6.1 The Public Sector Internal Audit Standards (PSIAS) which issued under DAO (DFP) 11/12 replaced the Government Internal Audit Standards (GIAS) with effect from 1 April 2013. PSIAS have been developed through the Internal Audit Standards Advisory Board (IASAB) which consisted of representatives of various sectors and Relevant Internal Audit Standard Setters (RIASS). NI central government was represented on the IASAB by DFP as the RIASS. While GIAS applied to only central government in the UK, the PSIAS are applicable to central government, NHS and local government sectors.
- 6.2 Like GIAS, PSIAS is based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). This includes the
- Definition of Internal Auditing;
 - The IIA's Code of Ethics; and
 - International Standards for the Professional Practice of Internal Auditing.
- 6.3 The Head of Internal Audit is required to provide a statement on conformance with the PSIAS as part of the Annual Internal Audit Opinion and Report. PSIAS requires Internal Audit to comply with Attribute Standards and Performance Standards. The key elements of the individual standards are:

Attribute Standards

- Purpose, Authority and Responsibility
- Independence and Objectivity
- Proficiency and Due Professional Care
- Quality Assurance and Improvement Programme

Performance Standards

- Managing the Internal Audit Activity
- Nature of Work

- Engagement Planning
- Performing the Engagement
- Communicating Results
- Monitoring Progress
- Communicating the Acceptance of Risks

6.4 Internal Audit can confirm that all work undertaken by the unit is in compliance with the PSIAS and conforms to the individual requirements as detailed in the Attribute and Performance Standards. Further detail on the Internal Audit Quality Assurance and Improvement Programme can be found at Section 7.

7. QUALITY ASSURANCE AND IMPROVEMENT

7.1 Public Sector Internal Audit Standards (PSIAS) require IAS to have a quality assurance and improvement programme in place to enable an evaluation of IAS conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics². The programme should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. The IAS quality assurance and improvement programme consists of the following:

Table 3: IAS Quality Assurance and Improvement Programme

Internal review procedures

All work on individual assignments is subject to internal quality review through a hierarchical system of management checks. This process concludes with review of the draft report by the HIA.

Internal audit manual

A draft internal audit manual is currently in place to provide guidance to Internal Audit staff on the processes and methodology adopted by IAS. Internal Audit reviews are expected to be performed in accordance with the manual and the management checks referred to above are used to ensure that compliance with the manual takes place.

Internal Quality Review

An IQA was performed in Autumn 2013 and the results reported to the December 2013 DAC. In overall terms, we consider that the DETI internal audit service **generally conforms** with the PSIAS and relevant statements of good practice. There is **full conformance to the majority of the individual statements of good practice and at least general conformance to the others**. We also consider that significant progress has been made to develop existing working practices, policies and procedures within the branch and to implement the improvement actions made during the previous internal and external assessments. A number of recommendations for improvement were identified to enhance the quality of the Internal Audit Service. The majority of the recommendations were in relation to updating appropriate documentation and did not suggest that there were any fundamental issues in relation to Internal Audit quality.

An action plan has been developed and progress against actions is reported to the DAC on a periodic basis. The IQA was performed in accordance with the HM Treasury 'Internal

² PSIAS comprise the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing* (International Standards) issued by the global professional body (the IIA) supplemented by additional requirements for UK central government.

External Quality Review

Benchmarking

Continuous improvement and performance measurement

IAS is committed to continuously improving our service and to ensure an efficient, effective and value adding service is delivered at all times. To monitor our performance and to identify areas for improvement, the following have been introduced:

- A short questionnaire will be issued to management following each internal audit review. The results of the questionnaires will be collated and reported on an annual basis and an action plan will be developed to address any issues or improvement suggestions noted. The results of these questionnaires is summarised at 7.3.
- An annual questionnaire will be issued to the Accounting Officer, senior management and Departmental Audit Committee members. The results of these questionnaires will also be collated and reported on an annual basis and an action plan will be developed to address any issues or improvement suggestions noted. Questionnaires issued as part of the 2013/14 IQA and the results were reported to the December 2013 DAC.

A series of key performance indicators against which IAS can measure its performance. KPIs and results have been set out in section 7.5.

Customer Feedback

- 7.2 At the end of every audit IAS send out a customer feedback form to the principal auditee(s) requesting their views on the audit process and the final report. The form is questionnaire based so it can be completed easily and quickly.
- 7.3 For all reviews where a final report has been issued, our return rate for 2013/14 feedback forms has been 100% and the results from the feedback have been positive with no adverse comments to date.
- 7.4 All feedback which is less than satisfactory is followed up by the Head of Internal Audit to ensure the concern is understood, discussed with the audit team and lessons learned where appropriate.

Key Performance Indicators (KPI's)

- 7.5 A set of KPIs were previously brought forward to the Departmental Audit Committee and IAS agreed corresponding targets with staff in individual personal performance agreements. In overall terms, 7 out of 10 KPIs have been achieved, 1 is on track to be achieved and 1 is no longer relevant. Details are provided in the table below.

Internal Audit Performance Measurement – Key Performance Indicators

Reference	Performance Indicator	Target	Actual
1. Internal Audit planning			
1.1	Annual plan to be submitted for Audit Committee approval/endorsement in advance of commencing fieldwork.	Before commencement of fieldwork/spring Audit Committee	Achieved. Draft plan presented March 2013 for 2013/14.
2. Internal Audit delivery			
2.1	Completion of audit plan in advance of year-end Audit Committee	All reports (at least in draft) to be issued in advance of year-end Audit Committee	On track to be achieved.
2.2	Direct audit staff time (SO/EO) compared to total time available	80%	Achieved.
2.3	Follow-up reviews of previous recommendations to be undertaken within one year of the audit taking place	1 Year	Achieved. Brought forward recommendations are now reviewed on an ongoing basis and follow-up testing is currently up-to-date.
3. Internal Audit reporting			
3.1	Draft report to be issued within 15 working days of fieldwork being completed	15 working days OR 20 working days (if outsourced or Audit Authority involved)	Not achieved. Achieved for approximately 60% of draft reports issued to date.
3.2	Final report to be issued within 10 working days of receipt of management responses	10 working days	Achieved.
4. Contribution towards improvement/enhancement in risk management, governance and control			
4.1	Recommendations made compared to recommendations accepted	90%	100%
4.2	Recommendations made contribute to improvement / enhancement of risk management, control and governance.	90% (to monitor using questionnaires)	100%
5. Internal Audit staff training and development			
5.1	% of internal audit staff with GIAC	70%	HM Treasury personnel have advised that GIAC is no longer applicable following introduction of PSIAS.
5.2	Provision of appropriate continuing professional development training for qualified staff	5 days per annum per qualified staff member	Achieved - Average 7.5 days for each member of staff.

8.0 IAS STAFFING

8.1 The current approved staff complement within IAS is as follows:

- 1 HIA (Grade7)
- 3 Audit Managers (DP)
- 6 Auditors (SO)
- 3 Audit Trainees (EO1)
- 1 AO (shared with AA)

8.2 The above complement provides the Internal Audit Service to DETI, DEL (the Department for Employment and Learning), Invest NI and the Northern Ireland Tourist Board (NITB) and time is apportioned equally (approximately) between DETI/NITB, Invest NI and DEL with 1 Audit Manager, 2 SOs and 1 EO1 allocated to each of the three business areas.

8.3 IAS has experienced some staffing issues throughout the year. Two SO auditors left the branch – one in August 2013 through success in the general service DP competition and one through an elective transfer posting in December 2013. One of the SO auditor vacancies was filled from February 2014 and the other filled on 28 April 2014. Two EO1 trainee auditors joined the branch in April 2013 with a third EO1 trainee joining the team in June 2013. However, our third trainee left on promotion through a general service SO competition in February 2014 and has subsequently been replaced with another trainee who joined the branch in February 2014.

8.4 The skills mix within the Internal Audit Service has also been considered to determine if any skills gaps arise in relation to reviews identified and to determine if any specialist input is required. Sufficient skills are currently considered to be available in-house to deliver the Strategy but this area will be kept under review as the detailed scope of audits are confirmed and in light of the NICS wide review of Internal Audit.

Procurement of internal audit and specialist resource

- 8.5 If it is identified that specific skills/expertise (e.g. legal, accountancy, specialist IT skills) not available in-house is required or there is a shortage of available in-house audit staff to complete reviews, the HIA will consider the option of seconding an individual with the required skills/experience into the branch or alternatively using managed services providers or agency staff. If it is identified that the skills/expertise/shortage needed will be required on a long-term basis consideration will be given to developing an existing member of staff in this area or to specifically recruiting someone with the skills required (again this will be considered in light of the outcome of the NICS wide review of Internal Audit).
- 8.6 Internal Audit currently has a contract in place with ASM for the delivery of audit assignments. As a result of the in-house resource constraints experienced during the year, this contract was utilised with a number of reviews from the 2013/14 plan being performed by ASM.

Approach to recruiting, training, Continuing Professional Development

- 8.7 The current recruitment strategy is based primarily on the use of NICS wide trawls to fill vacancies at DP (Audit Manager) and SO (Auditor) level although external recruitment may also be considered if there are insufficient internal candidates. In addition, EO1 trainee auditors are recruited through a NICS wide trawl.
- 8.8 It is IAS policy to support and provide training and development in line with its mission and values. This takes account of HM Treasury's 'Internal Audit Training and Development Handbook' and places specific emphasis on continuing professional development. Training and development needs will be assessed against business objectives and recorded in agreed Personal Development Plans. These will then form the basis for a prioritised annual training plan. Emerging training and development needs and opportunities will be considered on an ongoing basis throughout the year. Continuing professional development is also encouraged.
- 8.9 During 2013/2014, courses attended by members of the team include Contract Management, Fraud Awareness, Value for Money Audit and Business Cases. In

addition, one member of the IAS team successfully completed the accredited CIPFA Investigative Practice Qualification with a further member expected to complete this qualification by June 2014.

9. ACKNOWLEDGEMENT

The audit team wish to extend their thanks to both management and staff for their co-operation and assistance during the course of the 2013/14 programme of work.

APPENDIX A – DETI PROGRESS AGAINST PLAN 2013 - 14

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
DETI				
1.	Insolvency Central Accounting Unit	<ul style="list-style-type: none"> - Overall management of the Insolvency Account - Accounts payable/receivable - Budgeting / Forecasting - Operating plans - Cash deposits - Submission of Departmental returns 	Draft report	Satisfactory
2.	Government Procurement Card	<ul style="list-style-type: none"> - 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 	Draft report	Satisfactory
3.	Presbyterian Mutual Society	To assess the adequacy and effectiveness of the procedures and processes in place in relation to the oversight and monitoring of the Scheme’s Supervisors	Final report	Satisfactory
4.	Project Management	<ul style="list-style-type: none"> - Business case/economic appraisals and approvals - Project monitoring & financial reporting - Vouching and approval of expenditure - Interim and post project evaluations - Compliance with National and EU rules & regulations 	Draft report	Satisfactory
5.	NI Science Park (NISP) Connect Programme	To ensure that the management and control systems established over the NISP Connect Programme fully comply with all relevant ERDF rules and regulations.	Final report	Satisfactory
6.	Government Funders Database	To assess the completeness and accuracy of information recorded on the Government Funders database	Draft report	Satisfactory

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
7.	Legislation	To assess the design and operating effectiveness of procedures and processes in place for the development of legislation (to include Insolvency and TSS)	Final report	Satisfactory
8.	Matrix	To assess the design and operating effectiveness of procedures and controls in relation to MATRIX and the implementation of MATRIX recommendations	Final report	Satisfactory
9.	Contract Management	<ul style="list-style-type: none"> - Business case/economic appraisals and approvals - Contract monitoring & reporting - Invoicing and approval of expenditure Interim and post project evaluations 	Draft report	Satisfactory
10.	Freedom of Information	<ul style="list-style-type: none"> - Compliance with relevant legislation - Application of exemptions - Public Interest Tests Senior management monitoring & review processes 	Final report	Satisfactory
11.	Corporate and Operational Planning; and monitoring performance	<ul style="list-style-type: none"> - Adequacy of policy and procedures in place - Effectiveness of the corporate planning process - Procedures in place ensuring the effective formulation of corporate objectives - Measurability of corporate objectives and allocation of responsibility - Approval and authorisation of the Corporate and Operating Plans Monitoring and reporting on the achievement of plans and objectives 	Final report	Satisfactory
12	Information Management and Governance	<ul style="list-style-type: none"> - 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 	Fieldwork complete	

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
13	Stewardship reporting	<ul style="list-style-type: none"> - Completeness, accuracy and appropriateness of returns completed - Collation of returns and integrity of process 	Draft report	Substantial
14.	Policy	<ul style="list-style-type: none"> - To assess key parts of the policy cycle in line with the Policy Toolkit and best practice. 	Deferred (ref March 2014 DAC)	N/A
15	Risk Management	<ul style="list-style-type: none"> - Advice and guidance in relation to Risk Management Strategy and Policy 	N/A	N/A
16.	Information Security	<ul style="list-style-type: none"> - Carrying out validation of Departmental information security returns as requested by the SIRO. 	Ongoing	N/A
17.	External Delivery Organisations	<ul style="list-style-type: none"> - Making sure that adequate and effective risk management, control and governance arrangements have been established over EDOs - A4E 	Draft report*	
18	Follow up reviews	<ul style="list-style-type: none"> - To assess progress made by management in the implementation of recommendations made during previous Internal Audit reviews. 	Ongoing	

* No opinion has currently been provided by KPMG in relation to the EDO inspection of A4E as a result of a significant amount of documentation being retained at the A4E Head Office in England and therefore not subject to review by the EDO inspection team to date. IAS has scheduled a meeting with the relevant DETI branch management and Head of Division to determine next steps, including whether there is a need for an inspection visit to England, before finalising the report.

Appendix B – INVEST NI PROGRESS AGAINST PLAN 2013/14

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
INVEST NI				
1	Information Security Management System	To ensure ISMS has adequate and effective controls that will enable it to continue to attain ISO 27001.	Draft report	Satisfactory
2	Business Improvement Agent	To ensure that adequate and effective internal control arrangements have been established over BIA processes.	Final report	Limited ³
3	Interim Management Programme	To ensure that adequate and effective internal control arrangements have been established over IMP processes.	Draft report	Satisfactory
4	Offers and Claims Management System	To assess the design and operating effectiveness of procedures and controls relating to OaCMS.	Final report	Satisfactory
5	Dusseldorf Office	To examine the processes and procedures established in the overseas Office to market and promote Northern Ireland to potential inward investors.	Final report	Satisfactory
6	General Ledger, month end close & Management Accounts	To assess the design and operating effectiveness of procedures and controls relating to input and maintenance of the general ledger, month end close and the production of management accounts.	Final report	Substantial
7	i-expenses	To assess the design and operating effectiveness of procedures and controls relating to i-expenses.	Draft report	Satisfactory
8	Government Procurement Card	To ensure that adequate controls and safeguards govern the use of the Government Procurement Card in accordance with relevant DAOs.	Fieldwork ongoing	

³ A follow up report issued in April 2014 confirming the limited opinion has been lifted.

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
9	Jobs Fund	To assess the adequacy and effectiveness of procedures and processes over the Jobs Fund.	Draft report	Satisfactory
10	Local Economic Development	To assess the adequacy and effectiveness of procedures and processes in place over LED	Final report	Satisfactory
11	Business Information Centres	To assess the adequacy and effectiveness of procedures and processes in place over Business Information Centres.	Final report	Satisfactory
12	Selective Financial Assistance	To assess the adequacy and effectiveness of procedures and processes in place to support growth, investment and employment related projects which increase business productivity.	Draft report	Satisfactory
13	Technology Advisory Unit	To assess the adequacy and effectiveness of procedures and processes in place over Innovation Vouchers and Technology Development Vouchers.	Draft report	Satisfactory
14	Grant for R&D	To assess the adequacy and effectiveness of procedures and processes in place to support the NI business base with R&D activities that will result in new products or improved processes.	Draft report	Satisfactory
15	Accountability Grids	To review the status of outstanding PAC recommendations and assess the status of actions taken to address recommendations.	Draft report	Satisfactory
16	Government Funders Database	To assess the accuracy and completeness of information recorded on the GFD.	Fieldwork complete	
17	Risk Management (consultancy)	Review of Risk Management Strategy and Policy	N/A	N/A
18	EDO reviews	Inspections and/or sponsor reviews	Fieldwork ongoing	

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
19	Follow-up of outstanding IAS recommendations		Ongoing	

Received from DFE on 19/07/17
Annotated by RHI Inquiry

Appendix C – NITB PROGRESS AGAINST PLAN 2013/14

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
NITB				
1	Income and debtors	<ul style="list-style-type: none"> ▪ Customer identification and invoice creation ▪ Receipts management (including treatment of non-invoice income) ▪ Debt management and recovery policies, procedures and processes (including dunning and write-off procedures) ▪ Management information and reporting 	Final report	Satisfactory
2	Budgetary Control	<ul style="list-style-type: none"> ▪ Budget Setting ▪ Budget Approval and Notification ▪ Delegated Responsibilities ▪ Budget Monitoring ▪ Departmental returns and liaison ▪ Management Information and Reporting 	Final report	Satisfactory
3	Tourism Development Scheme	<ul style="list-style-type: none"> ▪ The receipt, evaluation and approval of applications ▪ Eligibility of approved projects ▪ Content of Letters of Offer issued ▪ The adequacy of vouching and payment procedures ▪ Monitoring and evaluation of projects funded 	Draft report	Satisfactory
4	Events	<ul style="list-style-type: none"> ▪ The receipt, evaluation and approval of applications ▪ Eligibility of approved projects ▪ Content of Letters of Offer issued ▪ The adequacy of vouching and payment procedures ▪ Monitoring and evaluation of projects funded 	Final report	Satisfactory
5	Procurement	<ul style="list-style-type: none"> ▪ Adequacy and appropriateness of systems and procedures in place ▪ Compliance with relevant procedures and best practice ▪ Adequacy and appropriateness of key tendering and 	Fieldwork complete	

No.	Review	Focus for Attention 2013/14	Status	Audit Opinion
		procurement documentation		
6	Corporate Governance - Statutory Compliance	<ul style="list-style-type: none"> ▪ To assess the design and operating effectiveness of key processes and controls in place to address selected legislative requirements, for example, Health & Safety at Work Act 1974: <ul style="list-style-type: none"> - Policies and procedures - Risk assessments - Training - Incident reporting - Compliance checks 	Final report	Satisfactory
7	Risk Management	<ul style="list-style-type: none"> ▪ 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 	Draft report	Satisfactory
8	Information Management and Governance	<ul style="list-style-type: none"> ▪ 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 	Final report	Satisfactory

APPENDIX D – DETI RECOMMENDATIONS REGISTER

DETI

- 21 recommendations have been carried into the reporting period. Three priority 2 recommendations have been added to the register as a result of a final report (NISP Connect Programme) issuing in the period.
- Follow-up is ongoing but no further recommendations have been cleared in the period.
- A total of 24 recommendations are being carried forward into the next reporting period.

	Number brought forward	Confirmed as implemented in period	Additional in period	Closing position
Priority 1				
Pre 12/13	-	-	-	-
12/13	-	-	-	-
13/14	-	-	-	-
Priority 2				
Pre 12/13	8	-	-	8
12/13	5	-	-	5
13/14	2	-	3	5
Priority 3				
Pre 12/13	2	-	-	2
12/13	1	-	-	1
13/14	3	-	-	3
Total	21	-	3	24

APPENDIX E – INVEST NI RECOMMENDATIONS REGISTER

INVEST NI

- A total of 106 recommendations have been carried forward from the March Audit Committee. Three final reports issued in the period adding 7 recommendations (two Priority 2 and five Priority 3 recommendations) to the register.
- Since the March Departmental Audit Committee IAS has cleared 35 recommendations. Invest NI management have identified a further 39 recommendations that they consider implemented. Supporting documentation in relation to the P1 recommendation considered implemented by Invest NI management has been requested by IAS but has not yet been received (relates to Dubai overseas audit).
- The total number of recommendations being carried forward by IAS is 78. Invest NI management consider the outstanding balance to be 39. IAS is continuing to follow up on recommendations awaiting follow up.

	Brought forward	Added	Cleared	Number carried forward	Invest NI position	
					Cleared	Closing
Priority 1						
11/12	1	-	(1)	-	-	-
12/13	3	-	(2)	1	(1)	-
13/14	1	-	(1)	-	-	-
Priority 2						
11/12	-	-	-	-	-	-
12/13	24	-	(8)	16	(7)	9
13/14	2	2	(1)	3	-	3
Priority 3						
10/11	3	-	-	3	(3)	-
11/12	20	-	(11)	9	(6)	3
12/13	39	-	(9)	30	(18)	12
13/14	13	5	(2)	16	(4)	12
TOTAL	106	7	(35)	78	(39)	39

APPENDIX F – NITB RECOMMENDATIONS REGISTER

NITB

- 19 recommendations have been carried into the reporting period and 4 recommendations added as a result of final reports issuing for Budgetary Control and Information Management and Governance.
- The priority 1 recommendations outstanding relate to NI based staff pay scales (1 recommendation – NITB management are currently liaising with similarly affected organisations to determine a proposed way forward) and procurement (1 recommendation which is partially implemented).
- In the period since the last Audit Committee IAS has also confirmed that two priority 1 (Procurement) and three priority 2 recommendations (Creditors, Financial Stewardship and Events) have been implemented.

	Number brought forward	Confirmed as implemented in period	Additional in period	Closing position
High (Priority 1)				
Pre 12/13	4	(2)	-	2
2012/13	-	-	-	-
2013/14	-	-	-	-
Medium (Priority 2)				
Pre 12/13	2		-	2
2012/13	6	(2)	-	4
2013/14	4	(1)	1	4
Low (Priority 3)				
Pre 12/13	-	-	-	-
2012/13	2	-	-	2
2013/14	1	-	3	4
Total	19	(5)	4	18

APPENDIX G - CLASSIFICATION OF AUDIT ASSURANCE AND KEY TO PRIORITIES

Internal Audit is responsible for providing opinions regarding the adequacy and effectiveness of risk management, control and governance arrangements. IAS adopts a classification system for the assurance achieved in each audit review. IAS assurance ratings are based on the guidelines issued by the Department of Finance and Personnel (DFP) in DAO (DFP) 17/03 set out below:

Opinion	Definition
Substantial	There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.
Satisfactory	Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified, this should not significantly impact on the achievement of objectives. Some improvements are required to enhance the adequacy and / or effectiveness of governance, risk management and control.
Limited	There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.
Unacceptable	The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives. Urgent action is required to improve the adequacy and/or effectiveness of governance, risk management and control.

Within each audit review, individual findings are assigned a particular priority rating based on guidelines issued by DFP in HIA (DFP) 1/12 set out below:

Risk Grade	Definition
Priority 1	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Priority 2	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure.
Priority 3	Improvements that will enhance the existing control framework and/or represent best practice.