

**DEPARTMENTAL AUDIT COMMITTEE****AGENDA FOR MEETING ON 25 SEPTEMBER 2014 AT 2.45 PM IN  
CONFERENCE ROOM A, NETHERLEIGH: MEETING EXPECTED TO LAST  
APPROXIMATELY 1 HOUR 55 MINUTES**

1. Chairman's introduction (verbal - Chairman) *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 meetings on 28 May and 25 June 2014 (Chairman – minutes attached) *Time 10 minutes.*
4. Summary of progress on matters raised by Departmental Audit Committee at its previous meetings (Chairman – schedule attached) *Time 10 minutes.*
5. The European Sustainable Competitiveness Programme Northern Ireland 2007 – 13: 2014 Programme of Work in support of 2014 Annual Opinion (paper attached – Jackie Connolly) *Time 5 minutes.*
6. BTI – progress on implementation of PAC recommendations (paper attached – Iain McFarlane) *Time 5 minutes.*
7. Internal Audit – Progress on IAS plans for DETI, Invest NI and NITB; update on brought forward recommendations; and limited opinions (paper attached – Michael Woods) *Time 15 minutes.*
8. Internal Audit – Mid Year review of internal audit plan (paper attached – Michael Woods) *Time 10 minutes.*
9. Internal Audit – Update on Internal Quality Assessment and External Quality Assessment (paper attached – Michael Woods) *Time 5 minutes.*
10. Corporate Risk Register and DETI Divisional Risk Management Report for Quarter Ended 30 June 2014 (paper attached – Terry Coyne) *Time 10 minutes.*
11. Updates from NDPBs and Cross Border Bodies (papers attached – Iain McFarlane) *Time 15 minutes.*
12. NIAO Reports (verbal Report – Colette Kane) *Time 5 minutes.*
13. Investigations and Theft/Fraud Notifications (paper attached – Iain McFarlane/Michael Woods) *Time 5 minutes.*
14. Guidance issued since last meeting (paper attached – Terry Coyne) *Time 5 minutes.*
15. Forward Look at Business of Next Meeting (Forward Work Plan attached – Chairman) *Time 5 minutes.*
16. AOB

**SUMMARY OF PROGRESS ON MATTERS RAISED BY DEPARTMENTAL  
AUDIT COMMITTEE AT ITS PREVIOUS MEETINGS**

<b>Meetings Prior to 26 June 2013</b>				
<b>NO</b>	<b>ISSUE</b>	<b>ACTION POINT</b>	<b>ACTION BY</b>	<b>CURRENT STATUS</b>
1.	Outstanding actions arising from meetings prior to 26 June 2013 meeting.	Review of Departmental Gifts and Hospitality Policy to take Bribery Act 2010 into account.	Iain McFarlane	Updated guidance on gifts and hospitality prepared and sent to top management for consideration.
<b>Meeting on 26 June 2013</b>				
2.	Test Drilling of Economic Appraisals and Post Project Evaluations.	Accountability and Casework Branch to oversee the implementation of recommendations arising from the 2012-13 Test Drilling review.	Iain McFarlane	<b>Actioned.</b> Recs implemented.
<b>Meeting on 2 October 2013</b>				
3.	BTI – PAC Report	DAC to continue to monitor progress on implementation of outstanding recommendations. Recommendations to be removed from Implementation Plan once DAC has been informed that they are complete.	Iain McFarlane	Ongoing (see Agenda Item 6)

<b>Meeting on 4 December 2013</b>				
4.	NITB: Progress on Implementation of Governance Action Plan	Revert to DAC when agreement on procurement issues has been reached with Central Procurement Directorate (CPD).	Trevor Cooper / Iain McFarlane	Ongoing Familiarisation Visits procedures agreed with NITB and CPD. Meeting held with CPD to sign off approach to “non-procurement” grant and in particular aid decision on what would and would not constitute procurement. Awaiting CPD approval of proposals.
6.	Internal Audit: Internal Quality Assessment	Further report to be provided to DAC once actions have been implemented.	Michael Woods	<b>Actioned</b> – See Agenda Item 9.
<b>Meeting on 5 March 2014</b>				
7.	Report to Those Charged with Governance	Continue to work towards finalisation of Invest NI and NITB MSFMs.	Iain McFarlane	Invest NI MSFM with DFP for approval.

<b>Meeting on 28 May 2014</b>				
8.	European Sustainable Competitiveness Programme	Response to be provided to EU Commission pre-suspension letter.	Jackie Connolly	<b>Actioned</b> – See Agenda Item 5
9.	IT Security	Annual Security Risk Management Overview report to be provided to HOCS by the end of June.	Pat Cunningham	<b>Actioned</b> Report sent 30 June 2014
10.	Internal Audit	2013-14 Internal Audit Annual Opinion to be finalised in light of DFP's opinion on shared services.	Elaine Dolan	<b>Actioned</b> Internal Audit Annual Opinion finalised and considered by DAC on 25 June 2014.
11.	Risk Management	Corporate Risk Register to be provided in A3 format.	Terry Coyne	<b>Actioned</b> (see Agenda Item 10)
12.	Six Monthly Assurance Statements	Update to be provided on the legal action against Craigavon Borough Council.	David Sterling	<b>Actioned</b> Update provided at 25 June 2014 meeting.
13.	DAC Chairman's meeting with Chairs of NDPBs	Departmental Board to be provided with a short paper setting out the key points to emerge from the meeting.	Chairman	<b>Actioned</b> Paper provided to Departmental Board at its meeting on 25 June 2014.
14.	Test Drilling of Economic Appraisals and Post Project Evaluations.	Final report from the 2013-14 Test Drilling Exercise to be provided to the next meeting of the Departmental Audit Committee.	Iain McFarlane	<b>Actioned</b> Test Drilling report provided to DAC meeting on 25 June 2014.

<b>Meeting on 28 May 2014 (continued)</b>				
15.	DAC Chairman's Annual Report to Departmental Board.	Report to be updated.	Chairman	<b>Actioned</b> Report updated and provided to Departmental Board at its meeting on 25 June 2014.
16.	Governance Statement	Governance Statement to be updated to reflect additional information received.	Terry Coyne	<b>Actioned</b> Governance Statement updated.
<b>Meeting on 25 June 2014</b>				
17.	2014-15 DAC Meetings	Proposed dates of 2014-15 meetings to be circulated.	Terry Coyne	<b>Actioned</b>
18.	Test Drilling of Economic Appraisals and Post Project Evaluations.	Accountability and Casework Branch to oversee the implementation of recommendations arising from the 2013-14 Test Drilling review.	Iain McFarlane	Ongoing

**TITLE OF PAPER:** Internal Audit Service – Update Report

**PRESENTED BY:** Michael Woods

### **KEY ISSUES**

- The attached report includes a status update on progress v plans, a summary of the recommendations registers and a table outlining limited opinions for DETI, Invest NI and NITB.
- One DETI 2014/15 report has issued in draft for management responses (DHR Training Function) and one report has issued in final (DHR Managing Attendance). Fieldwork is complete for one further review (Telecoms Branch). Refer to Section 3.
- Fieldwork is currently ongoing for two reviews and complete for three reviews (Access to Finance, Design Service and Government Procurement Card) within Invest NI. A number of further reviews have also been scheduled. Refer to Section 5.
- Within NITB, fieldwork has been completed for three reviews (Governance Action Plan, Board Member's Expenses and Government Procurement Card) and is currently ongoing for one further review (Cash and Bank). Section 7 refers.
- Recommendations registers continue to be updated as and when resources permit. Significant progress has been made in following up recommendations with the number of open recommendations reducing significantly for both DETI and NITB.
- No new limited opinions have arisen since the last Audit Committee. Section 9 provides a status update on existing limited opinions within Invest NI and NITB.

### **DECISIONS REQUIRED**

- None

### **ACTION REQUIRED**

- Departmental Audit Committee to note progress v plans, status of recommendations registers and limited opinions.

**TIMESCALE**

- N/A

# Department of Enterprise, Trade and Investment

## Internal Audit Service

*Update report to the Departmental Audit Committee  
26<sup>th</sup> September 2015*

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## 1. INTRODUCTION

1.1 The purpose of this document is to outline the status of the Internal Audit plans for DETI, Invest NI and NITB, to provide an update on the implementation of brought forward Internal Audit recommendations and to outline the status of all limited opinions for DETI, Invest NI and NITB.

## 2. EXECUTIVE SUMMARY

2.1 Sections 3, 5 and 7 set out the status of the Internal Audit Plans. In relation to DETI (refer to Section 3), fieldwork has been completed for 1 review and 2 reports have been issued in draft/final. Fieldwork has also been scheduled to commence for a number of further reviews including a follow up of Business Continuity Arrangements and Insolvency Service.

2.2 Within Invest NI (refer to Section 5), four reviews and a number of EDO reviews have been carried forward from the 2013/14 audit plan. To date, fieldwork has

been completed for three reviews and is ongoing for two reviews. Fieldwork has also been scheduled for a number of further reviews.

2.3 For NITB (refer to Section 7), fieldwork has been completed for 3 reviews and is ongoing for one review. In relation to the NITB Government Procurement Card review, fieldwork has identified a number of internal control issues which are currently being proactively addressed by NITB management.

2.4 IAS has also recently undertaken a mid-year review of the DETI and NITB audit programmes and proposed a number of changes including reducing the scope of some reviews and deferrals. A separate paper on the mid-year review of the programme has been provided – DAC 8 refers.

2.5 A summary of the updated recommendations registers are included at Sections 4, 6 and 8. Overall, DETI is carrying forward 25 recommendations (brought forward

## DAC 7

balance: 26 recommendations), Invest NI is carrying forward 76 recommendations (brought forward balance: 76 recommendations) and NITB is carrying forward 18 recommendations (brought forward balance: 22 recommendations). Invest NI management have advised that a further 40 recommendations are awaiting follow up and the actual outstanding balance is 36.

- 2.5 Section 9 of this report sets out all current limited opinions across DETI, Invest NI and NITB and provides an update on limited opinions as reported to the previous Departmental Audit Committee. No new limited opinions have arisen in the period and the

Departmental Audit Committee – 26<sup>th</sup> September 2014

limited opinions previously attributed to the NITB Procurement review and the Invest NI – Business Improvement Agent and Programme Evaluation reviews has now been lifted. In relation to Invest NI EDO inspection of the Engineering Training Council a revised draft report has been issued and is awaiting a management response from the EDO.

**3. DETI: CURRENT STATUS OF INTERNAL AUDIT PLANS**

- 3.1 Fieldwork has been completed for one review - Telecoms Branch review. A draft report has been issued in relation to DHR Training Function and a final report has been issued for DHR Managing Attendance.
- 3.2 At the time of writing, fieldwork is ongoing in relation to the DETI Procurement review. All remaining reviews have been scheduled.

No.	Review	Objective	Status	Opinion		
				P1	P2	P3
1	Procurement	<ul style="list-style-type: none"> <li>- Expenditure Appraisal and Evaluation</li> <li>- Compliance with Departmental and CPD Policies and Procedures and Guidance Notes</li> <li>- Supplier monitoring and review systems</li> <li>- Payments</li> <li>- Post-Project Evaluations</li> </ul>	Ongoing			
2	Government Procurement Card	<ul style="list-style-type: none"> <li>- Compliance with DAO (DFP) 24/02 – Issue and Use of Payment Cards (inc. credit cards)</li> <li>- Policies and procedures</li> <li>- The issue and re-issue of cards including authorisations</li> <li>- Use &amp; storage of payment cards</li> <li>- Audit trail inc. payment reconciliation process</li> </ul>	February 2015			

3	Social Enterprise NI	<ul style="list-style-type: none"> <li>- Policy and Background</li> <li>- Procurement and Appointment of Social Enterprise NI</li> <li>- Funding, monitoring, expenditure vouching and payment procedures</li> <li>- Governance and Oversight Arrangements</li> <li>- Performance Monitoring and Reporting</li> <li>- Inclusion of payments on the Government Funders Database</li> </ul>	Cancelled – previously covered as part of the DETI Contract Management review 2013/14							
4 a	Departmental HR - Managing Attendance	<ul style="list-style-type: none"> <li>- Compliance with NICS Managing Attendance Policies and Procedures</li> <li>- Performance monitoring and reporting</li> <li>- DHR/HR Connect interface arrangements</li> </ul>	Final report	<table border="1" style="width: 100%; text-align: center;"> <tr style="background-color: #008000; color: white;"> <td colspan="3">Substantial</td> </tr> <tr> <td>-</td> <td>-</td> <td>-</td> </tr> </table>	Substantial			-	-	-
Substantial										
-	-	-								
4 b	Departmental HR – Training Function	<ul style="list-style-type: none"> <li>- Coordination and delivery of Departmental training needs (inc HR Connect interface)</li> <li>- Budgetary Monitoring and Control</li> </ul>	Draft report	<table border="1" style="width: 100%; text-align: center;"> <tr style="background-color: #00FF00;"> <td colspan="3">Satisfactory</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>	Satisfactory					
Satisfactory										
5	Telecoms Branch Review	Full scope review, to include: <ul style="list-style-type: none"> <li>- Business Planning &amp; Performance Monitoring</li> <li>- Budgetary Monitoring and Control</li> <li>- Project Monitoring and Control (inc. compliance with EC key requirements)</li> <li>- Claims Checking and Payments Processes</li> </ul>	Fieldwork Complete							
6	Insolvency	Full scope review, to include: <ul style="list-style-type: none"> <li>- The Director’s Disqualifications Unit</li> <li>- The Insolvency Audit Team (in terms of adding value)</li> <li>- Appointment of Insolvency Practitioners</li> </ul>	October 2014							

		- Official Receiver			
7	Invest NI Performance Validation	- Assistance with validation of a sample of Invest NI performance targets for 2013/14	TBC		
8	Business Continuity Planning	- Overview of Business Continuity arrangements with specific focus on Fermanagh House and Newtownbreda - Follow up on previous recommendations.	September 2014		
9	Sponsor control arrangements	To ensure that adequate and effective sponsor control arrangements have been established for all NDPBs within DETI. This will include a review of: - Contractual arrangements - Corporate Governance arrangements - Monitoring arrangements - Funding arrangements	TBC		
10	External Quality Review of IA function (CCNI)	To carry out an external quality review of the Internal Audit function provided to CCNI utilising the 'Internal Audit Quality Assurance Framework' (IAQAF) document which has recently been issued by HM Treasury to assist in the evaluation of the quality of the internal audit service provided to an organisation. The scope will include a review of the following: - Purpose and positioning - Structures and resources - Audit execution - Impact	October 2014		

11	Risk Management	<ul style="list-style-type: none"> <li>- Risk Management processes &amp; procedures</li> <li>- Risk identification process</li> <li>- Application of criteria to identified risks</li> <li>- Prioritisation of risks</li> <li>- Relationship between objectives and risks</li> <li>- Assignment of ownership of risks</li> <li>- Scenario planning</li> <li>- Review/revision of risk analysis</li> </ul>	March 2015			
12	Corporate Governance	<ul style="list-style-type: none"> <li>- To assess the Departmental Board's compliance with the DAO (DFP) 06/13 – Corporate Governance in Central Government Departments: Code of Good Practice NI. The specific scope of this review will include:                             <ul style="list-style-type: none"> <li>- Accountability (Roles and Responsibilities)</li> <li>- The role of the Departmental Board</li> <li>- Board Composition and Operating Framework</li> <li>- Board Effectiveness</li> <li>- Risk Management *</li> <li>- Oversight role of Arms Length Bodies*</li> </ul> </li> </ul> <p><i>* Reliance will be placed on sponsor control review and risk management reviews at #10 &amp; #13.</i></p>	December 2014			
13	Information Management and Governance	<ul style="list-style-type: none"> <li>- Information Security policy &amp; procedures</li> <li>- Roles and responsibilities</li> <li>- ICT systems and accreditation</li> <li>- Progress on implementation of mandatory requirements of the Cabinet Office 'Security Policy Framework' (Feb 2011)</li> <li>- Records Management</li> </ul>	March 2015			

14	Information Security	- Validation of Departmental information security returns	N/A	Validation signed off for 2013/14 period.		
15	Follow up reviews	To assess progress made by management in the implementation of recommendations made during previous Internal Audit reviews.	Ongoing			

**4. DETI: RECOMMENDATIONS REGISTER**

	Number brought forward	Confirmed as implemented in period	Additional in period	Closing position
<b>Priority 1</b>				
Pre 12/13	-	-	-	-
12/13	-	-	-	-
13/14	-	-	-	-
<b>Priority 2</b>				
Pre 12/13	8	-	-	8
12/13	5	-	-	5
13/14	5	(2)	2	5
<b>Priority 3</b>				
Pre 12/13	2	-	-	2
12/13	1	(1)	-	0
13/14	5	(1)	1	5
<b>Total</b>	<b>26</b>	<b>(4)</b>	<b>-</b>	<b>25</b>

- 26 recommendations have been carried into the 2014/15 reporting period. No new recommendations have been added in the period.
- Since the last Audit Committee, IAS can confirm that 4 recommendations (two priority 2 and two priority 3 recommendations) have been implemented.
- In the period, a further two priority 2 recommendations and one priority 3 recommendation has been added to the register as a result of the NISP and the GPC 2013/14 reports issuing in final.

**5. INVEST NI: STATUS OF INTERNAL AUDIT PLANS**

5.1 The table below provides an overview of progress against the revised 2014/15 internal audit plan and brought forward 2013/14 reviews.

5.2 To date, fieldwork has been completed for three reviews and is ongoing for two other reviews.

5.3 An overview of limited opinions is provided at Section 9.

No.	Review	Objective	Status	Opinion		
				P1	P2	P3
1	Technology Transfer - KTP	To assess the adequacy and effectiveness of procedures and processes in place over the KTP programme.	TBC			
2	Technology Transfer – Competence Centres	To assess the adequacy and effectiveness of procedures and processes in place over the Competence Centres.	November 2014			
3	Government Procurement Cards	To ensure that adequate controls and safeguards govern the use of the Government Procurement Card in accordance with relevant DAOs.	Fieldwork complete			
4	E-Business & MIS	To assess the adequacy and effectiveness of procedures and processes in place over E-Business and MIS.	Ongoing			
5	Monitoring	To assess the design and operating effectiveness of procedures and controls relating to monitoring.	September 2014			
6	Overseas Offices – Dublin, London & Brussels	To assess the adequacy and effectiveness of procedures and processes in place over marketing support in key sectors to differentiate NI as an overseas investment location.	December 2014			

No.	Review	Objective	Status	Opinion		
				P1	P2	P3
7	International Sales & Marketing	To assess the adequacy and effectiveness of procedures and processes in place to maximise the NI proposition to potential investors in key sectors in overseas markets to secure first time investment projects.	TBC			
8	MSFM Compliance	To review compliance with the MSFM.	February 2015			
9	Procurement	To ensure that procurement of goods and services is performed in accordance with relevant public sector and Invest NI requirements.	March 2015			
10	Wider Business Base and Client Segmentation	To assess the adequacy and effectiveness of procedures and controls in place in relation to the Wider Business Base and Client Segmentation.	October 2014			
11	Business Continuity	To assess the adequacy and effectiveness of risk management, internal control and governance in relation to business continuity planning.	September 2014			
12	Information Security Management System	To undertake reviews to aid the process of ISO 27001 accreditation.	Ongoing			
13	Risk Management	To assess the adequacy and effectiveness of procedures and processes in place in relation to risk management and to ensure compliance with relevant guidance.	October 2014			

14	Government Funders Database	To assess compliance with FD (DFP) 17/05 in relation to input of data to the Government Funders Database.	January 2015		
<b>Reviews deferred from 2013/2014 Audit Plan (Carried forward)</b>					
15	Access to Finance (including Loan Fund)	To assess the design and operating effectiveness of procedures and controls in place over Access to Finance.	Fieldwork complete		
16	Design Advice Service	To assess the adequacy and effectiveness of procedures and processes in place over the Design Advice Service.	Fieldwork complete		
17	Monitoring Performance	To assess the adequacy and effectiveness of procedures and processes in place in relation to performance monitoring.	November 2014		
18	Corporate Governance Overview	To assess the adequacy and effectiveness of corporate governance arrangements.	October 2014		
19	EDO – Inspections and/or Sponsor Control Reviews	<p><i>Sponsor Control</i></p> <ul style="list-style-type: none"> <li>- Contractual arrangements</li> <li>- Corporate Governance arrangements</li> <li>- Monitoring arrangements (to include that of information security)</li> <li>- Funding arrangements</li> </ul> <p><i>Inspection</i></p> <ul style="list-style-type: none"> <li>- Corporate Governance (including external audit arrangements)</li> <li>- Financial Controls</li> </ul>	Ongoing		

		<ul style="list-style-type: none"> <li>- Financial Reporting and MIS</li> <li>- Information Management controls (including gathering, storing; handling, using and transmitting information)</li> <li>- Related Parties</li> <li>- Compliance with Funding Agreement</li> <li>- Use of Funds</li> <li>- Management of Public Assets</li> </ul>				
20	Follow-up of outstanding IAS recommendations	To assess progress made by management in the implementation of recommendations made during previous Internal Audit reviews.	Ongoing			

*\* The specific scope of each review is agreed upon the completion of IAS preliminary surveys prior to each review.*

**6. INVEST NI: RECOMMENDATIONS REGISTER**

	Brought forward	Added	Cleared	Number carried forward	Invest NI Cleared	Invest NI position Closing
<b>Priority 1</b>						
11/12	-	-	-	-	-	-
12/13	1	-	-	1	(1)	-
13/14	-	-	-	-	-	-
<b>Priority 2</b>						
11/12	-	-	-	-	-	-
12/13	16	-	(4)	12	(4)	8
13/14	2	7	(1)	8	-	8
<b>Priority 3</b>						
10/11	3	-	-	3	(3)	-
11/12	9	-	-	9	(6)	3
12/13	30	-	(6)	24	(17)	7
13/14	15	5	(1)	19	(9)	10
<b>TOTAL</b>	<b>76</b>	<b>12</b>	<b>(12)</b>	<b>76</b>	<b>(40)</b>	<b>36</b>

- A total of 76 recommendations have carried forward from the May Board Audit Committee. Three final reports were issued in the period adding 12 recommendations (seven Priority 2 and five Priority 3 recommendations) to the register.
- Since the May Board Audit Committee IAS has cleared 12 recommendations and management consider a further 40 recommendations to be fully implemented. The Priority 1 recommendation considered implemented by Invest NI management will be followed up by IAS as soon as possible (relates to Dubai office).
- The total number of recommendations being carried forward by IAS is 76. Invest NI Management consider the outstanding balance to be 36. IAS is continuing to follow up on outstanding recommendations which are considered implemented by Invest NI.

**7. NITB: STATUS OF INTERNAL AUDIT PLANS**

7.1 While no significant issues have been identified during the Board Members Expenses review, it is anticipated that the GPC draft report will issue with an overall limited opinion.

7.2 All other reviews are ongoing or have been scheduled. However, at the request of NITB management, the Strategic Partnership Grant Fund review has been scheduled to be carried out in Q1 of the 2015/16 audit plan.

No.	Review	Objective	Status	Opinion		
				P1	P2	P3
1	FAM Trips	<ul style="list-style-type: none"> <li>- Adequacy and appropriateness of systems and procedures in place</li> <li>- Compliance with revised authorised policies &amp; procedures</li> <li>- Adequacy and appropriateness of appraisal &amp; procurement documentation</li> <li>- Utilisation of CPD as required</li> <li>- Monitoring of usage of suppliers</li> <li>- Management information and reporting</li> </ul>	December 2014			
2	IT Platform Project	<p>The full scope of this review is to be fully determined. However, testing will be carried to ensure that the following EC regulatory requirements are being complied with:</p> <ul style="list-style-type: none"> <li>- Clear definition, allocation and separation of functions between and within the managing authority / intermediate bodies (Key Requirement 1);</li> <li>- Adequate procedures for the selection of operations (Key Requirement 2);</li> <li>- Adequate information and strategy to provide guidance to beneficiaries (Key Requirement 3);</li> <li>- Adequate management verifications (Key Requirement 4);</li> <li>- Adequate audit trail (Key Requirement 5);</li> <li>- Reliable accounting, monitoring and financial reporting</li> </ul>	January 2015			

No.	Review	Objective	Status	Opinion		
				P1	P2	P3
		<ul style="list-style-type: none"> <li>systems in computerised form (Key Requirement 6);</li> <li>- Necessary preventive and corrective action where systemic errors are detected by the audit (Key Requirement 7); and</li> <li>- Necessary actions taken to record and report irregularities in accordance with DFP Guidance Note 4 (Key Requirement 8)</li> </ul>				
3	HRM	<ul style="list-style-type: none"> <li>- HRM Policies and Procedures</li> <li>- Recruitment</li> <li>- Managing Attendance</li> <li>- Performance Appraisals</li> <li>- Training and Development</li> </ul>	February 2015			
4	Governance Action Plan	<ul style="list-style-type: none"> <li>- To ensure that the actions identified within the NITB Governance Action Plan have been satisfactorily addressed and that progress updates provided to the NITB &amp; Departmental Audit Committees are accurate and complete.</li> </ul>	Fieldwork Complete	N/A		
5	Strategic Partnership Grant Fund	<ul style="list-style-type: none"> <li>- To ensure that a satisfactory system of internal control has been established over the administration of the NITB Strategic Partnership Grant Fund.</li> </ul>	Deferred until April/May 2015/16			
6	Government Procurement Card	<ul style="list-style-type: none"> <li>- Compliance with guidance on the issue and use of payment cards per DAO (DFP) 24/02.</li> <li>- The issue and re-issue of cards – appropriate authorisations within delegated limits a record of all cards and card users maintained and terms and conditions issued and signed by all card users;</li> <li>- The use of payment cards – the scope of use is clearly defined, cards are held in a safe place, training</li> </ul>	Fieldwork complete			

No.	Review	Objective	Status	Opinion		
				P1	P2	P3
		has been provided to card users, procedures are in place to deal with card loss and there is appropriate segregation of duties - Payments associated with the use of cards – payments are supported by adequate original documentation and monthly payment card bills are paid within the interest free period - Appropriate audit trail has been retained for audit and accountability purposes				
7	Information Management and Governance	- Information Security policy & procedures - Roles and responsibilities - ICT systems and accreditation - Progress on implementation of mandatory requirements of the Cabinet Office ‘Security Policy Framework’ (Feb 2011)	February 2015			
8	Risk Management	- Risk Management processes & procedures - Risk identification process - Application of criteria to identified risks - Prioritisation of risks - Relationship between objectives and risks - Assignment of ownership of risks - Scenario planning - Review/revision of risk analysis	October 2014			
9	Cash and Bank	- To ensure that a satisfactory system of internal control has been established over cash and banking arrangements within NITB.	Ongoing			

No.	Review	Objective	Status	Opinion		
				P1	P2	P3
10	Board Members Expenses & Hospitality	<ul style="list-style-type: none"> <li>- Policies and Procedures</li> <li>- Monitoring, oversight and control arrangements</li> <li>- Travel and Subsistence Claims (inc. Allowances)</li> <li>- Hospitality Claims (inc. Allowances)</li> <li>- Delegated Approvals</li> </ul>	Fieldwork complete			
11	External Delivery Organisations – Giant’s Causeway Visitor & Convention Bureau	<p><i>Sponsor Control</i></p> <ul style="list-style-type: none"> <li>- Contractual arrangements</li> <li>- Corporate Governance arrangements</li> <li>- Monitoring arrangements (to include that of information security)</li> <li>- Funding arrangements</li> </ul> <p><i>Inspection</i></p> <ul style="list-style-type: none"> <li>- Corporate Governance (including external audit arrangements)</li> <li>- Financial Controls</li> <li>- Financial Reporting and MIS</li> <li>- Information Management controls (including gathering, storing; handling, using and transmitting information)</li> <li>- Related Parties</li> <li>- Compliance with Funding Agreement</li> <li>- Use of Funds</li> <li>- Management of Public Assets</li> </ul>	TBC			
12	Follow Up Reviews.	To assess progress made by management in the implementation of recommendations made during previous Internal Audit reviews.	Ongoing			

**8. NITB RECOMMENDATIONS REGISTER**

	Number brought forward	Confirmed as implemented in period	Additional in period	Closing position @ 4 March 2014
<b>High (Priority 1)</b>				
Pre 2011/12	1	-	-	1
2011/12	1	-	-	1
2012/13	-	-	-	-
2013/14	1	(1)	-	-
<b>Medium (Priority 2)</b>				
Pre 2011/12	-	-	-	-
2011/12	2	(1)	-	1
2012/13	4	-	-	4
2013/14	6	(2)	-	4
<b>Low (Priority 3)</b>				
Pre 2011/12	-	-	-	-
2011/12	-	-	-	-
2012/13	2	-	-	2
2013/14	5	(1)	1	5
<b>Total</b>	<b>22</b>	<b>(5)</b>	<b>-</b>	<b>18</b>

- 22 recommendations were carried forward from the last Audit Committee.
- Two opening priority 1 recommendations are being carried forward into the next reporting period. One of these relates to NI based staff pay scales which IAS understands remains with DETI/DFP for a decision and one relates to Procurement.
- In the period IAS has confirmed that one priority 1 recommendation (relating to TDS review), three priority 2 and one priority 3 recommendations have been implemented and can be removed from the recommendations register.
- One priority 3 recommendation has been added in the period as a result of the final Procurement 2013/14 report having been issued. 18 recommendations are being carried forward.

**9. LIMITED OPINIONS WITHIN DETI, INVEST NI AND NITB**

- 9.1 The table below provides an overview of limited opinions (draft and final) currently issued to the Department, Invest NI and NITB and an update on limited opinions previously reported.
- 9.2 NITB is currently carrying one limited opinion – NITB Procurement. The limited opinion previously provided over the Walled City Signature Project (final report issued October 2013), has since been lifted as a result of follow up testing carried out in February 2014.
- 9.3 Invest NI – two final reports have issued with a limited opinion (Programme Evaluations and Business Improvement Agent) and one draft report has issued with a potential limited opinion (EDO Inspection report on the Engineering Training Council).

No.	IAS ref.	Audit report title	Key issue(s)	Current status	Action
NITB					
1	IA10/NITB/1 1	Procurement	High risk issues relate to: <ul style="list-style-type: none"> <li>• Absence of business cases / lack of appraisal or review of long term NITB contracts;</li> <li>• Lack of appraisal / evaluation of high value contracts / projects; and</li> <li>• Lack of evidence of formal approval for contracts procured by Single Tender Action.</li> </ul>	<b>Limited opinion lifted</b>  A full Procurement review was carried out as part of the 2013/14 programme. An overall satisfactory opinion was awarded.	NITB management to progress and finalise any actions outstanding in the Procurement follow up action plan. Internal Audit review of Procurement to be incorporated into future internal audit

No.	IAS ref.	Audit report title	Key issue(s)	Current status	Action
					strategy / plans.
<b>Invest Northern Ireland</b>					
2	IA10/INI/12	Programme Evaluation	High risk findings relate to: <ul style="list-style-type: none"> <li>• Risk Potential Assessments not being completed as required for all programmes; and</li> <li>• Evaluations completed without the Evaluation Team’s involvement and, as a consequence, not in compliance with the Evaluation Protocol.</li> </ul>	<b>Limited opinion lifted.</b> Follow up completed.	N/A
3	IA02/INI/13	Business Improvement Agent	High risk finding relates to 30 of the 36 projects being administered under the incorrect state aid notification (SFA rather than de minimis).	<b>Limited opinion lifted.</b> Follow up completed.	N/A
4	EDO Inspection	Engineering Training Council	High risk findings relate to: <ul style="list-style-type: none"> <li>• Management accounts/reports not prepared for review at each Council meeting</li> <li>• No contingency arrangements in place to authorise and process payments as only CEO has access to online banking for this; and</li> <li>• Quarterly reports not prepared and provided to Invest NI since June 2012</li> </ul> <p><i>IAS would highlight that Invest NI has not made any payments to the EDO as a result of the absence of Quarterly reports (3<sup>rd</sup> bullet above) and the Sponsor Control review in relation to ETC received a satisfactory opinion.</i></p>	Revised draft report issued.	Awaiting management response from EDO.

**APPENDIX 1 Internal Audit Opinion & Priority Rating Definitions**

**Opinions**

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.

**Priority ratings**

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.

**TITLE OF PAPER:** Internal Audit Service – Mid Year Review of the DETI Audit Plan 2014/15

**PRESENTED BY:** Michael Woods

### **KEY ISSUES**

- The attached report provides a mid-year review of the audit work planned for 2014/15 within DETI.
- The audit plans for the remainder of the 2014/15 reporting period have been revised to ensure that all audit fieldwork can be completed by the end of March 2015 and that by the end of April 2015 all reports in respect of the revised Internal Audit Plan will be issued in draft or final.
- The proposed changes include deferring three audit assignments to 2015/16. The proposed changes will not impact on the HIA's ability to provide an overall Annual Audit Opinion in support of the Governance statement.
- The changes to the NITB IAS plan were endorsed by the NITB Audit Committee on 16<sup>th</sup> September 2014. One audit assignment relating to the Strategic Partnership Fund has been deferred until 2015/16 to allow time for the new system to "bed in".

### **DECISIONS REQUIRED**

- None.

### **ACTION REQUIRED**

- Departmental Audit Committee to endorse the revised audit plan for 2014/15 and the decision to align the IAS planning year to an April – March timetable.

### **TIMESCALE**

- N/A

To: DETI Internal Audit Committee

From: Michael Woods  
Head of Internal Audit

Date: 22nd September 2014

Subject: Mid year review of DETI Internal Audit Plan

1. In preparation for the September 2014 Internal Audit Committee I have undertaken a review of the audit work planned for 2014/2015 and the available audit days remaining for the delivery of the plan, the target being completion of audit fieldwork by end March 2015 allowing for the issue of all draft audit reports by end April 2015.
2. In undertaking this review I was conscious that in previous years the Audit Planning cycle has been based on a May/ June time frame. However, to ensure consistency with the service across the NICS, and the specific KPI's being considered for the delivery of the Internal Audit Function, I propose revising the audit plan for the remainder of 14/15 to ensure that all audit fieldwork in the revised plan can be completed by the end of March 2015 and that by the end of April 2015 all audit reports in the revised plan will be in draft or final form.
3. Having completed my review I am have concluded that there is shortfall of 95 days between the audit days available in the period September 2014 to March 2015 and audit days required to deliver the current remaining audits on the plan by the end of April 2015 as opposed to May/June.
4. In considering how to address this shortfall I have first considered what additional resources I can apply from my existing team and also which if any planned audits could be deferred to early 2015/2016 without impacting on my ability to provide an overall Audit Opinion in support of the Governance

Statement which would be presented in May on foot of the work undertaken to the end of April 2015 (subject to any further amendments if required) and prior to the sign off of the Department's Accounts.

5. I have attached at Annex 1 a revised audit plan which highlights the proposed changes to existing budgets for audit assignments and identifying those audits which I propose to defer until 2015/16. The proposed changes address the shortfall. Three audits assignments that were originally scheduled in the 14/15 Internal Audit Plan will now be undertaken as part of the 2015/16 audit programme.
6. I have also made a change the NITB Internal Audit Plan, deferring the audit of the Strategic Partnership Funds until early 2015/16 to allow time for the new system to "bed in" and I have reduced the number of contingency days for the remainder of the year from 25 to 5. These changes were endorsed by the NITB Audit Committee on 16<sup>th</sup> September 2014.

### **Recommendation**

7. That the Departmental Audit Committee endorse the revised Audit Plan for 2014/15 and the decision to align the Internal Audit Planning year to an April – March timetable.

## Annex 1

## Revised DETI Internal Audit Plan for 2014/15

Number	Review	Original Anticipated days required to complete	Proposed action
1	Procurement	20	Remains on programme
2	Government procurement card	5	Remains on programme
3	Social Enterprise NI	15	Cancelled. IAS carried out sufficient coverage of this area as part of the DETI Contract Management review in 2013/14. This will reduce the shortfall by 15 audit days.
4	Human Resources – Managing Attendance/ and Training Function	20	Fieldwork already complete. Audit remains on programme
5	Telecoms Branch	20	Fieldwork already complete Audit remains on programme
6	Insolvency	30	Remains on programme but 15 days of the assignment are delivered by ASM. This will reduce the shortfall by 15 audit days.
7	Invest NI validation	20	Remains on programme
8	Business Continuity Planning	10	The recommendations from the previous audit of business continuity are also scheduled to be followed up this year. I am content that following up the previous recommendations will provide sufficient coverage for this year and that the Audit can be deferred until 2015/16. This will reduce the shortfall by 10 audit days.
9	Sponsor Control Arrangements	30	Audit budget reduced to 25 days. This will reduce the shortfall by 5 audit days.
10	External quality review of Consumer Council Internal Audit function	15	Review will be undertaken by Audit Manager. This will reduce the shortfall by 15 audit days.
11	Risk Management	5	Remains on programme but undertaken as part of Corporate Governance Audit

<b>12</b>	Corporate Governance	10	The Risk Management audit will be incorporated into the scope of this review
<b>13</b>	Information Management and Governance	10	This area received a substantial opinion in 13/14 and I am confident that audit can be deferred to 15/16. Where an information risk is identified in audit assignments for the remainder of 14/15, a specific control objective will be included in terms of reference of each audit. This will reduce the shortfall by 10 audit days.
<b>14</b>	Information Security	8	Validation of Departmental information security returns was completed in May/June 2014.
<b>15</b>	Follow- reviews	30	Audit budget will be reduced to 20 days. This will reduce the shortfall by 10 audit days.
<b>16</b>	Audit Contingency	30	This will be reduced to 15 days reducing the shortfall by 15 audit days.
<b>Totals</b>		278 days	Reduction in audit days required of 95 days

**DEPARTMENTAL AUDIT COMMITTEE****TITLE: RISK MANAGEMENT****Paper presented by: Terry Coyne****KEY ISSUES**

- The Departmental Board considered Divisional and Corporate Risks at its meeting on 19 September 2014.
- Energy Division has identified a new significant Divisional Risk relating to the implications of Electricity Market Reform. Four significant Divisional Risks continue to be reported to the Departmental Board. Two relate to Tourism, Telecoms and GSNI Policy Division (legislative issues). The others relate to Business Regulation Division (directors' disqualification) and Economic Policy Division (the review of "red tape").
- A number of amendments were made to the controls in place, actions planned and target dates in relation to the following Corporate Risks:
  - Risk 1 (DETI is unable to deliver on its Programme for Government, Corporate Plan and Operating Plan commitments resulting in political and public criticism of the DETI Minister and Department.)
  - Risk 2 (Appropriate strategies and policies are not devised with the consequence that a dynamic, innovative, export led economy for Northern Ireland is not developed);
  - Risk 6 (Information held by the Department is not handled in accordance with relevant legislation with a consequent possibility of legal proceedings, criticism from regulatory authorities and embarrassment to the Department and Minister);
  - Risk 7 (The imposition of penalties as a result of not implementing EU Directives and/or not complying with EU State Aid rules or other relevant EU ERDF Regulations / Criticism for not replicating GB legislation in NI); and
  - Risk 8 (Failure to investigate all cases where evidence of misconduct has been identified against directors and, subsequently, failing to meet the 2 year deadline for filing disqualification proceedings in Court against those directors).

**ACTION REQUIRED**

- Departmental Audit Committee to note the report and Corporate Risk Register and provide any feedback considered necessary. Any views expressed by the Departmental Audit Committee to the Departmental Board.

**TIMESCALE**

- The next meeting of the Departmental Board will be held on 21 October 2014.

## DEPARTMENTAL AUDIT COMMITTEE – 25 SEPTEMBER 2014

### RISK MANAGEMENT

#### RISK REGISTERS

##### Introduction

1. The Departmental Board reviewed the Corporate Risk Register and approved a number of amendments at its last meeting on 19 September 2014.
2. Divisional Risk Registers are reviewed quarterly and have been updated to reflect Divisional Risks at 30 June 2014.

#### SIGNIFICANT DIVISIONAL RISKS AT 30 JUNE 2014

3. Five risks have been assessed as having a residual rating of medium / high impact and high likelihood. Four of the five risks have previously been reported to the Committee: two are owned by Tourism, Telecoms and GSNI Policy Division; one is owned by Economic Policy Division; and the remaining risk is owned by Business Regulation Division. Energy Division has identified a new risk. Details are set out in the following paragraphs and extracts from the Divisional Risk Registers are attached at **Annex A**.
4. Economic Policy Division continues to report a risk with a medium impact and a high likelihood: "Failure to deliver on commitment in Economic Pact on Review of Business Red Tape". A number of controls are in place to mitigate the risk including the Terms of Reference and Delivery Model being agreed by the Minister and endorsed by and Advisory Panel; responsibility for delivery of the work streams being assigned to specific DETI officials; and documented project plans which include timescales being in place. Additional actions planned to mitigate the risk include ongoing liaison between DETI officials and an Advisory Panel for the duration of the review and continued evidence gathering from regulators and business.
5. Tourism, Telecoms and GSNI Policy Division continues to report two significant Divisional risks with a residual assessment of high impact and high likelihood. The risks are: "Failure to implement Directive 2009/31/EC on the geological storage of carbon dioxide with possibility of associated infraction proceedings"; and "Departmental Strategies/policies and legislative framework fail to remain aligned with developments in this industry [oil, gas and minerals exploration] and this potentially key economic activity is lost or cannot be maximized for the good of the Northern Ireland economy."
6. Both risks referred to in paragraph 5 above are also referred to in the Corporate Risk Register (see paragraphs 9 to 16 below and **Annex B**). The risk relating to the implementation of the EU Directive is referred to at Corporate Risk 7 with the risk relating to the development of strategy, policy and legislation being referred to at Corporate Risk 2. The Departmental Board had previously noted that it had assessed the likelihood of the Corporate Risks occurring as "medium" whereas the Divisional

risks had been assessed as having a “high” likelihood. The Head of Policy Group has discussed the assessment of the likelihood of the risk with the Head of Tourism, Telecoms and GSNI Policy Division in light of the variance in assessment. The Head of Tourism, Telecoms and GSNI Policy Division is of the view that the assessment of the risk at Divisional level remains appropriate.

7. Business Regulation Division continues to report the Divisional Risk relating to the Insolvency Service: “Failure to investigate all cases where evidence of misconduct has been identified against directors and subsequently failing to meet the two year deadline for filing disqualification proceedings in Court against those directors”. This Divisional risk, which has a residual assessment of high impact and high likelihood, is also reflected in the Corporate Risk Register where the Departmental Board has given it the same residual assessment.
8. Energy Division has reported a risk with a medium impact and a high likelihood: “Insufficient understanding of impact of Electricity Market Reform (EMR) and other policies on energy policies.” A number of controls are in place including an ongoing analysis of costs and benefits associated with the 40% renewables target, an analysis of the impact of EMR and raising Northern Ireland concerns at Project Board level. Further actions planned are the holding of an EMR stakeholder event and the re-running of the smart metering business case. The target date for completing the further action is December 2014.

#### **AMENDMENTS TO CORPORATE RISKS APPROVED BY DEPARTMENTAL BOARD**

9. Human Resources and Corporate Services Division has updated the Controls in Place column at **Risk 1** “DETI is unable to deliver on its Programme for Government, Corporate Plan and Operating Plan commitments resulting in political and public criticism of the DETI Minister and Department.” The reference to the commencement of the process leading to the publication of 2014-15 Operating Plans has been deleted as Operating Plans are in place.
10. Economic Policy Division has updated the Target Date column at **Risk 2** “Appropriate strategies and policies are not devised with the consequence that a dynamic, innovative, export led economy for Northern Ireland is not developed.” The update reflects the current position regarding the strategy for innovation which went to the Executive in July for consideration and on which a decision is awaited. Also at **Risk 2**, Tourism, Telecoms and GSNI Policy Division has updated the Controls in Place column by deleting three actions which are no longer relevant.
11. Human Resources and Corporate Services Division has updated the Controls in Place and Actions Planned columns at **Risk 6** “Information held by the Department is not handled in accordance with relevant legislation with a consequent possibility of legal proceedings, criticism from regulatory authorities and embarrassment to the Department and Minister.” The updates reflect the Business Continuity Management regime established by the Department which will be reviewed by Internal Audit Service in September (with a report expected in October).

12. Energy Division has updated the Controls in Place column at **Risk 7** “The imposition of penalties as a result of not implementing EU Directives and/or not complying with EU State Aid rules or other relevant EU ERDF Regulations / Criticism for not replicating GB legislation in NI”. The updates relate to the following:
- a. Legislation required to establish new electricity and gas licence modification arrangements that comply with the Electricity and Gas EU Directives is due to be completed by the Autumn;
  - b. EC State Aid Approval was obtained in July for NI Executive funding of up to £32.5m for the provision of new natural gas networks in the West; and
  - c. NI Regulations relating to implement Articles 9 to 11, 13 and 15 of the Energy Efficiency Directive 2012/27/EU came into operation in July.
13. Energy Division has also updated the Action Planned column at **Risk 7** in relation to the following:
- a. Legislation required to complete the transposition of Article 14 (10) of the Energy Efficiency Directive 2012/27/EU is to be laid by December 2014;
  - b. A target date of October 2014 has been set for consultation with NIAUR on its duty to bring forward licence conditions / amendments in relation to the Energy Efficiency Directive; and
  - c. Issues have arisen in relation to the ability of DETI and its counterpart Department in the Republic of Ireland (DCENR) to meet the objective of a single pan European internal electricity market contained in EU Regulation 714/2009 within the 31 December 2016 deadline. The issues have arisen as a result of a recent notification by the NI and ROI electricity regulators that they will be unable to deliver work for which they are responsible by the deadline. Arrangements for managing the issues are being developed at present and will include engagement with the Commission to seek an extension to the deadline.
14. Tourism, Telecoms and GSNI Policy Division has also updated the Controls in Place and Actions Planned columns at **Risk 7**. The reference in the Controls in Place column to the appointment of a full time Deputy Principal has been deleted as it is no longer considered to be relevant as an ongoing control to mitigate risk. Reference has been made in the Actions Planned column to advice being sought from DSO on the potential for replicating the approach taken by the Republic of Ireland in transposing the Carbon Capture and Storage EU Directive fully into Northern Ireland.
15. Business Regulation Division has updated the Controls in Place and Actions Planned columns at **Risk 8** “Failure to investigate all cases where evidence of misconduct has been identified against directors and, subsequently, failing to meet the 2 year deadline for filing disqualification proceedings in Court against those directors”. The updates reflect:

- a. Ministerial approval of the Insolvency Service's prioritisation policy in relation to disqualification of directors;
- b. Work undertaken on a business case for the provision of call-off support in connection with directors' disqualification and bankruptcy restriction orders. A funding bid will be made once the business case has been finalised. The target date for the funding bid has been revised from August to September 2014;
- c. Agreement between Insolvency Service and Departmental HR of a process for filling outstanding Staff Officer vacancies; and
- d. The introduction of a standard target period for case investigations.

16. The Corporate Risk Register attached at **Annex B**.

### **SIGNIFICANT NDPB CORPORATE RISKS**

17. The Consumer Council has highlighted two significant risks relating to:

- a. The potential for budget reductions to prevent delivery of its 2014-15 business plan; and
- b. An inability to recruit and retain appropriately skilled staff which results in the Consumer Council being unable to deliver key corporate objectives and impacts on its reputation.

18. Both of DETI's North South bodies have reported significant risks. IntertradeIreland's risk relates to challenging economic conditions which result in a lack of adequate funding to service existing programmes and to fund new initiatives. Controls in place include roll out of agreed operating plan, engagement with sponsor bodies and NSMC, and continual review of project portfolio to optimise available resources.

19. Tourism Ireland continues to highlight a significant risk in relation to the effect of major events on tourism such as health scares, terrorism, environmental events or an economic downturn. Controls in place include business continuity plans, contingency planning and industry liaison processes in place in the organisation.

20. Tourism Ireland Ltd has also highlighted two new significant corporate risks. The risks relate to:

- a. An inability to secure funding to enable the organisation to achieve its objectives; and
- b. Human resources - specifically changes in pension rules and contribution levels which cause issues around the motivation and retention of staff.

**Departmental Audit Committee Action**

21. The Departmental Board is asked to note the report and Corporate Risk Register and provide any feedback considered necessary. Any views expressed by the Departmental Audit Committee will be provided to the Departmental Board.

<p><b>Objective: Review of Business Red Tape as committed to in Economic Pact</b></p> <p><b>Category – Reputation and Credibility</b></p> <p><b>Risk Appetite - Cautious</b></p>	<p><b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b></p> <p><b><u>Number of Quarters at this Level:</u>     <b>2</b></b></p>
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RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
<p>E/ Failure to deliver on commitment in Economic Pact on Review of Business Red Tape</p>	<p>Medium</p>	<p>High</p>	<p>Terms of Reference and Delivery Model agreed by Minister and endorsed by Advisory Panel</p> <p>Control mechanisms identified.</p> <p>Responsibility assigned for each of four work streams to DETI officials</p> <p>Project plans and timescales set out and agreed upon.</p>	<p>Medium</p>	<p>High</p>	<p>Fourth Advisory Panel Meeting took place 12<sup>th</sup> June 2014</p> <p>DETI officials will continue to liaise with Advisory Panel for duration of Review.</p> <p>Evidence gathering with regulators and business will continue</p>	<p>end-October 2014</p>	<p>Philip Rodgers</p>

**Tourism Policy Division - Minerals Branch**

**Objective: To ensure that DETI is fully compliant with the Northern Ireland element of the EU Directive on Carbon Capture and Storage.**

**Category –Compliance –Legal/Regulatory**

**Risk Appetite - Open**

**For risks with a residual assessment of High or Medium Impact and High Likelihood:**

**Number of Quarters at this Level: 6**

**Content?**

RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
Failure to fully implement Directive 2009/31/EC on the geological storage of carbon dioxide with possibility of associated infraction proceedings.	High	High	Considerable work has been undertaken to prepare a “stock take paper” on where matters stand in relation to the work required to fully effect transposition. Liaison is on-going with DSO; DECC and Irish counterparts to fully inform the position and to enable DETI to recommend a preferred option	High	High	Liaison is on-going with DSO, DECC and Irish counterparts.  DSO advice is currently being taken on whether there is anything in law to prevent DETI following the Irish precedent, by means of section 2(2) Regulations. DSO’s response will inform future activity and timelines.	March 2015	Mike Thompson

						<p>Work is on-going to try to identify additional legislative competence to support the newly appointed DP in this work and a Business Case to appoint a Legislative Advisor has been prepared for the new Permanent Secretary's approval.</p>		
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<p><b>Objective: To have in place strategies and policies and the appropriate legislative framework to support the continuing assessment of and investment in oil, gas and minerals exploration and development in Northern Ireland as a key contributor to the NI economy.</b></p> <p><b>Category – Operational and Policy Delivery</b></p> <p><b>Risk Appetite - Open</b></p>				<p><b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b></p> <p><b><u>Number of Quarters at this Level: 2</u></b></p>				
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
<p>Departmental strategies/policies and legislative framework fail to remain aligned with developments in this industry and this potentially key economic activity is lost or cannot be maximized for the good of the Northern Ireland Economy.</p>	High	High	<p><b>Background:</b> <i>The Mineral Development Act (NI) 1969 vested most minerals in DETI and enables it to grant prospecting licences and mining licences for exploration and development of minerals. This licensing system is based on the provisions of the 1969 Act and on subsequent subordinate legislation.</i></p> <p><i>The Petroleum (Production) Act (NI) vested petroleum in DETI</i></p>	High	High	<p>Minerals and Petroleum Branch (MAPB) is currently liaising with DSO regarding how best to align legislation that is not in keeping with modern industry practices.</p> <p>MAPB &amp; GSNI continue to engage with the</p>	<p>On-going</p> <p>On-going</p>	Mike Thompson

		<p><i>and enables DETI to grant licences to commercial companies to search for, bore for and get petroleum. The Department's licensing system is based on the 1964 Act and on subsequent subordinate legislation.</i></p> <p><i>Correspondingly the Department's current strategy, policy and operational frameworks have been informed by the legislation governing the permitting and permissions processes.</i></p> <p><i>However, in light of the developments in modern drilling techniques and the potential for shale gas or oil exploration and/or production in NI("through</i></p>			<p>Office of Unconventional Oil and Gas in DECC regarding the complexities of strategy and policy required to support the potential deployment of "fracking" in NI.</p> <p>MAPB/GSNI are continuing to assess the implications of recommendations for the regulation of the exploration and production of shale gas published by the European Commission on 22 January 2014</p> <p>MAPB is contributing to and co-ordinating the work of the Shale Gas Regulators Forum, which bring together all the regulatory</p>	On-going	
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			<p><i>fracking”), DETI has decided to review its current policy and legislation to ensure it continues to provide an appropriate framework for the regulation and support of mineral, oil and gas exploration and development in Northern Ireland.</i></p>			<p>authorities with a role in approving and monitoring the potential deployment of fracking in NI. The Forum will continue to meet to work through any emerging issues.</p> <p>The Minister has advised the Assembly that she regards fracking as a novel and controversial issue and one on which the Executive will ultimately have to decide on.</p> <p>A draft Executive paper which seeks the Executive’s views of DETI’s strategy on fracking has been provided to DETI Spad/Minister for consideration (6 May 2014). The outworking of this paper will</p>	
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						help to inform policy, legislation and operational requirements going forward.		
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**Business Regulation Division**

<p><b>Objective:</b> To successfully obtain disqualification orders against selected directors</p> <p><b>Category – Compliance – Legal / Regulatory</b></p> <p><b>Risk Appetite – Adverse</b></p>	<p><b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b></p> <p><b><u>Number of Quarters at this Level:</u> 1</b></p>
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RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
<p><b>L Failure to investigate all cases where evidence of misconduct has been identified against directors and, subsequently, failing to meet the 2 year deadline for filing disqualification proceedings in Court against those directors.</b></p>	H	H	<ul style="list-style-type: none"> <li>• Training and guidance for Directors Disqualification Unit (DDU) Examiners provided by the Senior Examiner.</li> <li>• A dedicated Training Officer has been appointed in the branch to assist training of new staff.</li> <li>• Prioritisation of cases to identify those where the most serious examples of misconduct have occurred, or where there has been a previous history of misconduct, to inform the decision on which cases are pursued.</li> <li>• Case investigation reviews carried out by the Senior Examiner to ensure all cases that are pursued are progressed on time.</li> <li>• Legal advice and guidance provided by the</li> </ul>	H	H	<ul style="list-style-type: none"> <li>• Review of workloads, resource allocation, and impact on risk across Insolvency Service to ensure all cases are investigated in time to allow disqualification proceedings to be pursued, where appropriate, within the statutory timeframes.</li> <li>• Business case and funding bid for use of call-off arrangements to provide additional support being developed, although DSO advice is that outsourcing is not appropriate for the Departments investigation role for directors</li> <li>• A new process has been Disqualification and bankruptcy restriction orders.</li> <li>• A new system is to be introduced to ensure that</li> </ul>	<p>August 2014</p> <p>August 2014</p>	<p>Richard Monds / Joe Hasson</p>

			<p>Departmental Solicitor.</p> <ul style="list-style-type: none"> <li>• Forecasting of future staffing levels and early engagement with DHR.</li> <li>• Operational plan targets and activities for 2014/15 have been amended to clarify the reporting of IS targets relating to disqualification of directors</li> <li>• A new system is in place to identify directors' previous involvement in corporate insolvencies to inform the disqualification process.</li> <li>• Training Officer, in liaison with unit management, has developed a training plan for new staff.</li> <li>• Review of DDU skills and resourcing requirement and development of resource management strategy has been discussed with DHR and a business case is being prepared for the DETI Resource Committee. Process of filing outstanding SO vacancies to be agreed with DHR.</li> <li>• A standard target period for case investigations to be completed is to be introduced.</li> </ul>			<p>all investigation cases are regularly reviewed and reviews recorded to keep investigations focussed.</p> <ul style="list-style-type: none"> <li>• Prioritisation policy to be reviewed, for consideration and approval by DETI Minister.</li> </ul>	Sept 2014	
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**Energy Division**

<p><b>Objective:</b> Encourage energy efficiency across all sectors and facilitate increased levels of renewables</p> <p><b>Category</b> – Reputation and credibility</p> <p><b>Risk Appetite</b> – Open</p>	<p><b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b></p> <p><b><u>Number of Quarters at this Level:</u> 1</b></p>
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RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
<p>1. Insufficient understanding of impact of Electricity Market Reform (EMR) and other policies on energy policies.</p>	High	High	<p>Carry out analysis of costs and benefits of 40% target.</p> <p>Contribute to analysis of EMR impact.</p> <p>Raise NI concerns at Project Board level.</p>	Medium	High	<p>Hold Electricity Market Reform (EMR) stakeholder event.</p> <p>Re-run smart metering business case.</p>	Dec 2014	<p>John Mills  (AC/OG))</p>

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Date of Last Review: 22 July 2014				Date of Next Review: 21 October 2014					
Risk Category	No	Residual Assessment at Start of Year		Description	Current Residual Assessment		Movement since last review	Owner	Actions Planned (Yes/No)
		Impact	L'hood		Impact	L'hood			
Reputation and Credibility	1	Medium	Low	DETI is unable to deliver on its Programme for Government, Corporate Plan and Operating Plan commitments resulting in political and public criticism of the DETI Minister and Department.	Medium	Low	=>	Dept Board	No
Operational and Policy Delivery	2	Medium	Medium	Appropriate strategies and policies are not devised with the consequence that a dynamic, innovative, export-led economy for Northern Ireland is not developed.	Medium	Medium	=>	Dept Board	Yes
Financial / VFM	3	Medium	Low	Ineffective governance leading to poor value for money, fraud, loss to public funds, or irregular expenditure.	Medium	Low	=>	Dept Board	Yes
Financial / VFM	4	Medium	Low	Inability to operate within allocated budget, avoiding overspend and managing underspend within a 2% resource target and a 3% capital target and, in addition, meeting the EU N+2 expenditure target.	Medium	Medium	=>	Dept Board	Yes
Financial / VFM	5	Medium	Medium	The loan and financial assistance grant package provided in connection with the Presbyterian Mutual Society are not repaid and as a consequence public expenditure pressures will be created for the Department and the NI Block.	Medium	Medium	=>	Dept Board	Yes
Compliance Legal / Regulatory	6	Medium	Medium	Information held by the Department is not handled in accordance with relevant legislation with a consequent possibility of legal proceedings, criticism from regulatory authorities and embarrassment to the Department and its Minister.	Medium	Medium	=>	Dept Board	Yes
Compliance Legal / Regulatory	7	High	Medium	The imposition of penalties as a result of not implementing EU Directives and/or not complying with EU State Aid rules or other relevant EU ERDF Regulations / Criticism for not replicating GB legislation in NI.	High	Medium	=>	Dept Board	Yes

DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Compliance Legal / Regulatory	8	High	High	Failure to investigate all cases where evidence of misconduct has been identified against directors and, subsequently, failing to meet the 2 year deadline for filing disqualification proceedings in Court against those directors.	High	High	=>	Dept Board	Yes
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## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Objective:			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
Generic risk supporting delivery of all objectives in the corporate plan.			<u>Number of Board Meetings at this Level:</u> N/A					
Category – Reputation and Credibility								
Risk Appetite – Cautious								
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
1. DETI is unable to deliver on its Programme for Government, Corporate Plan and Operating Plan commitments resulting in political and public criticism of the DETI Minister and Department.	High	Medium	<p>Approved Operating Plans for the Department and its NDPBs are in place each financial year. NDPB Operating Plans comply with the provisions of Managing Public Money for Northern Ireland (MPMNI) and respective Management Statements and Financial Memoranda (MSFM).</p> <p>The Departmental Board receives and monitors quarterly update reports on Operating Plan achievements and slippages and directs corrective actions where necessary.</p> <p>Performance monitoring of Programme for Government, Corporate Plan and Operating Plan performance is a standing agenda item at NDPB Oversight &amp; Liaison meetings.</p> <p>DETI CLU has scrutinized the process of monitoring the DETI Operating Plans. It has tightened up the controls such as earlier commissioning times for the monitoring exercises; reminded DETI HOD's and NDPB CEO's re: timely and complete/accurate monitoring returns; highlighted emphasis on slippage reports; improved spreadsheets for recording and</p>	Medium	Low	None		Dept Board

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p>retrieval of information; and improved reporting to Departmental Board, Minister and ETI Committee.</p> <p>In relation to Invest NI and NITB, further performance monitoring is undertaken as part of quarterly Finance meetings, Oversight and Liaison meetings and via monthly Board debriefs delivered by the Invest NI and NITB Chairmen.</p> <p>Ongoing and regular interaction between DETI Branches responsible for Financial Governance/Policy and NDPBs.</p> <p>Resource allocation regularly reviewed by Top Management team.</p> <p>Capability and capacity issues are considered at fortnightly DETI Senior Management Team meetings.</p> <p>Matters are regularly raised and discussed at weekly Issues meetings with the Minister and Special Advisor.</p>					
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## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Objective			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
<b>A1 – To devise strategies and policies for the development of a dynamic, innovative, export-led economy in Northern Ireland.</b>  <b>Category – Operational and Policy Delivery</b>  <b>Risk Appetite - Open</b>			<b>Number of Board Meetings at this Level: N/A</b>					
			Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED
RISK	Impact	Likelihood	Impact	Likelihood				
2. Appropriate strategies and policies are not devised with the consequence that a dynamic, innovative, export-led economy for Northern Ireland is not developed.	High	Medium	<p><b>Background:</b> EPD led on the development of the NI Economic Strategy and has worked closely with other Executive Departments &amp; Invest NI to ensure their policies and targets are consistent with the Strategy.</p> <p>There is a monthly Board de-brief between the Invest NI Chairman and DETI Top Management to discuss board discussion and other key issues including policy development and implementation.</p> <p>Policy development is a standing item of the quarterly NDPB Oversight &amp; Liaison meetings.</p> <p>The Head of EPD meets with the Invest NI Director of Strategic Management and Planning on a monthly basis to discuss policy issues.</p> <p>Regular Invest NI Executive</p>	Medium	Medium	<p>1. Supporting the NI Economic Strategy are a range of action plans:</p> <ul style="list-style-type: none"> <li>There is a Comprehensive Action Plan in place covering the actions contained in the Economic Strategy.</li> <li>This has been supplemented by further actions agreed as part of the Executive's Economy &amp; Jobs Initiative.</li> </ul> <p>DETI EPD is responsible for monitoring implementation of these actions.</p>		Dept Board

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p>Leadership Team and DETI Senior Management Team engagements take place during the year. Through this forum, DETI and Invest NI senior management discuss a range of strategic policy issues and ensure appropriate action is taken to ensure DETI's suite of policies and strategies remain relevant to delivery of the Department's high level priorities.</p> <p>The implementation of Economic Pact commitments will be overseen by a Sub-Group of the Permanent Secretaries Group, chaired by DETI Permanent Secretary.</p>			<p>2. Implementation of those commitments contained within the NI Economic Pact, (announced by the NI Executive and UK Government on 14 June 2013) will be taken forward by Departments over the coming year.</p> <p>An implementation plan has been agreed by HOCs and the DETI Permanent Secretary, through EPD, will be responsible for monitoring delivery of the various commitments and for reporting progress to the NI Executive.</p> <p>3. Action Plans for Innovation/R&amp;D, Access to Finance, Exports and Business Incubation being developed.</p>	<p>Public Consultation on Innovation complete. Revised final strategy for Executive consideration July 2014. Awaiting decision, likely to be Sept 2014.</p> <p>Access to Finance plan</p>	
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DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

						<p>4. DETI Internal Audit Service undertook a review of aspects of the work of Economic Policy Division. The final report issued on 17 July 2013. Three recommendations relating to the work of the Division were made which have been accepted. One has been implemented and the other two are being implemented.</p>	<p>was produced by March 2014 in conjunction with DFP and Invest NI. Exports Action Plan to be produced by December 2014. The Business Incubation Action Plan will be delayed until later in 2014.</p> <p>Recs 1 &amp; 2 remain outstanding. Although, in relation to Rec 2, regular (at least fortnightly) meetings between the Head of EPD and Invest NI Strategy provide the opportunities to discuss significant and emerging cross cutting issues.</p>	
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DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

							<p>Relevant Invest NI Directors and DETI policy leads are involved in these meetings as necessary.</p> <p>Rec 3 has been fully implemented.</p> <p>PELU how receives regular updates on all categories of Invest NI Evaluation irrespective of scale and have agreed with INI that evaluations are made available to EPD on completion and subsequently disseminated to the wider EPD audience through TRIM.</p>	
			<p><b>Background:</b> The Department has decided to review its current policy</p>			Further action will flow from the work	Date requires to be	

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p><i>and legislation to ensure it continues to provide an appropriate framework for the regulation and support of mineral, oil and gas exploration and development in Northern Ireland.</i></p>			<p>that is currently being undertaken to scope legislative and policy requirements.</p> <p>In addition, a draft paper seeking the NI Executive's views on DETI's strategy on fracking has been provided to Spad/Minister for consideration (6/5/14). The outworkings of this paper will help to inform policy, legislative and operational actions going forward.</p>	<p>determined within the wider context of addressing the issues pertaining to the potential future deployment in NI of high volume hydraulic fracturing (fracking).</p>	
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## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Objective: Generic Risk			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
Category – Financial / VFM			<u>Number of Board Meetings at this Level:</u> N/A					
Risk Appetite – Minimal								
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
3. Ineffective governance leading to poor value for money, fraud, loss to public funds, or irregular expenditure.	High	Medium	<p>Approved Operating Plans for the Department and its NDPBs are in place each financial year. NDPB Operating Plans comply with the provisions of MPMNI and respective MSFMs.</p> <p>The process leading to the publication of 2014-15 Operating Plans in DETI and its NDPBs by April 2014 commenced in December 2013.</p> <p>Provision of six-monthly Assurance Statements by Heads of Group and CEOs of NDPBs.</p> <p>Risk and Corporate Governance issues are standing agenda items at NDPB quarterly O&amp;L meetings and are also discussed at Departmental Board.</p> <p>Evaluation of programmes and projects.</p> <p>DETI-Invest NI Casework Committee established to consider significant Invest NI casework.</p> <p>DETI-NITB Casework Committee established to consider significant NITB casework.</p>	Medium	Low	The process of monitoring the DETI annual operating plans to commence following Ministerial approval of the Plans.	Quarterly commencing June 2014	Dept Board

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p>DETI Casework Committee for Departmental cases involving expenditure greater than £500,000.</p> <p>Internal and DFP delegations for expenditure.</p> <p>Business cases prepared in accordance with DFP and DETI guidance.</p> <p>Annual test drilling of economic appraisals and PPEs with recommendations implemented.</p> <p>Financial Governance Unit established for NDPBs and Cross Border bodies.</p> <p>Quarterly O&amp;L meetings.</p> <p>Departmental representation on NDPB Audit Committees. NDPBs provide written reports to the Departmental Audit Committee and attend if required.</p> <p>NDPB Management Statements and Financial Memorandums in place.</p> <p>Each NDPB has a fully functional Internal Audit function.</p> <p>There is a fully functional EU Audit Authority.</p> <p>Authorisation limits for expenditure.</p> <p>Fraud awareness training provided by CAL.</p> <p>Documented whistleblowing procedures reviewed and updated in July 2012.</p> <p>Fraud Policy and Fraud Response Plan</p>					
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DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p>reviewed and updated in July 2012.</p> <p>Participation in biennial National Fraud Initiative data matching exercise.</p> <p>Implementation of NITB's Governance Action Plan monitored and reported on as a standing agenda item at NITB SMT meetings, NITB Board meetings, NITB Audit Committee meetings and DETI/NITB O&amp;L meetings. The majority of actions outlined in the plan have been implemented and the outstanding actions are currently being progressed by NITB.</p>					
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## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Objective – Generic Risk			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
Category – Financial / VFM			<u>Number of Board Meetings at this Level:</u> N/A					
Risk Appetite - Minimal								
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
4. Inability to operate within allocated budget, avoiding overspend and managing underspend within a 2% resource target and a 3% capital target and, in addition, meeting the EU N+2 expenditure target.	High	Medium	<p>Monthly cost centre reports produced.</p> <p>Expenditure profiled monthly.</p> <p>Monthly financial reporting to Departmental Board.</p> <p>Monthly budget monitoring meetings with Invest NI and NITB.</p> <p>Quarterly monitoring rounds.</p> <p>Quarterly Oversight &amp; Liaison meetings with NDPBs.</p> <p>Quarterly risk reporting and six-monthly Assurance reporting.</p> <p>Monitoring EU expenditure levels against forecasts.</p>	Medium	Medium	<p>Ongoing monitoring of expenditure by NDPBs/Divisions and Finance Branch to get early sight of issues and implement remedies if possible.</p> <p>Finance Branch is taking prudent action by engaging with all business areas to consider where reductions may be applied in order to maximise support to priority areas and to live within budget allocations.</p> <p>European Support Unit has</p>	Ongoing	Dept Board

DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

						commenced efforts to identify replacement expenditure for reductions in EU eligible expenditure recently forecast by NITB.		
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Received from DFE on 19/07/17  
Annotated by RHI Inquiry

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			CONTROLS IN PLACE			Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
Inherent Assessment		RISK	Impact	Likelihood	Impact	Likelihood				
<p><b>Objective – To manage the £175 million commercial loan and a £50 million Financial Assistance grant package in support of a Mutual Access Fund provided in connection with the Presbyterian Mutual Society in line with the agreed financial schedule.</b></p> <p><b>Category – Financial / VFM</b></p> <p><b>Risk Appetite – Cautious</b></p>							<p><b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b></p> <p><b><u>Number of Board Meetings at this Level:</u> N/A</b></p>			
High		Medium	<p>Formal loan agreements.</p> <p>Due diligence reports on asset values.</p> <p>Departmental oversight and monitoring of supervisors, supported by input from legal and insolvency external consultants as required.</p> <p>Formal legal agreement with supervisors.</p> <p>A formal quarterly reporting mechanism from the supervisors to the Department is in place.</p> <p>An annual updated Business Plan is prepared by the Joint Supervisors and discussed and agreed with DETI prior to the commencement of each financial year.</p>			Medium	Medium	A high level review of Plan to 2020 has been completed. Discussions to be held with Joint Supervisors on actions arising from the review.	Ongoing.	Dept Board

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

<b>Objective:</b>  <b>C3 - To maintain and review the effectiveness of the Department's processes for: financial management; corporate governance and risk management; information security; business continuity; emergency planning; and Assembly / Executive business.</b>  <b>Category – Compliance – legal / regulatory</b>  <b>Risk Appetite – Cautious</b>			<b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b>  <b>Number of Board Meetings at this Level: N/A</b>					
	<b>Inherent Assessment</b>		<b>CONTROLS IN PLACE</b>	<b>Residual Assessment</b>		<b>ACTION PLANNED</b>	<b>TARGET DATE</b>	<b>OWNER</b>
<b>RISK</b>	<b>Impact</b>	<b>Likelihood</b>		<b>Impact</b>	<b>Likelihood</b>			
6. Information held by the Department is not handled in accordance with relevant legislation with a consequent possibility of legal proceedings, criticism from regulatory authorities and embarrassment to the Department and its Minister.	High	Medium	<p>Policies and procedures are in place for information management.</p> <p>Security measures in place include restriction of access to buildings; backups of IT data; ERDMS document storage; accreditation of IT systems and an annual departmental security review.</p> <p>Business Continuity Management regime in place covering Netherleigh and all non-HQ buildings.</p> <p>Well established network of Information Managers for FOI requests.</p> <p>Internal Audit review of the DETI FOI process was completed in October 2013 and has recommended that action is required to improve compliance with FOI response time targets.</p>	Medium	Medium	<p>Revised UK-wide Protective Marking Scheme to be introduced across NICS Departments wef 2 April 2014.</p> <p>Internal Audit to review the BCM processes in Sept 2014</p> <p>Agreed actions from Internal Audit report will be implemented.</p>	<p>April 2014 Revised scheme now in force. E-learning has been rolled out in DETI.</p> <p>Report expected Oct 2014.</p> <p>Partially completed – remainder to be completed by Oct 2014</p>	Dept Board

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Objective:			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
<b>B1 – To provide clear policy direction and targets, and the necessary resources to deliver those targets.</b>  <b>B5 – To engage effectively with the European Union to secure the maximum financial and non-financial support available for growing the NI economy.</b>  <b>Category – Compliance – legal / regulatory</b>  <b>Risk Appetite - Open</b>			<b>Number of Board Meetings at this Level: N/A</b>					
RISK	Impact	Likelihood	Impact	Likelihood				
7. The imposition of penalties as a result of not implementing EU Directives and/or not complying with EU State Aid rules or other relevant EU ERDF Regulations / Criticism for not replicating GB legislation in NI.	High	High	LMU circulate details of EC Directives that require implementation.  Stand alone website for the Competitiveness Programme with comprehensive guidance.  Internal Audit system reviews.  Memorandum of Understanding setting out requirements.  Audit Authority checks.  Managing Authority checks on compliance with MOU and spot checks on expenditure.  Regular and ongoing training of those involved in the management of EU funds.  Bi-lateral meetings with Intermediary Bodies focused on compliance issues.  Management verification checks on Intermediary Bodies to include specific	High	Medium		Dec 2014	Dept Board

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p>focus on ERDF requirements.</p> <p>Technical Assistance review undertaken of Intermediary Bodies to examine resource requirements. Bids have been made to the Managing Authority and approval obtained for additional staff.</p> <p>Extensive participation on Barosso Taskforce thematic groups tasked with identifying and exploiting opportunities at EU level.</p> <p>Energy Division made three pieces of legislation to complete transposition of the Electricity and Gas Directives and additional licence modifications were notified to the Commission in April 2013. On 20 September 2013, DETI received formal confirmation via DECC that the infraction cases relating to these Directives had been closed. The legislation required to establish new, Directive compliant electricity and gas licence modification arrangements is due to be completed by Autumn 2014.</p> <p>EC State Aid approval obtained on 11 July 2014 for NI Executive funding of up to £32.5m for provision of new natural gas networks in the West.</p>			<p>The following additional action is being taken by Energy Division:</p> <p>Progress additional work in relation to the electricity and gas licence modification arrangements during 2014 to ensure ongoing compliance with the Electricity and Gas Directives.</p> <p>Continue to engage with DECC on wider EU legislative compliance.</p>	<p>Autumn 2014</p> <p>Ongoing</p>	
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## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p>Energy Division is progressing work to implement the extensive Energy Efficiency Directive 2012/27/EU.</p> <p>NI Regulations for Articles 9-11, 13 &amp; 15 came into operation on 25 July 2014.</p> <p>UK-wide Statutory Instruments laid by DECC at Westminster in April and June 2014 – NI is included where required.</p>			<p>Further legislation will be required to be laid before the end of the year to complete transposition for Article 14 (10).</p> <p>The Regulations include a duty on NIAUR to bring forward licence conditions/ amendments in relation to the EED. DETI will continue to liaise with NIAUR to ensure timely completion.</p> <p>Prepare for RHI Phase II application.</p> <p>Respond to notification of failure of I-SEM project to meet Dec 2016 deadline.</p> <p>DETI is now hopeful that it may be possible to replicate the Irish approach in</p>	<p>Dec 2014</p> <p>Oct 2014 for consultation</p> <p>March 2015</p>	
			<p>Energy Division is seeking final approvals and preparing legislation to launch the domestic RHI in due course. Energy Division is also working with EU colleagues to ensure state aid approval is granted for Phase II non-domestic RHI.</p> <p>The following additional action has been taken by Minerals and Petroleum Branch (MAPB) to address concerns that EU Directive CCS/CDD 2009/31/EC – the Carbon Capture and Storage Directive</p>					

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

			<p>has not been fully transposed into Northern Ireland:</p> <ul style="list-style-type: none"> <li>• Considerable work has been undertaken to facilitate the preparation of a stock paper of where matters stand. Liaison is ongoing with DSO, DECC and Irish counterparts to fully inform the position and enable DETI to recommend a preferred option.</li> </ul> <p><b>Background:</b> On 17 October 2013, the European Commission issued the UK with a Letter of formal notice - Infringement No 2013/2188 for a breach of the EU Services Directive in relation to national applicability of licences.</p>			<p>Northern Ireland and complete transposition via section 2(2) Regulations.</p> <p>DSO advice is currently being taken on whether there is any legal impediment to prevent DETI following the Irish precedent. DSO's response will inform future activity and timelines.</p> <p>BIS responded to the European Commission on the infraction letter on 17 February 2014, setting out proposed legislative amendments where appropriate. Commission officials have responded and are content with the proposed amendments to the Regulations. Once they have been adopted (summer/autumn</p>		
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DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

						<p>2014) the Commission will close the infraction case. However, Commission officials will continue to monitor developments in relation to amendments of specific laws to implement mutual recognition, to ensure all necessary amendments come into force before the amendment to the Regulations becomes effective (6 April 2016). Within DETI changes will need to be made to legislation relating to licences for Insolvency Practitioners. A provision will therefore be included in the Insolvency (Amendment) Bill. It is planned to introduce the Bill in the Assembly this</p>		
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DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

						autumn once Executive approval to do so has been obtained. BIS will be continuing to lead on this work, in liaison with their devolved counterparts.		
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## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

Objective: To ensure disqualification orders are pursued against all directors whose conduct has been highlighted as a concern, within the 2 year statutory deadline.			For risks with a residual assessment of High or Medium Impact and High Likelihood:					
Category – Compliance – Legal / Regulatory			Number of Board Meetings at this Level: Seven meetings including today's meeting (This high impact/high likelihood risk first appeared on the Corporate Risk Register considered by the Departmental Board on 18 February 2014).					
Risk Appetite – Averse								
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
8. Failure to investigate all cases where evidence of misconduct has been identified against directors and, subsequently, failing to meet the 2 year deadline for filing disqualification proceedings in Court against those directors.	High	High	<p>Training and guidance for Directors Disqualification Unit (DDU) Examiners provided by the Senior Examiner.</p> <p>A dedicated Training Officer has been appointed in the branch to assist training of new staff.</p> <p>Prioritisation of cases to identify those where the most serious examples of misconduct have occurred, or where there has been a previous history of misconduct, to inform the decision on which cases are pursued. Prioritisation policy has been approved by the DETI Minister.</p> <p>Case investigation reviews carried out by the Senior Examiner to ensure all cases that are pursued are progressed on time.</p> <p>Legal advice and guidance provided by the Departmental Solicitor.</p>	High	High	<p>Review of workflows, workloads, resource allocation, and impact on risk across Insolvency Service to ensure all cases are investigated in time to allow disqualification proceedings to be pursued, where appropriate, within the statutory timeframes.</p> <p>Business case for use of call-off arrangements to provide additional support has been completed and is being considered by DETI economists. Funding bid will be completed once economists have approved the case. DSO advice is that outsourcing is not appropriate for the Department's investigation role for directors' disqualification and bankruptcy restriction orders.</p>	<p>Sept 2014</p> <p>Sept 2014</p>	Richard Monds / Joe Hasson

## DETI CORPORATE RISK REGISTER – APPROVED BY DEPARTMENTAL BOARD ON 19 SEPTEMBER 2014

		<p>Forecasting of future staffing levels and early engagement with DHR.</p> <p>Operational plan targets and activities for 2014/15 have been amended to clarify the reporting of IS targets relating to disqualification of directors.</p> <p>A system is in place to identify directors' previous involvement in corporate insolvencies to inform the disqualification process.</p> <p>Training Officer, in liaison with unit management, has developed a training plan for new staff.</p> <p>Review of DDU skills and resourcing requirement and development of resource management strategy has been discussed with DHR and a business case prepared for the DETI Resources Committee. Process of filling outstanding SO vacancies agreed with DHR.</p> <p>A standard target period for case investigations to be completed has been introduced.</p>			<p>A new system is to be introduced to ensure that all investigation cases are regularly reviewed and reviews recorded to keep investigations focussed.</p>	Sept 2014	
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**DEPARTMENTAL AUDIT COMMITTEE****TITLE: INVESTIGATIONS AND THEFT / FRAUD NOTIFICATIONS**

**Paper presented by: Iain McFarlane / Michael Woods**

**KEY ISSUES**

- Following a meeting with the PSNI in relation to a number of issues relating to a telecommunications company which had received Interreg IIIA grant the Department consulted a NICS fraud investigator. The investigator concluded that it is unlikely that sufficient and credible evidence exists or could be obtained to support a successful application for prosecution
- No new fraud notifications have been made since the last Audit Committee meeting on 28 May 2014.

**ACTION REQUIRED**

- Departmental Audit Committee to note the current position.

**TIMESCALE**

- None.

**INVESTIGATIONS AND THEFT / FRAUD NOTIFICATIONS****INVESTIGATIONS****DETI – Interreg IIIA Grant Payments to a Telecommunications Company**

The Department met with the PSNI in April 2014 in relation to a number of issues referred to in reports by external consultants on €4.3 million grant paid to a telecommunications company under the Interreg IIIA programme. Following the meeting, the Department provided background information to an NICS fraud investigator who concluded that it was unlikely that sufficient or credible evidence exists or could be obtained to support a successful application for prosecution. Civil proceedings have been issued against the company with a Writ and a Statement of Claim having been served. The investigator considered that there are no further meaningful actions which could be taken that would increase the chance of recovery of any monies.

**FRAUD NOTIFICATIONS**

Refer to attached Fraud Notification Schedule.

**Fraud notifications schedule**

IAS ref	Date of incident	Business area	Nature of incident	Actual/suspected/attempted	Date reported to IAS	DFP template completed?	Date DFP notified	Date C&AG notified	First reported to Departmental Audit Committee	Notes
<b>2012/13</b>										
2012/13 - DETI 01	Unknown	Energy	Claims under the RHPP require a building control certificate or a letter from the building control officer. We have received 3 claims with letters purporting to come from building control officers but we have established that the letters are not authentic. The claims relate to three different applicants but they all have used the same installer.	Attempted (suspected)	30.01.2013	Yes	06.02.2013	06.02.2013	13.03.2013	Updated notification issued to DFP/C&AG 2 April 2014. PPS reached a no prosecution decision. 100% desk vouch of all paperwork continues as standard practice. Authentic paperwork received for 1 claim which has subsequently been paid.
<b>2013/14</b>										
2013/14 - DETI 01	Unknown	Energy	Renewable Heat Branch under the Micro generation Certification Scheme (MCS). During two routine site visits to inspect an installation of ground source heat pumps (GSHP) it was discovered that the model number of the units installed differed to the model number of the units agreed in the letters of offer (MCS products). The alternative units did not hold MCS accreditation. It should be noted however that the units were from the same manufacturer and were substantially similar. Both inspections had the same installer and records showed that the installer had installed a further 8 GSHP units and 1 air source heat pump (ASHP). We now know that these installations were also unregistered units.	Attempted (suspected)	06.11.2013	Yes	23.12.2013	23.12.2013	05.03.2014	Updated notification issued to DFP/C&AG 2 April 2014. The GSHP has now been MCS accredited and DETI is content to consider the product as eligible. The ASHP has not been accredited to date and DETI has written to the householder advising that repayment may be sought (£1,700). 100% site visits for the installer will continue for a period of 6 months when the position will be reviewed.
2013/14 - DETI 02	26.09.2013	Insolvency	A short fall in deposit of £100 was identified when the lodgement was being prepared.	Suspected	08.10.2013	Yes	07.01.2014	07.01.2014	05.03.2014	Revised and updated controls have been put in place and tested by IAS.
2013/14 - Invest NI 01	25.07.2013	Invest NI	Claim received from client company for the recovery of costs related to a trade visit to South Africa in February 2013. Subsequent requests for additional documentary evidence in support of the claim were unsuccessful.	Attempted	19.07.2013	Yes	25.07.2013	25.07.2013	02.10.2013	Updated notification issued to DFP/C&AG 19 December 2013. The suspected attempted fraud related to a claim for trade visit costs. The case was referred to the PSNI who were unable to find sufficient evidence to recommend prosecution. Currently, services with the client are suspended until the client re-engages. On re-engagement, the client will be treated as high risk.
<b>2014/15</b>										
2014/15 - DETI 01	17.04.2014	CCNI	On 17 April 2014 the Consumer Council payroll was being scheduled for payment through the bank. Payments are set up by a member of the finance team and then authorisation to pay is provided using username etc. by two of the list of approved authorisers. During the set up of the payroll payment the finance team was requested (on-line) to authorise their user access. The reason stated for this was that their details were not recognised. The authorisation was provided (on-line) by another user on the account. Subsequently, the finance team member noticed a supplier payment of £37,450.59 had been set up with a first authorisation to pay (awaiting second authorisation).	Attempted	01.05.2014	Yes	02.05.2014	02.05.2014	28.05.2014	Danske bank contacted immediately on 17 April 2014; CCNI IT investigation undertaken and a number of actions implemented; Meeting with Danske bank, DFP, IAS and CCNI officials 2 May 2014; Alert issued by IAS to DETI ALS re Firewalls and Anti-Virus software 6 May 2014; PSNI notified by CCNI 7 May 2014; Ongoing liaison by IAS with DFP Head of Fraud and Internal Audit Policy Branch re details of attempted fraud and initial liaison between Departmental Business Support and IT Assist re details of virus and actions taken by CCNI.

**Draft 20 October 2014**

**DRAFT MINUTES OF DEPARTMENTAL AUDIT COMMITTEE  
HELD ON 25 SEPTEMBER 2014 AT DETI, NETHERLEIGH**

**Present:** David Beck (Chairman)  
Bill McGinnis (Audit Committee Member)  
Anthony Harbinson (Audit Committee Member)

**In attendance:** Andrew McCormick (DETI)  
Eugene Rooney (DETI)  
Trevor Cooper (DETI)  
Michael Woods (DETI)  
Iain McFarlane (DETI)  
Frances MacBride (DETI)  
Terry Coyne (DETI)  
Colette Kane (NIAO)  
Neil Gray (NIAO)

**Minutes:** Lee-Anne Hutchinson (DETI)

**PRELIMINARY**

1. The Chairman welcomed the Department's new Permanent Secretary, Andrew McCormick, to his first meeting of the Departmental Audit Committee. In response to an invitation from the Chairman, Andrew outlined his approach to Corporate Governance which had been shaped by his experience in a number of Northern Ireland departments. The Chairman also welcomed Michael Woods, the new Head of the Department's Internal Audit Service. Michael has replaced Elaine Dolan who has taken a career break. The Chairman, on behalf of the Committee, thanked Elaine Dolan in absentia for the work she had undertaken. The Chairman also offered his congratulations to Anthony Harbinson on his appointment as World President of ACCA.
2. The Chairman confirmed that he had separate discussions with NIAO and Internal Audit prior to the meeting. He indicated that the discussions had been positive. The Chairman also had an initial discussion with Alistair McGowan the new Chairman of the NITB Audit Committee.

**POTENTIAL CONFLICTS OF INTEREST**

3. The Audit Committee members confirmed that there were no changes to the interests that they had previously declared.

**APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

4. The minutes of the previous meetings 28 May 2014 and 25 June 2014 were accepted and adopted.

**SUMMARY OF PROGRESS ON MATTERS RAISED BY DAC AT PREVIOUS MEETINGS**

5. The Schedule of Action Points arising from previous meetings of the Departmental Audit Committee was reviewed. The position regarding to outstanding actions is outlined in the following paragraphs.
6. Schedule Item 1 – Iain McFarlane confirmed that the draft Gifts and Hospitality Policy is currently being considered by senior management and will be tabled at the next DAC meeting.
7. Schedule Item 4 – Trevor Cooper confirmed that DETI had met with NITB and CPD regarding the treatment of a number of items of expenditure. Agreement has now been reached on the majority of outstanding issues.
8. Schedule Item 7 – Iain McFarlane confirmed that the NITB MSFM has been approved by DFP and was in operation. The Invest NI MSFM was substantially complete and would be approved by DFP subject to a small number of amendments. Colette Kane welcomed this and commented that finalisation of the Invest NI MSFM would allow the NI-CO MSFM to be finalised. Trevor Cooper and Iain McFarlane confirmed that a draft NI-CO MSFM had been prepared and that a meeting with Invest NI had been scheduled for 26 September to progress it.
9. Schedule Item 12 - The Chairman noted that the legal action taken by the Department against Craigavon Borough Council has been in progress for some time. He welcomed Energy Division's confirmation that a formal meeting with the Council would be sought if progress is not made. Anthony Harbinson referred to the local government reorganisation and indicated that it would be useful to conclude this action before the reorganisation takes place. Colette Kane agreed that there is a need to conclude on the matter and referred to a question raised by an MLA with PAC on the matter.
10. Schedule Item 18 – Iain McFarlane confirmed that implementation of actions arising from the 2013-14 test drilling exercise was ongoing.
11. The Chairman stated he was keen to get some of the outstanding issues cleared so as to reduce the actions list.

**Action: Gifts and Hospitality Policy to be tabled at next meeting of DAC - Secretariat.**

**THE EUROPEAN SUSTAINABLE COMPETIVENESS PROGRAMME NI**

12. Frances MacBride confirmed that the 2013 annual control report had been accepted by the European Commission on 30 July 2014.
13. In relation to the Audit Authority's 2014 Programme of Work, Frances confirmed that 37 projects totalling £52,510,644.57 is included in the plan. She informed the Committee that progress was being made against the plan with 22 final and 5 draft reports issued. Queries are ongoing in relation to the remaining 10 projects. The draft projected error rate is currently 0.18%; however, there is a potential for two NITB Tourism Innovation Fund (TIF) projects to be deemed 100% ineligible which would increase the error rate to 3.54%. Frances confirmed that the acceptable error rate is 2%.
14. The Chairman enquired as to the nature of the issues with the two NITB projects. Frances explained that the issues related to procurement. Anthony Harbinson asked if NITB had provided an explanation for the issues which had arisen and Frances responded by indicating that a response from NITB was awaited.
15. The Chairman sought confirmation of the mechanism to address actions that need to be taken in response of Audit Authority work. Trevor Cooper confirmed that the Managing Authority identifies issues and remedial action that is required to prevent reoccurrence. Frances indicated that the Managing Authority was considering the possibility of removing the two NITB projects from the sample.
16. Michael Woods stated that the issues around the two NITB projects primarily related to procurement that although NITB had taken advice from CPD, the advice may not have reflected specific EU requirements.
17. Frances MacBride left the meeting at this stage.

**BIOSCIENCE AND TECHNOLOGY INSTITUTE LTD (BTI) PROGRESS ON THE IMPLEMENTATION OF PAC RECOMMENDATIONS**

18. Iain McFarlane confirmed that two issues are outstanding in relation to the BTI MOR implementation plan. In relation to the CIPFA investigative practice qualification, Iain confirmed that one member of Internal Audit staff had completed the qualification, and that one member of staff was awaiting results. Michael Woods informed the Committee that he would also be undertaking the qualification.
19. In relation to the referral to the PSNI, Iain informed the Committee that the officer who had been examining documentation relating to the case had left the Organised Crime Branch. Details of the new PSNI lead were awaited. Iain concluded by drawing attention to the establishment of a central fraud unit by DFP which is scheduled to be in place for 1 April 2015.

20. Bill McGinnis stated that it would be useful if the PSNI could confirm as soon as possible if they were going to take any action as a definite outcome was desirable. Eugene Rooney endorsed this view and confirmed that if no information was forthcoming from the PSNI he would consider further what action might be taken to help bring the matter to a conclusion.

**Action: Eugene Rooney to consider what action might be taken if there is no response from the PSNI on its review of the case.**

#### **INTERNAL AUDIT PROGRESS ON IAS PLANS AND MID YEAR REVIEW OF THE 2014-15 DETI AUDIT PLAN**

21. Michael Woods provided an update on the internal audit plan covering the period from April to September 2014 which has been subject to a mid year review. The mid year review had been undertaken with a view to ensuring that all fieldwork on internal audit assignments was completed by the end of March each year with reports being issues in draft or final form by the end of April.

22. Michael stated that the change to the DETI audit plan involved the deferral of three assignments to the 2015-16 year. He confirmed that he was confident that IAS would be able to meet deadlines associated with the revised plan. One change was also made to the NITB audit plan with an audit on the strategic partnership fund being deferred until 2015-16. The NITB audit committee had endorsed the change.

23. Michael confirmed that the proposed changes will not impact on the ability of Internal Audit to give an opinion. The Chairman confirmed that he had a number of discussions with Michael regarding the revised audit plan. The Audit Committee was content to approve the changes subject to progress being reviewed at its next meeting. Collette Kane expressed some concern that the days allocated to audit were low compared to other departments. Michael confirmed that Internal Audit still planned to complete 218 audit days

24. Michael confirmed that 14 assignments are planned in the DETI 2014-15 programme. Two reports have been completed and three are in draft form.

25. Michael confirmed that the DETI recommendations register continues to be updated. There are currently 25 outstanding recommendations none of which are priority one.

26. Michael informed the Committee that the Invest NI audit plan has 19 assignments. Invest NI has 76 outstanding recommendations, none of which are priority one. Invest NI management considers that a substantial number of these recommendations have been implemented and IAS is undertaking follow up work to obtain necessary confirmation. The NITB audit plan has 11 assignments and 18 outstanding recommendations

27. The Chairman indicated that his desire for the number of outstanding recommendations to be reduced even if they are low priority. The

Chairman asked for the table of recommendations to be refined in the interests of clarity and ease of reference. Anthony Harbinson suggested that it would be useful if an explanation could be provided for any high priority recommendations that were outstanding. Michael confirmed that he would do this.

**Action 1: Michael Woods to provide a revised recommendations table at the next DAC meeting.**

**Action 2: Progress against DETI Internal Audit Plan to be reviewed at next DAC meeting.**

## **INTERNAL AUDIT UPDATE ON INTERNAL AND EXTERNAL QUALITY ASSESSMENT**

28. Michael Woods provided an update on the Internal Quality Assessment (IQA). Two actions of the five actions identified have been fully implemented and three have been partly implemented. An External Quality Assessment (EQA) relating to services provide by IAS to Invest NI and NITB was undertaken in May 2014. The resulting report, which has been considered by the Invest NI and NITB audit committees concluded that the service provided generally conforms to good practice. IAS will update the Committee at its next meeting.

**Action: Michael Woods to provide the Committee with an update on the IQA and EQA at its December 2014 meeting.**

## **CORPORATE RISK REGISTER AND DIVISIONAL RISK MANAGEMENT REPORTS FOR QUARTER ENDED 30 JUNE 2014**

29. Terry Coyne informed the Committee that the Departmental Board had considered the Corporate Risk Register and significant risks identified by DETI Divisions and Arms Length Bodies at its meeting on 19 September. At Divisional level, Energy Division has identified one new significant risk relating to understanding of the energy market and other energy policies. The other four significant Divisional risks have previously been reported to the Committee.

30. In relation to the Corporate Risk Register, Terry informed the Committee that issues had arisen in relation to the ability of DETI and its counterpart department in the Republic of Ireland to meet a deadline associated with an EU Regulation for the establishment of a single pan European Internal Electricity Market. The issue had arisen because of the inability of electricity regulators in Northern Ireland and the Republic of Ireland to deliver work for which they are responsible. Arrangements are being made to manage the issues. The Insolvency Service is taking a number of actions in relation to Directors Disqualification.

31. Bill McGinnis enquired if there was a risk that financial penalties might be imposed for failing to comply with EU Directives. Trevor Cooper confirmed that there is a general risk but that progress has been made by

Energy Division. Terry confirmed that Energy Division has made a number of regulations more are scheduled to be made during the year. Collette Kane had no issues and stated that in her opinion Energy Division has made good progress.

32. The Chairman also reminded the Committee that there is an ongoing programme of 'risk owner' presentations to the Departmental Board. Minerals Branch presented to the September meeting and it is planned that Energy Division will present at the October meeting.

### **UPDATE FROM NDPB AND CROSS BORDER BODIES**

33. Iain McFarlane provided an update on NDPBs and their accounts. Invest NI accounts were unqualified and laid by the summer recess. Invest NI have two priority one recommendations: they relate to approval for expenditure connected to the acquisition of Bedford Street Developments Ltd (BDSL) and the delegated approval levels for Research and Development.
34. Trevor Cooper confirmed that he had discussed the projects in question with Invest NI. He also agreed to reconsider the two cases and engage with DFP regarding approvals.
35. Iain McFarlane confirmed the current position in relation to the Invest NI MSFM. He also confirmed that there were no audit issues relating to EU compliance. The other significant issue raised by Invest NI relates to a whistle blower who has made allegations to NIAO about a project partly funded by Invest NI. DCAL is leading on the follow up work and Invest NI is providing input where required.
36. Iain reported that NITB's accounts have been finalised. NITB understand that a recommendation will be made to the C&AG that the accounts receive an unqualified opinion. The RTTCWG is still in draft form and contains one priority 1 and three priority 2 recommendations. Colette Kane stated that there was a considerable delay in NIAO receiving the accounts and this had put the audit timetable in jeopardy. The Chairman indicated that should be a learning point for NITB going forward.
37. Iain outlined the significant risks identified by NITB through its risk management process. Issues continue to be raised on strategy, resourcing and the performance of the Republic of Ireland market. Substantial progress has been made by NITB in implementing actions identified in the Governance Action Plan. There are two outstanding actions both of which are nearly complete.
38. NITB has also confirmed that the follow up review of procurement by IAS has led to a satisfactory opinion being given. The legal proceedings relating to NITB's former premises at Nassau Street, Dublin have been settled.

39. Iain informed the Committee that NITB had identified a risk around its ability to incur sufficient capital expenditure to meet the EU N+2 deadline. Work is ongoing to mitigate this risk.
40. In relation to the Consumer Council, Iain confirmed that accounts for the year ended 31 March 2014 had been laid in the Assembly on 25 June, and published on 20 August 2014. The Consumer Council had identified significant risks in relation to the reduction of budgets, recruitment and retention of staff and the relocation to new premises. Other significant issues identified relate to the appointment of a new Chairperson and Chief Executive.
41. Iain confirmed that there were no significant issues identified by HSENI.
42. Iain confirmed that Tourism Ireland Ltd (TIL) had finalised and signed its accounts. Two governance issues were reported. They relate to TIL's reclassification as an NDPB and potential cuts to funding in 2014-15 which if made at this stage of the year may have a significant impact given that TIL, like other North South bodies, works in calendar years. Eugene Rooney confirmed that departments in the Republic of Ireland which jointly sponsor cross border bodies are aware of the potential funding reduction issue.
43. Iain confirmed that InterTradeIreland's accounts had been certified. The accounts, which were unqualified, will be laid before the Assembly and the Dail at the earliest opportunity. InterTradeIreland had also referred to the reclassification issue and to potential cuts in funding.

## NIAO REPORTS

44. Colette Kane confirmed that the final Report to Those Charged with Governance with management's responses had issued. One priority 1 issue had been raised relating to grants paid to North South bodies prior to approval of business plans. The issue was relevant to all departments that sponsored cross border bodies. Colette informed the Committee that the issue had generated considerable interest with a number of Freedom of Information requests being received by NIAO. The Chairman asked Colette to provide the Committee with an update at its next meeting.
45. Colette confirmed NITB accounts will be signed off next week. She said that there is an ongoing audit with Insolvency Service. The Mineral and Petroleum accounts for 2013-14 will be completed before the next Audit Committee.
46. Neil Gray referred to the second draft of the report on Bytel which NIAO had sent to DETI, DFP and SEUPB. Neil informed the Committee that another body had asked for an extra week to respond and made the same offer to DETI. Andrew McCormick confirmed that this would be helpful.

**Action: Colette Kane to provide the Committee with an update on issues relating to grant paid to Cross Border Bodies at its December meeting.**

**INVESTIGATIONS AND THEFT/FRAUD NOTIFICATIONS**

47. Iain confirmed that Department had met the PSNI some time ago in relation to the Bytel telecommunications project which had received Interreg IIIA grant and that subsequent consultation has taken place with a fraud investigator in a Northern Ireland department. The investigator had concluded that it is unlikely that sufficient and credible evidence exists or could be obtained to support a successful application for prosecution.
48. A discussion took place around the work on the establishment of a Central Fraud Investigation Unit. Michael Woods commented that the establishment of a Central Fraud investigation Unit would concentrate expertise.
49. Michael confirmed that no new fraud cases had been identified since the last update provided to the Departmental Audit Committee on 28 May 2014.

**GUIDANCE ISSUED**

50. Terry Coyne drew the Committee's attention to the NIAO report on the National Fraud Initiative and referred in particular to the case studies which involved public servants claiming benefits to which they were not entitled.
51. Terry went on to inform the Committee that data for the next data matching exercise would be uploaded shortly, with data matches becoming available for investigation early next year.

**FORWARD LOOK AT BUSINESS OF NEXT MEETING**

52. The Committee noted the issues to be discussed at its December meeting. The Chairman mentioned the review of audit committee effectiveness which was linked to a review of the board operating framework. Work on these issues would commence after this meeting.

**ANY OTHER BUSINESS**

53. Andrew McCormick confirmed that the public expenditure climate was very difficult and there were significant challenges in the current financial year and in 2015-16. DFP has issued guidance to Accounting Officers on processes to be followed if it becomes apparent that departmental budgets are likely to be breached.
54. The Chairman closed the meeting and expressed his thanks to those present.