

**DEPARTMENTAL AUDIT COMMITTEE****AGENDA FOR MEETING ON 2 DECEMBER 2015 AT 2.00 PM IN  
CONFERENCE ROOM B, NETHERLEIGH: MEETING EXPECTED TO LAST  
APPROXIMATELY 2 HOURS 40 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. Corporate Governance Update from Invest NI (Deborah Lange and Invest NI officials - Governance Update and Six Monthly Assurance Statement papers attached) *Time 20 minutes.*
4. Departmental Restructuring (Eugene Rooney – paper attached) *Time 10 minutes*
5. Approval of minutes of previous meeting on 29 September 2015 (Chairman – minutes attached) *Time 10 minutes.*
6. Summary of progress on matters raised by Departmental Audit Committee at its previous meetings (Chairman – schedule attached) *Time 10 minutes.*
7. The European Sustainable Competitiveness Programme Northern Ireland 2007 – 13: 2015 Programme of Work in support of 2015 Annual Opinion (paper attached – Jackie Connolly) *Time 5 minutes.*
8. 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 10 minutes.*
9. Non-Domestic Renewable Heat Incentive (paper attached – Trevor Cooper) *Time 10 minutes.*
10. Presbyterian Mutual Society Update (paper attached – Iain McFarlane) *Time 5 minutes.*
11. Report to Those Charged with Governance 2014-15 – progress on implementation of NIAO recommendations (paper attached – Iain McFarlane) *Time 5 minutes.*
12. Summary of Single Tender Actions for six months to 30 September 2015 (paper attached – Trevor Cooper) *Time 5 minutes*
13. Corporate Risk Register (paper attached – Terry Coyne) *Time 10 minutes.*
14. Six Monthly Assurance Statements Report for six months ending 30 September 2015 (paper attached – Terry Coyne) *Time 10 minutes.*

15. Audit Committee effectiveness review (verbal update – Chairman)  
*Time 5 minutes.*
16. Updates from NDPBs and Cross Border Bodies other than Invest NI  
(papers attached – Iain McFarlane) *Time 10 minutes.*
17. NIAO Reports (verbal Report – Colette Kane) *Time 5 minutes.*
18. Investigations and Theft/Fraud Notifications (paper attached –  
Michael Woods) *Time 5 minutes.*
19. National Fraud Initiative (verbal update – Terry Coyne) *Time 5  
minutes.*
20. Guidance issued since last meeting (paper attached – Terry Coyne)  
*Time 5 minutes.*
21. Forward Look at Business of Next Meeting (Forward Work Plan  
attached – Chairman) *Time 5 minutes.*
22. AOB

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

<b>Meeting on 4 December 2013</b>				
1.	NITB: Progress on Implementation of Governance Action Plan	Revert to DAC when agreement on procurement issues has been reached with Central Procurement Directorate (CPD).	Iain McFarlane	<b>Actioned</b> - DFP Supply had approved a proposal for the establishment of a Strategic Partnership Grant Fund subject to two specific conditions being met. DETI had provided confirmation that the conditions have been met and DFP has confirmed that it is content.
<b>Meeting on 1 June 2015</b>				
2.	BTI – Progress on implementation of PAC recommendations	Question to be raised at the next meeting of the Fraud Forum as to whether additional clarity is needed in the Memorandum of Understanding between NI departments and the PSNI on the standard of evidence required for the evidence pack which is presented to PSNI as part of an initial referral of a suspected fraud.	Terry Coyne	<b>Actioned</b> - The issue was raised at the fraud forum meeting on 29 October 2015. DFP's Fraud Investigation Service will be responsible for gathering evidence when a case is referred to it.

<b>Meeting on 1 June 2015 (cont)</b>				
3.	Fraud / Theft Notifications	Recommendation to be made to relevant Accounting Officers and NIAO that fraud cases that have been closed for three months or more should be removed from the fraud and theft register.	Michael Woods	<b>Ongoing</b> – this will now be actioned prior to the March meeting of the Departmental Audit Committee.
<b>Meeting on 24 June 2015</b>				
4.	2014-15 Resource Accounts	Consideration to be given to the use of “version control” in the 2015-16 Resource Accounts.	David Conliffe	<b>Ongoing</b> - To be actioned in 2016.
<b>Meeting on 29 September 2015</b>				
5.	2014-15 Resource Accounts	A written update on the Non Domestic Renewable Heat Incentive is to be provided to the next meeting of the Departmental Audit Committee.	Trevor Cooper	<b>Actioned</b> – Written update provided (see Agenda Item 9)
6.	Departmental Restructuring	A paper on Departmental Restructuring is to be provided to the next meeting of the Departmental Audit Committee.	Eugene Rooney	<b>Actioned</b> – Paper provided (see Agenda Item 4)

<b>Meeting on 29 September 2015 (cont)</b>				
7.	BTI – Progress on implementation of PAC recommendations	Provide formal notification to the Public Accounts Committee of PSNI’s decision not to undertake any further investigation in the BTI case.	Andrew McCormick	<b>Actioned</b> – PAC formally notified on 9 November 2015.
8.	Risk Management	Format of the risk management report to the Departmental Audit Committee to be revised so as to include details of processes, linkages and significant issues that have arisen but which hadn’t been identified through the operation of normal risk management processes.	Terry Coyne	<b>Actioned</b> – (see Agenda Item 13)
9.	Audit Committee Effectiveness	Determine the approach taken by DEL to reviewing audit committee effectiveness.	Terry Coyne	<b>Actioned</b> – DEL’s audit committee undertakes an annual review of its effectiveness using a questionnaire based approach similar to that used by DETI.

<b>Meeting on 29 September 2015 (cont)</b>				
10.	NDPB and Cross Border Bodies Governance Updates	Draw the attention of Human Resources and Central Services (HRCS) Division to the suggestion that a SIRO forum might be established with DETI and ALB SIROs represented.	Terry Coyne	<b>Actioned</b> – the Head of Human Resources and Central Services Division has confirmed that an NDPB forum exists which is attended by information security officers. The forum shares good practice, advice and lessons learnt.
11.	NDPB and Cross Border Bodies Governance Updates	Liaise with Chairman in relation to an invitation to either Invest NI or Tourism NI to attend the next meeting of the Departmental Audit Committee.	Terry Coyne	<b>Actioned</b> – Deborah Lange, the Chair of the Invest NI Audit Committee, is attending.
12.	Report to Those Charged with Governance 2014-15	Recommendations to be implemented.	David Conliffe	<b>Ongoing</b> (see Agenda Item 11)
13.	Conflicts of Interest – NIAO Good Practice Guide	Conflicts of Interest Policy to be drafted for the Department for the Economy.	Terry Coyne	<b>Ongoing</b> – Policy drafted using NIAO good practice guide and other existing policies as benchmarks.
14.	Fraud/Theft Notifications	Note to be issued to staff in DETI and ALBs regarding attempted e mail frauds.	Michael Woods	<b>Actioned</b> – Minute issued on 22 October 2015

Meeting on 29 September 2015 (cont)				
15.	Fraud/Theft Notifications	Business Regulation Division to be made aware of the Committee's views on raising awareness of attempted e mail frauds among the wider business community.	Secretariat	<b>Actioned</b> – Trading Standards Service has been advised of the Committee's views and has confirmed that it has been playing a part in raising awareness of e mail scams.

**Report to:** Departmental Audit Committee  
**Date:** 2<sup>nd</sup> December 2015  
**Prepared By:** Michael Woods  
**Report Title:** Progress Report to the Audit Committee

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**1. Introduction**

1.1 The purpose of this report is to provide the Audit Committee with an update on the current status of Internal Audit Plans, audit recommendations and the results of audit work.

**2. Key Points to Note**

2.1 The agreed DETI Audit Plan for 2015/16 comprised 15 audit assignments. Progress against the Audit Plan is set out in Section 2 of the paper below and highlights that 3 final reports have issued and fieldwork is ongoing / complete for a further 4 reviews. One review is currently being quality assured prior to the issue of a draft report. All remaining audit assignments have been scheduled in Quarter 4 (Appendix 1 refers). I can confirm that the Audit Plan is currently on target for delivery. However, as highlighted at paragraph 2.4 we intend to bring forward the review of RHI Non-Domestic and to utilise the auditor days that had been allocated to the review of efficiency savings, as part of this review.

2.2 No Limited Audit Opinions has been issued for work undertaken in DETI this year. The progress reports for Invest NI and for Tourism NI (TNI) are also attached for information. Both audit programmes are on target for delivery. There have been no limited audit opinions issued for either Invest NI or TNI as a result of work completed since the start of April 2015.

**3. Financial implications – None**

**4. HR implications – None**

**5. Recommendations** That the Audit Committee review and note the content of the Progress Report.



# **Department of Enterprise, Trade and Investment**

## **Internal Audit**

**PROGRESS REPORT 2015/16**

**TABLE OF CONTENTS**

	<b><i>Page(s)</i></b>
1. Introduction	1
2. Progress Against Plan 2015/16	2-4
3. Follow Up Recommendations	5
4. KPIs	6-7
Appendix 1 - Internal Audit Scheduling	8-11
Appendix 2 - Definition of Audit Opinions	12

**1. INTRODUCTION**

- 1.1 This report provides an update on the delivery of the DETI Audit Plan for the 2015/16 period and an update on the implementation of internal audit recommendations.
  
- 1.2 The 2015/16 plan was developed based on discussions between Internal Audit, the Departmental Accounting Officer, senior management and the Chair of the Departmental Audit Committee. It was agreed that a one year risk based plan should be developed as an interim measure due to a number of internal and external factors currently relevant to DETI and the restructuring of the Department.

## 2. PROGRESS AGAINST PLAN 2015/16

2.1 This is the second formal update provided to the Audit Committee on progress made against the delivery of the 2015/16 audit plan for the April to December period in accordance with the audit delivery schedule agreed with management - appendix A refers. A summary of the reviews agreed to be carried out in the period is set out in the table below:-

Year	Audit	Status	Audit Opinion	Recommendations		
				P1	P2	P3
2015/16	Info Security Validation	Final report	N/A	-	-	-
2015/16	Telecoms	Additional fieldwork required	TBC	-	-	-
2015/16	PMS	Final report	Satisfactory	-	-	-
2015/16	Complaints Handling	Final report	N/A	-	-	-
2015/16	TSS/CAB	Quality Assurance	TBC	-	-	-
2015/16	EC Designation	Fieldwork ongoing	TBC	-	-	-
2015/16	Energy – Domestic RHI	Fieldwork ongoing	TBC	-	-	-
2015/16	Information Mgt and Governance	Dec 2015	TBC	-	-	-
2015/16	Previous recommendations in respect Interreg III	Fieldwork complete	TBC	-	-	-

2.2 Nine reviews have taken forward in accordance with the audit delivery schedule. Since the last Audit Committee, one additional report (PMS) has been issued in final. Although it was anticipated that a Telecoms

draft report would issue in the period for management responses, some additional fieldwork has been required to address a number of State Aid compliance queries raised during the final quality assurance process. Fieldwork has also recently commenced for one new review – Energy Domestic RHI and the majority of fieldwork has now been completed in relation to the EC Designation process. A brief summary of the Presbyterian Mutual Society (PMS) final report that issued in the period is outlined below.

### **Presbyterian Mutual Society**

- 2.3 Internal Audit carried out a review of the Department's ongoing responsibilities in relation to the PMS project and considers that the system of internal control established by management to oversee the repayment of the PMS commercial loan in accordance with the repayment schedule contained within the Scheme of Arrangement is satisfactory. However, irrespective of the controls in place and not calling into question the accuracy and completeness of the projections, an inherent risk remains that the commercial loan may not be repaid in full due to a range of external factors outside the immediate control of the Department e.g. the market valuation of the realisation of assets, investment yields etc.

### **Overall Progress and Staff Resource Summary**

- 2.4 Internal Audit is satisfied with the progress of the plan today. However, I am proposing a change to the plan for the remainder of the year. It is proposed that the review of Energy Non-Domestic RHI is brought forward and should start immediately. The current review of Domestic RHI will be completed after the Non-Domestic review. In order to provide additional days for the RHI reviews, I also propose that the planned review of Efficiencies and Savings is removed from the plan. My reasons for this change are as follows:
- The current issues with RHI non-domestic increase the need to understand the current award and payment systems and identify if any improvements can be made to the system of control; and

- The progress of the Departmental efficacy savings is a regular issue covered by the Board.

#### Update on outstanding audit reviews from 14/15

2.5 The DETI Sponsor Control report still remains at draft report stage. Since the last Audit Committee, two reports (Procurement and Telecoms) have now issued with an overall satisfactory opinion. The current status of all outstanding 2014/15 reports is provided in the table below:

Year	Audit	Status	Audit Opinion	Recommendations		
				P1	P2	P3
2014/15	Telecoms	Final report	Satisfactory	-	4	1
2014/15	Procurement	Final report	Satisfactory	-	4	1
2014/15	Sponsor Control	Draft report	Satisfactory	-	4	2

### 3. FOLLOW UP RECOMMENDATIONS

3.1 The table below sets out the current position of all recommendations currently outstanding within DETI which have not yet been confirmed by Internal Audit as being implemented. Ten new recommendations (8 P2 and 2 P3) have been added to the register in the period.

	Brought forward	Added	Cleared	Number carried forward
<b>Priority 1</b>				
13/14	1	-	-	1
<b>Priority 2</b>				
Pre 11/12	2	-	(1)	1
12/13	1	-	(1)	-
13/14	3	-	(2)	1
14/15	16	8	-	24
<b>Priority 3</b>				
Pre 11/12	1	-	(1)	-
12/13	-	-	-	-
13/14	-	-	-	-
14/15	6	2	-	8
<b>TOTAL</b>	30	-	(5)	35

3.2 The current status of all recommendations outstanding in Tourism NI and Invest NI has been set out in the Audit Committee papers attached.

#### 4. INTERNAL AUDIT PERFORMANCE MEASUREMENT – KEY PERFORMANCE INDICATORS

4.1 A set of KPIs were previously brought forward to the Departmental Audit Committee and Internal Audit agreed corresponding targets with staff in individual personal performance agreements. The table below sets out our performance during Q1 – Q3 in relation to the delivery of the audit plan. In overall terms, Internal Audit has

Reference	Performance Indicator	Target	Actual
<b>1. Internal Audit planning</b>			
1.1	Annual plan to be submitted for Audit Committee approval/endorsement in advance of commencing fieldwork.	Before commencement of fieldwork/spring Audit Committee	Not achieved. The plan was approved by the DETI AO on 21st April 2015 and subsequently presented to Audit Committee for endorsement on 1st June 2015.
<b>2. Internal Audit delivery</b>			
2.1	Completion of audit plan in advance of year-end Audit Committee	All reports (at least in draft) to be issued in advance of year-end Audit Committee	N/A
2.2	Direct audit staff time (SO/EO) compared to total time available.	80%	Achieved
2.3	Follow-up of previous recommendations to be undertaken within one year of the audit taking place	1 Year	Achieved. Brought forward recommendations are reviewed on an ongoing basis and follow-up testing is currently up-to-date based on the resources available.
<b>3. Internal Audit reporting</b>			
3.1	Draft report to be issued within 15 working days of fieldwork being completed.	15 working days OR 20 working days (if outsourced or Audit Authority involved)	Achieved for all final reports issued in Q1 – Q3.
3.2	Final report to be issued within 10 working days of receipt of management responses	10 working days	Achieved for all final reports issued within Q1 –Q3
<b>4. Contribution towards improvement/enhancement in risk management, governance and control</b>			
4.1	Recommendations made compared to recommendations accepted	90%	For final reports finalised to date, 100% of recommendations have been accepted.
4.2	Recommendations made contribute to improvement / enhancement of risk	90% (to monitor using questionnaires)	100% for all customer satisfaction questionnaires received in the period to date.



	management, control and governance.		
<b>5. Internal Audit staff training and development</b>			
5.1	% of internal audit staff with GIAC.	70%	Achieved
5.2	Provision of appropriate continuing professional development training for qualified staff.	5 days per annum per qualified staff member	Ongoing

4.2 In addition, a set of NICS wide internal audit KPIs have also been developed by the Heads of Internal Audit and are reported against to the new group head on a quarterly basis. The targets are similar to those outlined above but include additional information requirements on each Unit's staff resources, IQA/EQA requirements etc for central monitoring and review purposes.

## APPENDIX 1 – INTERNAL AUDIT REVIEW SCHEDULING 2015/16

Audit	Scope	RAG opinion	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Info Security Validation	- Validation of Departmental information security returns		F			
Telecoms	- Expenditure Appraisal and Evaluation - Procurement - Project Management - Payments including Verification of Claims - Interim & Post-project Evaluations - Compliance with EC Regulations		D			
PMS	- Governance and Oversight Arrangements - Payment of Fees to Scheme Supervisors		F			
Complaints Handling	- To provide consulting support to ensure full compliance with DAO (DFP) 17/06 – Review of Complaints Handling and Compliance with agreed PSG Standards	N/A as consulting	F			
Previous recommendations in respect Interreg III	- To review the implementation of recommendations made in previous Interreg III review.			QA		
TSS/CAB	- Business Planning and Reporting - Delivery of Key Business Activities			QA		

	<ul style="list-style-type: none"> <li>- Roles and Responsibilities of Staff</li> <li>- Budget Control and Monitoring</li> <li>- Memorandum Trading Accounts (MTAs)</li> <li>- Income and Fees</li> <li>- Procurement</li> </ul>					
EC Designation	<ul style="list-style-type: none"> <li>- EC Compliance Review of DETI internal control framework established over the new EU Funding Programme</li> </ul>				C	
Energy – Domestic RHI	<ul style="list-style-type: none"> <li>- Expenditure Appraisal and Evaluation</li> <li>- Procurement</li> <li>- Project Management</li> <li>- Payments including Verification of Claims</li> <li>- Interim &amp; Post-project Evaluations</li> </ul>				C	
H&W PLC	<ul style="list-style-type: none"> <li>- Governance &amp; Oversight Arrangements</li> <li>- Administration of Employer and Public liability claims</li> <li>- Reconciliation of H&amp;W Account</li> </ul>					✓
Information Management & 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>				✓	

Energy – Non Domestic RHI	<ul style="list-style-type: none"> <li>- Expenditure Appraisal and Evaluation</li> <li>- Procurement</li> <li>- Project Management</li> <li>- Payments including Verification of Claims</li> <li>- Interim &amp; Post-project Evaluations</li> </ul>					✓
Energy – Gas to the West	<ul style="list-style-type: none"> <li>- Expenditure Appraisal and Evaluation</li> <li>- Procurement</li> <li>- Project Management</li> <li>- Payments including Verification of Claims</li> <li>- Interim &amp; Post-project Evaluations</li> </ul>					✓
Casework Test Drilling	<ul style="list-style-type: none"> <li>- Casework Committee Roles and Responsibilities</li> <li>- Casework Committee Approvals</li> <li>- Compliance with DAO (DFP) 06/12 - Departmental Delegations / Requirements for DFP Approval</li> </ul>					✓
Efficiencies and Savings	<ul style="list-style-type: none"> <li>- To provide consulting support to management in relation to Departmental efficiencies and savings plans as required.</li> </ul>					✓
Insolvency Cash Handling Investigation Follow-up	<ul style="list-style-type: none"> <li>- To ensure that the recommendations made during the Insolvency cash handling investigation carried out in 2014/15 have been fully implemented.</li> </ul>					✓

**KEY: F- FINAL; D – DRAFT; QA – UNDERGOING QUALITY REVIEW; C- FIELDWORK CURRENTLY UNDERWAY**



## APPENDIX 2 - INTERNAL AUDIT OPINIONS &amp; DEFINITIONS

Opinion	Definition
Substantial	There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.
Satisfactory	There is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.
Limited	There is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.
Unacceptable	The system 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 effectiveness of risk management, control and governance.

**Report to:** Audit & RISK Committee  
**Date:** 25 November 2015  
**Prepared By:** Michael Woods  
**Date Prepared:** 18 November 2015  
**Report Title:** Progress Report to the Audit & Risk Committee

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**1. Introduction**

- 1.1 The purpose of this report is to provide the Audit & Risk Committee with an update on the current status of Internal Audit Plans, audit recommendations and the results of audit work.

**2. Key Points to Note**

- 2.1 The agreed Invest NI Audit Plan for 2015/16 comprised 19 assignments, including EDO and Follow-up of recommendations. Progress against the Audit Plan is set out in Section 3 of the paper below and highlights that 1 final report has issued, 2 draft reports have issued and fieldwork is complete for a further 3 reviews. The remaining 13 audit assignments have been scheduled in Quarters 3 and 4 (Appendix 1 refers). I can confirm that the Audit Plan is on target for delivery.
- 2.2 No Limited Audit Opinions has been issued for work undertaken in Invest NI this year

**3. Financial implications – None**

**4. HR implications – None**

- 5. Recommendations -** That the Audit & Risk Committee review and note the content of the Progress Report.

# Invest NI

## Internal Audit Service

PROGRESS REPORT 2015/16



**TABLE OF CONTENTS**

	<b><i>Page(s)</i></b>
1. Introduction	3
2. Mid-year Audit Plan Review 2015/16	3
3. Progress Against Plan 2015/16	3 - 6
4. Follow Up Recommendations	6 - 7
5. Key Performance Indicators	7 - 9
Appendix 1 - Internal Audit Scheduling	10- 11
Appendix	12

## **1.0 INTRODUCTION**

- 1.1 This report provides an update on the delivery of the Invest NI Audit Plan for the 2014/15 period, progress on the delivery of the Invest NI Audit Plan for 2015/16 and an update on the implementation of internal audit recommendations.
- 1.2 The 2015/16 Audit Plan was developed based on the Internal Audit Service (IAS) Strategy 2013/14 to 2015/16 and discussions between IAS, the Accounting Officer, senior management and the Chair of the Audit & Risk Committee.

## **2. MID-YEAR AUDIT PLAN REVIEW 2015/16**

- 2.1 IAS has completed a mid-year review of the 2015/16 Internal Audit Plan. The 2015/16 Audit Plan comprised 19 reviews (including EDO reviews and IAS follow-ups). In Quarters 1 and 2, IAS has completed six of the 19 assignments, with one report issued in final, two draft reports issued with three to issue shortly and audit fieldwork started on a further six assignments (including EDO reviews).
- 2.2 In the 6 audit assignments completed, IAS has reported 'satisfactory' audit opinions (Appendix 2 refers) for all.
- 2.3 Internal Audit considers that the 2015/16 Audit Plan is progressing satisfactorily and we do not propose any in-year amendments to the Audit Plan.

## **3. PROGRESS AGAINST PLAN 2015/16**

- 3.1 This is the second formal update provided to the Audit & Risk Committee and covers progress made against the delivery of the 2015/16 Audit Plan for the April to September period – Q1 & Q2. A summary of the reviews agreed to be carried out in the period is set out in the table below.

Year	Review	Status	Audit Opinion	Recommendations		
				P1	P2	P3
2015/16	Amendments to LoOs	Final report	Satisfactory	-	1	2
2015/16	Trade Missions & Exhibitions	Draft report issued	Satisfactory	-	5	2
2015/16	Government Procurement Cards	Draft report issued	Satisfactory	-	1	1
2015/16	Marketing	Draft report (QA)	Satisfactory	-	-	-
2015/16	NI Screen	Draft report (QA)	Satisfactory	-	-	-
2015/16	Corporate Target Monitoring	Draft report (QA)	Satisfactory	-	-	-
2015/16	Claims Inspection	Fieldwork complete (QA)	TBC	-	-	-
2015/16	Information Security Management Systems	Fieldwork ongoing	TBC	-	-	-
2015/16	Grant for R&D	Fieldwork ongoing	TBC	-	-	-
2015/16	Sustainable Development	Fieldwork ongoing	TBC	-	-	-
2015/16	Government Funder's Database	Fieldwork ongoing	TBC	-	-	-
2015/16	Competence Centres	Scheduled Q3	TBC	-	-	-
2015/16	EC Management & Control Systems Assessment	Scheduled Q3				
2015/16	Property	Scheduled Q3				
2015/16	State Aid – De Minimis	Scheduled Q4				
2015/16	Overseas Offices - Boston	Scheduled Q4				

2015/16	Risk Management	Scheduled Q4				
2015/16	Follow-up exercise	Scheduled Q4				
2015/16	EDO reviews – 4 Inspections & 4 Sponsor Control	Scheduled Q3 & Q4				

3.2 IAS has completed 6 of the 19 audit assignments from the agreed Audit Plan for the 2015/16 period (Appendix 1 refers), with one report issued in final and two in draft for management responses. Audit fieldwork has been completed on a further three audits with reports currently being drafted. A further six reviews have commenced and audit fieldwork is currently ongoing. A summary of the audit reports issued in final for 2015/16 is outlined below.

#### Amendments to LoOs – 2015/16

3.3 IAS found that the control system established over Amendments to Letters of Offer is adequate and was operating effectively. The agreed audit report provided a satisfactory audit opinion with one priority 2 recommendations and two priority 3 recommendations. IAS identified an issue with the appropriate delegated authority approval for one LoO amendment.

#### Progress Update on Audit Plan 2014/15

3.4 IAS reported at the Audit & Risk Committee meeting on 23 September 2015 that the 2014/15 plan was substantially complete. There is one review still outstanding, MSFM Compliance, with a draft report due to issue soon – there is no opinion for this review as it was an agreed piece of consultancy. No significant issues were identified with Invest NI's compliance with the MSFM with the Department.

#### EDO reviews

3.5 The table below provides an overview of progress against the rolling programme of EDO reviews.

EDO	Sponsor Control	Inspection	Follow up
<b>EDO REVIEWS 14/15</b>			
Xcell Partners (Propel) - KPMG	Final Report	Final Report	2016/17
UCIT (Small Business Loan Fund) - ASM	Final Report	Final Report	N/A (substantial opinions)
BioBusiness - KPMG	Final Report	N/A	N/A (no contract)
TSB - KPMG	Final Report	N/A	N/A (IAS)
<b>EDO REVIEWS 15/16</b>			
Pentech (Techstart NI programme) - KPMG	Scheduled for Jan (tbc)	Scheduled for w/c 28 Sept	2016/17
Kernel Capital (Development Fund II) - KPMG	Scheduled for Jan (tbc)	Scheduled for w/c 28 Sept	2016/17
Crescent Capital (Development Fund I) - ASM	Scheduled for Jan (tbc)	Scheduled for Oct	2016/17
Work West (Social Enterprise Hub – South East) - KPMG	Draft Report received	Draft Report received	2016/17

IAS issued the following final reports since the last ARC meeting:

- NI Screen EDO Inspection report (2013/14) – satisfactory opinion.
- BioBusiness Sponsor Control report – satisfactory opinion.

#### Overall Progress Summary

3.13 Internal Audit is satisfied that the Audit Plan is progressing satisfactorily and that sufficient resources are available to ensure that the plan is delivered by 31<sup>st</sup> March 2016. The current resource position will continue to be kept under review.

## **4. FOLLOW UP RECOMMENDATIONS**

4.1 As agreed with the Audit & Risk Committee in September 2015, IAS is responsible for verifying the implementation of agreed audit recommendations in respect of audits with limited or unacceptable audit opinions, all priority 1 recommendations and the completion of an annual follow up exercise to test a sample of priority 2 and 3 recommendations, which management have deemed to have been implemented. In addition, all EC related audits are subject to separate, discreet follow up review by IAS.

Reviews with Limited or Unsatisfactory Audit Opinions

- 4.2 There have been no unsatisfactory or limited audit opinions issued in Quarters 1 and 2 as a result of 2015/16 audit work. There are no outstanding unsatisfactory or limited audit opinions for Invest NI (either IAS or EDO reviews).

Priority 1 Recommendations

- 4.3 The IAS progress report presented at the Audit & Risk Committee meeting on 23 September 2015 informed of one priority 1 recommendation, relating to i-expenses. Invest NI sent proposed changes to the Invest NI expenses policy to DETI on 3 April 2015 for consideration/approval. This issue is still outstanding and Invest NI is awaiting a response from the Department.

Annual Follow Up Compliance Review

- 4.4 IAS will complete a sample based review on the implementation of priority 2 and 3 audit recommendations, which management notified had been implemented, in Q4.

EC Related Audits

- 4.5 There have been no EC related follow up reviews completed during Quarters 1 and 2 of 2015/16. There are currently two EC related audit reports that are both scheduled for follow up review during quarter 4 of 2015/16, namely:

- Access to Finance; and
- E-Business.

## **5. INTERNAL AUDIT PERFORMANCE MEASUREMENT – KEY PERFORMANCE INDICATORS**

- 5.1 A set of KPIs were previously brought forward to the Audit & Risk Committee and IAS agreed corresponding targets with staff in individual personal performance agreements. The table below sets out our performance during Q1 and Q2 in relation to the delivery of the Audit Plan.
- 5.2 In overall terms, 6 out of the 7 applicable KPIs have been achieved. The KPI on the issue of draft audit reports within 15 working days of fieldwork was not met in respect of one draft report issued during Quarter 3 (Trade Missions & Exhibitions – IA06/INI/15).

Reference	Performance Indicator	Target	Actual
<b>1. Internal Audit planning</b>			
1.1	Annual plan to be submitted for Audit Committee approval / endorsement in advance of commencing fieldwork.	Before commencement of fieldwork/spring Audit Committee	Achieved. The 2015/16 Audit Plan was presented to the Audit & Risk Committee on 25 February 2015. The revised Audit Plan was endorsed by the Audit & Risk Committee on 23 September 2015.
<b>2. Internal Audit delivery</b>			
2.1	Completion of audit plan in advance of year-end Audit Committee.	All reports (at least in draft) to be issued in advance of year-end Audit Committee	N/A
2.2	Direct audit staff time (SO/EO) compared to total time available.	80%	Achieved
2.3	Follow-up of previous recommendations to be undertaken within one year of the audit taking place.	1 Year	N/A – new approach to follow-ups approved
<b>3. Internal Audit reporting</b>			
3.1	Draft report to be issued within 15 working days of fieldwork being completed.	15 working days OR 20 working days (if outsourced or Audit Authority involved)	Not achieved for one draft report issued in Q3.
3.2	Final report to be issued within 10 working days of receipt of management responses.	10 working days	Achieved for all final reports issued in Q1 and Q2.
<b>4. Contribution towards improvement/enhancement in risk management, governance and control</b>			
4.1	Recommendations made compared to recommendations accepted.	90%	For final reports finalised to date, 100% of recommendations have been accepted.
4.2	Recommendations made contribute to improvement / enhancement of risk management, control and governance.	90% (to monitor using questionnaires)	100% for all customer satisfaction questionnaires received in the period to date.
<b>5. Internal Audit staff training and development</b>			
5.1	% of internal audit staff with GIAC.	70%	Achieved
5.2	Provision of appropriate continuing professional development training for qualified staff.	5 days per annum per qualified staff member	Ongoing

5.3 In addition, a set of KPIs has also been developed by the Group Head of Internal Audit and Fraud Investigation Services and are reported by each Internal Audit unit on a quarterly basis. The targets are similar to those outlined above but also include additional information such as details of each Unit's staff complement, Internal and External Quality Assessment (IQA/EQA) requirements etc. for central monitoring and review purposes.



## APPENDIX 1 – INTERNAL AUDIT REVIEW SCHEDULING 2015/16

Audit	Scope	RAG opinion	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Government Procurement Cards	To assess the design and operating effectiveness of procedures and controls relating to the Government Procurement Card.				D	
Grant for R&D	To assess the adequacy and effectiveness of processes in place in respect of Grants for R&D – ERDF funded.				C	
Competence Centres	To assess the adequacy and effectiveness of processes in place for Competence Centres.				✓	
Trade Missions & Exhibitions	To assess the adequacy and effectiveness of processes in place for Visits and Exhibitions.			D		
Property	To assess the adequacy and effectiveness of processes in place in respect of Property.				✓	
Sustainable Development	To assess the adequacy and effectiveness of processes in place for Sustainable Development – ERDF funded.				C	
Claims Inspection	To assess the adequacy and effectiveness of processes in place in respect of Claims Inspection.			C		
Amendments to LoOs	To assess the adequacy and effectiveness of processes in place over amendments to LoOs.		F			
Government Funders Database	To assess compliance with FD (DFP) 17/05 in relation to input of data to the Government Funders Database.				C	
Overseas Offices	To assess the adequacy and effectiveness of processes in place in Overseas Offices.					✓

NI Screen	A review of the sponsor control arrangements within Invest NI over NI Screen.	Anticipated		QA		
Marketing	To assess the adequacy and effectiveness of the processes in place over Marketing within Invest NI.			QA		
Risk Management	To assess the adequacy and effectiveness of the processes in place over Risk Management within Invest NI.					✓
Information Security Management Systems	To assess the adequacy and effectiveness of the processes in place over ISMS and the accreditation of ISO27001.			C		
Quality Review of the EU Management Control Systems	To provide an assessment of the Management and Control systems in place for the new EU Programme.				✓	
EDOs	To ensure that adequate and effective risk management, control and governance arrangements have been established over and within EDOs.				C	✓
State Aid – De Minimis	To assess the adequacy and effectiveness of procedures and processes in place to obtain De Minimis declarations prior to aid being granted.					✓
Corporate Target Monitoring	To provide advice and guidance on the reported target figures to Invest NI and DETI.	Anticipated		QA		
Follow-Up Review	To examine a sample of recommendations to ensure implementation.					✓

**KEY: F- FINAL; D – DRAFT; QA – UNDERGOING QUALITY REVIEW; C- FIELDWORK CURRENTLY UNDERWAY**

**APPENDIX 2 - INTERNAL AUDIT OPINIONS & DEFINITIONS**

<b>Opinion</b>	<b>Definition</b>
Substantial	There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.
Satisfactory	There is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.
Limited	There is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.
Unacceptable	The system 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 effectiveness of risk management, control and governance.

# Tourism Northern Ireland

## Internal Audit Service

*Update report to the Audit Committee  
1st December 2015*

**DFE-394892**

## TABLE OF CONTENTS

	<b><i>Page(s)</i></b>
1. Introduction	1
2. Executive summary	1
3. Status of 2014/15 Internal Audit Plan	2
4. Follow up Recommendations Register	4
Appendix 1 - Internal Audit Report Scheduling for Audit Committee	5
Appendix 2 – Internal Audit Opinion & Priority Rating Definitions	6

## 1. INTRODUCTION

1.1 The purpose of this document is to outline the status of the revised Tourism Northern Ireland (TNI) Internal Audit plan 2015/16, to provide an update on the implementation of brought forward Internal Audit recommendations, to outline the status of all limited opinions for Tourism Northern Ireland (TNI) and to provide an update on any other relevant assignments.

## 2. EXECUTIVE SUMMARY

2.1 The 2015/16 Internal Audit Plan is progressing well (Refer to Section 3). Since the last Audit Committee, a draft report on Advertising and Marketing has been issued for management responses with an overall satisfactory opinion and a draft consulting report on the new Strategic Partnership Grant Fund proposal has also been issued for management consideration and review.

2.2 Fieldwork is currently ongoing in relation to the Events Management review and a draft report is due to issue shortly for management responses.

2.3 Internal Audit reviews of Financial Management and Procurement have been scheduled to be carried out in January and March 2016 (quarter 4). Since the last meeting of the Audit Committee, no new recommendations have been added to the register.

2.4 Further follow up review testing is also scheduled to be carried during quarter 4 and will include confirming the implementation of recommendations made during the 2014/15 FAM trip review. Refer to Section 4.

### 3. STATUS OF 2015/16 REVISED INTERNAL AUDIT PLAN

No.	Review	Proposed scope	Status	Opinion		
				P1	P2	P3
1.	Financial Management	To ensure that satisfactory financial management systems have been established to ensure agreed financial and business objectives are achieved.	January 2016		-	
2.	Advertising and Marketing	To examine the risk management, control and governance arrangements established over the management and appraisal of advertising and marketing campaigns and associated expenditure.	Fieldwork Complete		Satisfactory	
					3	
3.	Procurement	To ensure that Tourism NI's procurement practices fully comply with all relevant Departmental and CPD policies/procedures as required.	March 2016		-	
4.	Payroll	To examine the adequacy and effectiveness of the system of internal control established over the Tourism NI Payroll system.	Final Report		Substantial	
5.	Events	To provide an opinion on the governance, risk management and control arrangements established over Events Management systems	Ongoing		-	
6.	IT Platform Project (2014/15)	To undertake a risk based system review of the governance and oversight of the project and compliance with relevant EC key requirements.	Final		Satisfactory	
					5	

No.	Review	Proposed scope	Status	Opinion		
				P1	P2	P3
7.	Strategic Partnership Grant Fund	To provide consulting support in relation to the Tourism NI Strategic Partnership Grant Framework.	Draft report	N/A		
8.	Follow up reviews	To assess progress made by management in the implementation of recommendations made during previous Internal Audit reviews.	Ongoing	-		



#### 4. OUTSTANDING RECOMMENDATIONS REGISTER

	Number brought forward	Confirmed as implemented in period	Additional in period	Closing position @ 15 Sept 2015
<b>High (Priority 1)</b>				
Pre 2012/13	2	-	-	2
2012/13	-	-	-	-
2013/14	-	-	-	-
2014/15	1	-	-	1
<b>Medium (Priority 2)</b>				
Pre 2012/13	1	-	-	1
2012/13	1	-	-	1
2013/14	-	-	-	-
2014/15	11	-	-	11
2015/16	-	-	-	-
<b>Low (Priority 3)</b>				
2012/13	1	-	-	1
2013/14	-	-	-	-
2014/15	2	-	-	2
<b>Total</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>

- As previously reported, 19 recommendations have been carried forward.
- Following the issue of all final reports, Internal Audit has reviewed the outstanding recommendations register database and amended the opening balance to reflect the current position to take into account all recommendations accepted by management.
- Two opening priority 1 recommendations remain carried forward into the next reporting period.
- No new recommendations have been added to the register in the period.

**APPENDIX 1 REPORT SCHEDULING FOR AUDIT COMMITTEE**

Audit Plan	Review	Reports presenting to Audit Committee			Current status / notes
		September	December	March	
2015/16	Financial Management			✓	Rescheduled for January 2016
2015/16	Advertising and Marketing		✓	✓	Draft Report
2015/16	Procurement			✓	Scheduled for February 2015
2015/16	Payroll	✓			Final Report
2015/16	Events		✓		Ongoing
2015/16	SPGF Consulting		✓		Draft Report
2014/15 (C/F)	IT Platform Project	✓			Final report

## APPENDIX 2 Internal Audit Opinion & Priority Rating Definitions

### Opinions

Opinion	Definition
Substantial	There is a robust system of risk management, control and governance which should ensure that objectives are fully achieved.
Satisfactory	There is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.
Limited	There is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.
Unacceptable	The system 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 effectiveness of risk management, control and governance.

### 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.



**DAC Agenda Item 9****DEPARTMENTAL AUDIT COMMITTEE: 2 DECEMBER 2015****TITLE OF PAPER: ENERGY DIVISION UPDATE ON NON DOMESTIC RENEWABLE HEAT INCENTIVE****KEY ISSUES**

- In its PfG, the Executive has a target of achieving 4% renewable heat by 2015. This is an interim milestone to achieving 10% renewable heat by 2020 in line with the Executive's Strategic Energy Framework (SEF).
- The Business Case for the Non Domestic RHI Scheme was approved by DFP in April 2012 covering the period 1 July 2012 to 31 March 2015.
- £25 million of funding was made available by HMT for a NI RHI over the same period. However, due to the poor levels of uptake with the NI RHI schemes, only £2m of this funding was spent during the first 3 years. The priority was therefore to try and improve uptake.
- A Phase 2 Review of the RHI was completed in 2013. With low uptake levels and large under spends against allocation, implementation of a Domestic scheme and scheme promotion were given precedence over other proposals which it was planned would then follow on.
- The Renewable Heat Team which in the run up to April 2015 had different personnel in place than those who secured approval for the scheme assumed that further approvals were not needed.
- Demand for the non-domestic scheme picked up in 2014-15. A sustained increase in application numbers was not achieved until March/April 2015.
- In response to this increase in demand, the Department then acted through policy development in May/June and having provided the required notice period of 2-3 months for making changes to the scheme, the required legislation to amend the scheme was approved by the Assembly on 17 November 2015 and came into operation on 18 November 2015.
- The changes involved tariff amendments reducing the tariff payable through the introduction of a two tier tariff structure for biomass, a change in medium biomass banding, and the introduction of a cap on annual payments.
- The current 2015-16 AME budget for both RHI schemes is £22.8m. Current information on applications received means that we are now forecasting 2015-16 expenditure of £32.8m, and the Department will seek to secure additional AME cover in a Monitoring technical exercise that DFP is about to commission and which will incorporate proposed AME adjustments.
- At this point, with no additional offers beyond March 2016, expenditure is anticipated to rise to at least £48.5m in 2016-17. Any new 2016-17 offers would further increase this amount.

- The recent Autumn Statement indicated that expenditure on the RHI at national level would increase to £1.150 billion in 2020/21. However, this actually represents a 30% (or £690m) reduction from previous DECC forecasts of £1.8 billion for 2020/21. The Department is currently reviewing the implications of the Autumn Statement but with this reduction, it is highly likely that both NI RHI schemes will have to close.
- DFP approval for expenditure from 1 July 2012 up until the end of March 2015 was received on 27 April 2012. DFP approval has now also been received for the period 29 October 2015 to 31 March 2016. The position on retrospective approval for the period 1 April 2015 to 28 October 2015 is subject to further consideration. The position in the period beyond March 2016 is also subject to further review once the impact of the Chancellor's Autumn Statement is known.
- The Department will continue to engage with DFP on the regularisation of expenditure in the period 1 April 2015 to 28 October 2015 and will provide a further update to the Committee on this matter and on the implications on the Scheme arising from the Autumn Statement.

**DECISION REQUIRED**

- None.

**ACTION REQUIRED**

- The Departmental Audit Committee is asked to note the position.

**TIMESCALE**

- Immediate.

## DEPARTMENTAL AUDIT COMMITTEE

### ENERGY DIVISION UPDATE PAPER ON NON-DOMESTIC RENEWABLE HEAT INCENTIVE

#### Background

1. In its Programme for Government (PfG) the Executive has a target of achieving 4% renewable heat by 2015. This is an interim milestone to achieving 10% renewable heat by 2020 in line with the Executive endorsed Strategic Energy Framework (SEF). In pursuit of these targets, the interim Renewable Heat Premium Payment (RHPP) and the Non Domestic Renewable Heat Incentive (RHI) schemes were introduced in May and November 2012 respectively. The full Domestic RHI Scheme was introduced in December 2014 to replace the RHPP. The proposed tariffs for both RHI schemes were developed on behalf of DETI through an external consultancy exercise carried out by Ricardo-AEA. The tariffs as adjusted for inflation are payable for twenty years, and the total amount payable to an applicant in any year is based on their usage in that year.
2. The Business Case for the Non Domestic RHI Scheme was approved by DFP in April 2012 covering the period 1 July 2012 to 31 March 2015. Any decision to continue the scheme beyond 2015 was subject to separate DFP approval.
3. A Phase 2 Review of the RHI was completed in 2013. This included proposals for a new Domestic scheme, extension of the Non Domestic scheme and Cost Control measures. With low levels of uptake in previous years and large under spends against allocation, implementation of a Domestic scheme and scheme promotion were given precedence over other proposals which it was planned would then follow on.
4. £860 million was made available from central Government funding to support the introduction of a Renewable Heat Incentive (RHI) in GB over the period 2011-2015. £25 million of funding was made available by HMT for a NI RHI over the same period. However, due to the poor levels of uptake with the NI RHI schemes, only £2m of this funding was spent during the first 3 years. The priority was therefore to try and improve uptake.
5. Demand for the non-domestic scheme picked up in 2014-15. A sustained increase in application numbers was not achieved until March and April 2015.
6. The Renewable Heat Team which in the run up to April 2015 had different personnel in place than those who secured approval for the scheme, assumed that further approvals were not needed.
7. Further control measures are being implemented to ensure that there will be no reoccurrence of an omission to recognise the time limited nature

of an approval. This is on the basis of changes that we are introducing to our assurance statement process whereby divisions will explicitly confirm that they have reviewed all of their expenditure and that none falls outside of any DFP approval that was given on a time limited basis and that if there are such approvals in place and it is intended to continue expenditure beyond the approval date that work is underway within timelines that will ensure that appropriate approval is in place prior to further spend.

8. In response to the increase in demand for the Non-Domestic Scheme, the Department then acted through policy development in May/June and having provided the required notice period of 2-3 months for making changes to the scheme (accepting reasonable legal risk), and received DFP approval, introduced legislation in November to amend the Scheme. The required legislation was approved by the Assembly on 17 November 2015 and came into operation on 18 November 2015
9. The changes involved tariff amendments reducing the tariff payable. The first 1314 annual operating hours, (15% of the maximum possible annual hours) for small and medium biomass will be paid at the standard tier 1 rates of 6.7 and 6.4 pence per kWh respectively, thereafter reducing to 1.5 pence per kWh for additional hours. Also, an annual cap of 400,000 kWh will apply after which no heat payment will be made. The medium biomass banding is also being extended upwards to 199kW to encourage the installation of larger more efficient boilers. It is hoped that these changes to the most popular biomass technology will bring expenditure back within budget. The increase in the non domestic RHI uptake over the past 12 -18 months has been substantial, rising from around 200 applications in July 2014 to 1802 at 23 November 2015. In particular there was a surge of activity in the run up to the introduction of the tariff changes which saw some 900 new applications since the beginning of October. It is now expected that applications will tail off with the introduction of the changes.



## Expenditure and Budget Position

10. Expenditure in £000s under the scheme in the years 2012/13 to 2014/15 is set out below:-

	2012/13 £000	2013/14 £000	2014/15 £000
Resource	20	650	6785
Capital	450	1000	1140
Total	470	1650	7925

11. The current 2015-16 AME budget for the Scheme is £22,816k. Current information on applications received means that we are now forecasting 2015-16 expenditure of £32.8m, and the Department will seek to secure additional AME cover in a Monitoring technical exercise that DFP is about to commission and which will incorporate proposed AME adjustments. At this point, with no additional offers beyond March 2016, expenditure is anticipated to rise to at least £48.5m in 2016-17. Any new 2016-17 offers would further increase this amount.
12. The recent Autumn Statement indicated that expenditure on the RHI at national level would increase to £1.150 billion in 2020/21. However, this actually represents a 30% (or £680m) reduction from previous DECC forecasts of £1.8 billion for 2020/21. The Department is currently reviewing the implications of the Autumn Statement but with this reduction, it is now highly likely that both NI RHI schemes will have to close.

## Current Approvals

13. DFP approval for expenditure from 1 July 2012 up until the end of March 2015 was received on 27 April 2012. An addendum to the original business case was submitted to DFP on 27 October 2015 seeking retrospective approval for expenditure in the period from April 2015. DFP approval has now also been received for the period 29 October 2015 to 31 March 2016. However, the position on retrospective approval for the period 1 April 2015 to 28 October 2015 is subject to further consideration. The position for the period beyond March 2016 is also subject to further review once the impact of the Chancellor's Autumn Statement is known.
14. The Department will continue to engage with DFP on the regularisation of expenditure in the period 1 April 2015 to 28 October 2015 and will provide a further update to the Committee on this matter and on the implications on the Scheme arising from the Autumn Statement.

**TITLE OF PAPER: NIAO REPORT TO THOSE CHARGED WITH GOVERNANCE  
(RTTCWG) 2014/15**

**Paper presented by: Iain McFarlane**

**KEY ISSUES**

- The final version of the 2014-15 RTTCWG, including DETI management responses, was issued by NIAO on 6 August 2015
- Four priority 2 issues have been raised in the report and have been discussed at previous Departmental Audit Committee meetings.

**DECISION REQUIRED**

- None.

**ACTION REQUIRED**

- To note progress on issues raised by NIAO

**TIMESCALE**

- Ongoing

**NIAO REPORT TO THOSE CHARGED WITH GOVERNANCE (RTTCWG) 2014/15****Background**

1. After the Northern Ireland Audit Office (NIAO) presents its "Report to Those charged with Governance" (RTTCWG) in draft form to the Departmental Audit Committee, its comments and recommendations are issued to relevant managers in the Department. The comments of managers are collated and a response containing management's comments is issued to NIAO.
2. NIAO then formally issues the report, containing management's comments, to the Department. This was received by DETI on 6 August 2015.
3. The RTTCWG is included in the Committee's papers and contains four priority 2 recommendations.
4. A summary of the recommendations and an update on their implementation is provided below.

**Recommendations****Presbyterian Mutual Society (PMS) (Recommendations 1 & 4)**

5. NIAO have recommended that DETI ensure that the PMS adheres to the timetable for production of its annual accounts to allow sufficient time for them to be considered prior to the signing of the Departmental accounts. NIAO have also recommended that DETI continue to monitor and challenge the fees of the PMS Joint Supervisors. The Department has accepted these recommendations.
6. DETI is challenging and monitoring fees on an on-going basis and will work with PMS at accounts production time to ensure that timetables are adhered to.

**Harland and Wolff (H&W)**

7. NIAO has recommended that a variation in the provision for future claims by ex-H&W employees between the DETI accounts and the H&W accounts be reviewed and that DETI consider obtaining third party review of claim settlements. DETI has committed to review the carrying values of the provisions and is content that there are currently sufficient independent checks on the claims process and settlements.
8. The liability to provide future funding to H&W plc, above any beyond that required to settle claims, including management fees and professional services, which are included in the DETI provision, means that there will be a variance between the two sets of accounts. The level of that variance is under review with any amendments required being incorporated into the December 2015 interim accounts, which will be subject to audit by NIAO.

**Invest NI CFER**

7. Invest NI have a long standing receivable balance of circa £2m in relation to CFER (Consolidate Funds Extra Receipts) that is also reflected in the DETI accounts.

NIAO recommend that this balance be reviewed as to its recoverability. This recommendation has been accepted.

8. In order to facilitate the review, Invest NI are currently working to provide a breakdown of the circa £2m figure.

**DEPARTMENTAL AUDIT COMMITTEE****TITLE: RISK MANAGEMENT**

**Paper presented by: Terry Coyne**

**KEY ISSUES**

- Following review by Heads of Division and Heads of Unit, the Corporate Risk Register is considered by the Departmental Board at each of its meetings.
- The Departmental Board also considers significant Corporate Risks relating to NDPBs and cross border bodies.
- Heads of Division and Heads of Unit consider risks relating to their specific business areas on a quarterly basis. Significant risks, that is, those risks with a residual assessment of high or medium impact and high likelihood, are reported quarterly to the Departmental Board.

**ACTION REQUIRED**

The Departmental Audit Committee is asked to:

- a. Note the process by which the Corporate Risk Register is updated prior to each Departmental Board meeting;
- b. Note the amendments to the Corporate Risk Register as approved by the Departmental Board;
- c. Consider the completeness of the risk register as a whole and the reasonableness of the assessments of residual risk in relation to impact and likelihood;
- d. Note that the updated Corporate Risk Register will be circulated to Heads of Division / Heads of Unit prior to the next Departmental Board meeting on **19 January 2016**; and
- e. Note the risks reported by NDPBs and Cross Border Bodies that are considered significant.

**TIMESCALE**

The updated Corporate Risk Register will be circulated to Heads of Division / Unit for review prior to the next meeting of the Departmental Board.

## DEPARTMENTAL AUDIT COMMITTEE – 2 DECEMBER 2015

### RISK MANAGEMENT

#### CORPORATE RISK REGISTER

##### Introduction and Process

1. The Corporate Risk Register is circulated to Heads of Division and Heads of Unit prior to each Departmental Board meeting, with Division and Unit Heads being asked to:
  - a. Notify Accountability and Casework Branch of any new Corporate Risks that have not been previously identified at Corporate or Divisional level;
  - b. Notify Accountability and Casework Branch of any Divisional risks that they consider should be escalated for the Board to consider including in the Corporate Risk Register; and
  - c. Notify Accountability and Casework Branch of any additional actions they are currently taking or plan to take in relation to risks currently on the Corporate Risk Register.
2. The Corporate Risk Register was circulated to Heads of Division / Unit on **26 October 2015** and was last reviewed by the Departmental Board at its meeting on **17 November 2015**. The Departmental Board approved a number of amendments at that meeting. Details are set out at **Annex A** to this paper. The Corporate Risk Register as approved by the Departmental Board is attached at **Annex B**.
3. The Departmental Board also considers significant Corporate Risks relating to NDPBs and cross border bodies at each of its meetings.
4. Heads of Divisions and Units review risks relating to their areas of command on a quarterly basis. Significant risks identified through the quarterly reviews (that is risks with a residual impact of medium or high and a residual likelihood of high) are reported to the Departmental Board.

##### Linkages between Risk Management Process and the Six Monthly Assurance Statement Process

5. The risk management process is forward looking, in that it seeks to identify future events that may potentially affect the delivery of objectives. By contrast, the six monthly assurance statement process looks back to the preceding six month period and either provides assurance on the efficacy of internal control systems or highlights the consequences of any significant lapses in the system of internal control that have occurred.
6. If the risk management process is operating effectively and actions are being taken to mitigate risks the number of internal control issues reported under the six monthly assurance statement process should be minimal. However, risks which have been identified do occasionally crystallise and the consequences will be reported in the six

monthly assurance statement. An undesirable situation indicating a weakness in the risk management process is the highlighting of a significant internal control issue in a six monthly assurance statement which was not identified through the operation of the risk management process.

7. Although the six monthly assurance statement from Energy Division was outstanding at the time this report was produced, Energy Division's previous six monthly assurance statement referred to issues associated with the funding requirements for the Non-Domestic Renewable Heat Incentive Scheme for 2015-16 and beyond and the implications of continuing the Scheme at forecast levels of demand. Issues relating to the Scheme are also referred to in the Corporate Risk Register at Risk 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 EU expenditure targets".
8. Finance Division's six monthly assurance statement highlights Invest NI's significant grant accruals and the associated risks of overspending or underspending. This issue is also referred to in the Corporate Risk Register at Risk 4 along with mitigating action in the form of regular monitoring meetings with Invest NI.
9. None of the other risks identified in DETI's Corporate Risk Register have crystallised.

### **Departmental Audit Committee Action**

10. The Departmental Audit Committee is asked to:

- a. Note the amendments to the Corporate Risk Register as approved by the Departmental Board;
- b. Consider the completeness of the risk register as a whole and the reasonableness of the assessments of residual risk in relation to impact and likelihood;
- c. Note that the updated Corporate Risk Register will be circulated to Heads of Division / Heads of Unit prior to the next Departmental Board meeting on **19 January 2016** and;
- d. Note the risks reported by NDPBs and Cross Border Bodies that are considered significant.

**AMENDMENTS TO CORPORATE RISKS APPROVED AT THE DEPARTMENTAL BOARD MEETING ON 17 NOVEMBER 2015**

The Departmental Board approved the following amendments to the following corporate risks at its meeting on 17 November 2015:

**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”**

**Economic Policy Division** updated the Actions Planned column to reflect the provision of the draft Exports Action Plan to the Economic Advisory Group (EAG) for comment.

**Minerals and Petroleum Branch (MPB)** also updated the Actions Planned column to reflect the commencement of work on scoping the terms of reference for a study into the economic potential of NI’s mineral and petroleum assets and on the identification of the resources required to take the study forward.

**Risk 3 “Ineffective governance leading to poor value for money, fraud, loss to public funds, or irregular expenditure”**

**Energy Division** updated the Actions Planned column to reflect the receipt of legal advice on the Gas to the West Letter of Offer and further planned interaction with the project developers which will lead to the finalisation of the Letter of Offer. This work was scheduled to be completed by the end of November 2015.

**Risk 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 EU expenditure targets”**

**Finance Division** reported that DFP approval has been obtained for operation of the Non-Domestic Renewable Heat Incentive Scheme from 29 October 2015 to 31 March 2016 and the Actions Planned column was updated to reflect DFP’s consideration of a case for retrospective approval for new commitments under the Scheme in the period from 1 April 2015 to 28 October 2015.

**Energy Division** updated the Controls in Place column to reflect a request by the Gas to the West project developers of a single end of project grant payment of circa £25 million in 2017-18 instead of staged grant payments.



**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 its Minister.”**

**Human Resources and Central Support Division** updated the Action Planned column to reflect the provision of a response to correspondence received from the Information Commissioner’s Office (ICO) which highlighted DETI’s low rates of compliance with FOI deadlines. A response from ICO is awaited.

**Energy Division** updated the Controls in Place column to reflect the establishment of a Secure File Transfer Protocol between Energy Division and the System Operator for Northern Ireland for management of all records relating to security of electricity supply considerations.

**Risk 7 “Non implementation of EU Directives and/or other relevant EU regulations leading to the imposition of penalties on the Department. Criticism of the Department for providing assistance which is not compliant with the EU’s ‘industrial’ State Aid rules and/or for not replicating GB legislation in NI.”**

**Energy Division** made some presentational changes to the Actions Planned column in relation to compliance with the Energy Efficiency Directive, and amended the target date from November 2015 to November / December 2015.

**Energy Division** also revised the target date for the work being progressed to give effect to immediate obligations arising from Capacity Allocation and Congestion Management Regulation from November 2016 to November / December 2016. The Controls in Place column was also updated to reflect work that has progressed in relation to this Regulation.

**Minerals and Petroleum Branch** also updated the Controls in Place and Actions Planned columns. The Branch reported that progress has been made in the development of the Regulations required to fully transpose the Carbon Capture and Storage EU Directive, with the progression of an Executive paper. The main outstanding action is the securing of Executive approval to make the Regulations (which are cross cutting). Given delays in securing Executive approval, the Branch now anticipates that the Regulations will be laid in early Spring 2016.

**Risk 8 “Failure to file disqualification proceedings in compliance with the Department’s approved framework within statutory limits and against those directors where evidence of misconduct has been identified”.**

11. The **Insolvency Service** updated the Controls in Place and Actions Planned columns. Controls in Place have been updated to reflect measures being undertaken by the Insolvency Service to manage caseloads, including the working of short term overtime. The statutory time period for disqualification has been extended from two years to three years which provides the Insolvency Service with additional room to manoeuvre. The Actions Planned column was updated to reflect the resolution of issues relating to the provision of insolvency services by an outside service provider. A tender exercise has been launched and it is anticipated that a contract will be established in mid December.

**SIGNIFICANT NDPB CORPORATE RISKS REPORTED TO THE DEPARTMENTAL BOARD**

12. **Invest NI, the Health and Safety Executive for Northern Ireland and the Consumer Council** reported that they had no significant corporate risks.

13. **Tourism NI** highlighted one significant risk around securing sustained long term investment due to what it represented as being insufficient funding. Tourism NI reported that additional budget allocations have been confirmed although they are significantly reduced on prior years, particularly in terms of investment in advertising which has been reduced from £4m to £1m and also reported that the new Rural Development Programme has identified £10 million for tourism infrastructure investment. Tourism NI stated that it is taking a number of actions to mitigate the risk. These include current and future engagement with decision makers to articulate the case for additional funding, optimising the use of existing funding, maximising opportunities to draw down EU funding, strengthening relationships with key delivery partners and identifying long term priorities.

14. Both of DETI’s North South bodies reported significant risks:

- **InterTradeIreland** continued to highlight a risk relating to challenging economic conditions, which result in a lack of adequate funding to service existing programmes and to undertake new initiatives. Controls in place include roll out of its agreed operating plan, engagement with sponsor bodies and NSMC, and continual review of project portfolio to optimise available resources. Finally, InterTradeIreland continued to report a risk that it may not be seen as relevant.
- **Tourism Ireland Limited** continued to highlight a significant risk in relation to the effect of major events on tourism such as health scares (such as Ebola), 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. Tourism Ireland Ltd also highlighted a risk around an inability to secure funding to enable it to achieve its objectives which will result in long term reductions in visitor revenues and numbers (TIL has also noted the potential pressure that the strengthening of the US dollar against the Euro puts on the cost of its operations and marketing activities in the US). Tourism Ireland Ltd also drew

attention to the risk associated with the uncertainties over institutions in Northern Ireland which might impact on the approval of business plans and budgets at the start of 2016 (this risk has now diminished as a result of the recent political agreement).

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

Date of Last Review: 20 October 2015				Date of Current Review: 17 November 2015					
Risk Category	No	Residual Assessment at Start of Year		Description	Current Residual Assessment		Movement since last review	Board 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 Business Plan commitments resulting in political and public criticism of the DETI Minister and Department.	Medium	Low	=>	CS (All Divs)	Yes
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	=>	CS (EPD)	Yes
Financial / VFM	3	Medium	Low	Ineffective governance leading to poor value for money, fraud, loss to public funds, or irregular expenditure.	Medium	Low	=>	ER (All Divs)	Yes
Financial / VFM	4	Medium	High	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 EU expenditure targets.	Medium	High	=>	ER (Finance HRCS)	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	=>	ER (BRD)	Yes
Compliance Legal / Regulatory	6	Medium	High	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	High	=>	ER (HRCS)	Yes

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

Compliance Legal / Regulatory	7	High	Medium	Non implementation of EU Directives and/or other relevant EU regulations leading to the imposition of penalties on the Department. Criticism of the Department for providing assistance which is not compliant with the EU's 'industrial' State Aid rules and/or for not replicating GB legislation in NI.	High	Medium	=>	CS (Energy Tourism, Telecom GSNI)	Yes
Compliance Legal / Regulatory	8	High	High	Failure to file disqualification proceedings in compliance with the Department's approved prioritisation framework within statutory limits, and against those directors where evidence of misconduct has been identified.	Medium	Medium	=>	ER (BRD)	Yes
Operational and Policy Delivery	9	Medium	Medium	Insufficient consideration is given to the structures and workflows of the new Department for the Economy with the result that it does not function effectively from the date of its creation.	Medium	Low	=>	ER	Yes

DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

<b>Objective:</b>			<b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b>					
<b>Generic risk supporting delivery of all objectives in the corporate plan.</b>			<b>Number of Board Meetings at this Level: N/A</b>					
<b>Category – Reputation and Credibility</b>								
<b>Risk Appetite – Cautious</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>			
1. DETI is unable to deliver on its Programme for Government, Corporate Plan and Business Plan commitments resulting in political and public criticism of the DETI Minister and Department.	High	Medium	<p>Approved Business/Operating Plans for the Department and its NDPBs and Cross Border bodies are in place each financial year. NDPB 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 DETI Business 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 tightened up the controls around performance monitoring e.g. earlier commissioning of the monitoring exercises; reminder of IAU comments on timeliness of returns; emphasis on</p>	Medium	Low	Reviewing DETI Corporate Plan and related Business Plans is a continuing action eg via quarterly monitoring process.	Ongoing	CS (All Divs)

DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

			<p>slippage reports; improved spreadsheets for recording and retrieval of information; improved reporting to Departmental Board, Minister and ETI Committee.</p> <p>In relation to Invest NI and Tourism NI, 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 Tourism NI Chairmen. In relation to Tourism Ireland quarterly oversight meetings and monthly meetings with Director of Corporate Services are held.</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 THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

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
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</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> <li>• A refresh of the Economic</li> </ul>	Draft developed	CS (EPD)



## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>Management and Planning on a monthly basis to discuss policy issues.</p> <p>Regular Invest NI Executive 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>The Executive agreed the Innovation Strategy on 8 September 2014. The Strategy and Action Plan were published on 18 September 2014.</p>			<p>Strategy to cover the 2015-16 period in line with the extended mandate of the Programme for Government has been developed by DETI EPD in conjunction with the Executive Sub-Committee on the Economy Officials Group.</p> <p>DETI EPD is responsible for monitoring implementation of these actions.</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) continues to be taken forward by Departments.</p> <p>An implementation plan has been agreed by HOCs and the DETI Permanent</p>	<p>April 2015</p> <p>To be agreed by Executive Sub-Committee on Economy following Executive agreement of the extended Programme for Government</p> <p>Making Life Simpler: Improving Business Regulation in NI was published on 24 November 2014. EPD is currently working towards obtaining Executive agreement on a way</p>	
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

						<p>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>forward which will address the report's recommendations. Aim to secure Executive clearance by end 2015.</p> <p>Access to Finance plan was produced by March 2014 in conjunction with DFP and Invest NI and was monitored on a quarterly basis. It has now been completed.</p> <p>A draft Exports Action Plan was agreed by the DETI Minister in June 2015 and subsequently issued to the ETI</p>	
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

						<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>Committee and EAG for comment.</p> <p>The Business Incubation Action Plan will be delayed until later in 2015.</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. Relevant Invest NI Directors and DETI policy</p>
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

							<p>leads are involved in these meetings as necessary.</p> <p>Rec 3 has been fully implemented.</p> <p>BDLU now 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>Date remains to be</p>	
			<p><b>Background:</b> The Department has decided to review its current policy</p>			<p>Further action will flow from the work</p>		

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

			<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>MAPB/GSNI are continuing to assess the implications of recommendations for the regulation of the exploration and production of shale gas as published by the European Commission on 22 January 2014.</p> <p>The previous DETI Minister advised the Assembly that fracking is regarded as a novel and controversial issue and one on which the Executive will ultimately have to decide.</p> <p>Work has commenced on scoping of the terms of reference for a study into the economic potential of NI's Mineral &amp; Petroleum Assets &amp; on identifying the range of financial &amp;</p>	<p>determined within the wider context of addressing 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 THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

						human resources required to take such a study forward.		
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

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			CONTROLS IN PLACE			Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
RISK	Inherent Assessment					Impact	Likelihood			
	Impact	Likelihood								
3. Ineffective governance leading to poor value for money, fraud, loss to public funds, or irregular expenditure.	High	Medium	Approved Operating Plans for the Department and its NDPBs and Cross Border Bodies are in place each financial year. NDPB Operating Plans comply with the provisions of MPMNI and respective MSFMs.	Medium	Low	Monitoring of the DETI annual operating plans commenced following Ministerial approval of the Plans.	Commencing September 2015 for the DETI 2015/16 Business Plan.	ER (All Divs)		
			Monitoring of the DETI 2015/16 Business Plan will commence in September 2015.			DSO and SIB Legal have considered the Gas to the West grant Letter of Offer. A draft was issued to the developers on 5 May 2015. Revised gas loads and design costs received from developers				
			The Corporate Planning Workstream of the DfE Restructuring Project is taking forward the development and preparation of a draft Corporate Plan for the new DfE.							
			Provision of six-monthly Assurance Statements by Heads of Group and CEOs of NDPBs							
			Risk and Corporate Governance issues are standing agenda items at NDPB and Cross Border Body quarterly O&L meetings and are also discussed at Departmental Board.							
			Evaluation of programmes and projects.							

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>DETI-Invest NI Casework Committee established to consider significant Invest NI casework.</p> <p>DETI-Tourism NI Casework Committee established to consider significant Tourism NI casework.</p> <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>External DFP Gateway Health Check on Gas to West Grant Project completed on 26 February 2015, and final report received.</p> <p>DETI Casework met on 29 July 2015 to consider further the proposals for grant support towards the Gas to the West project, and was attended by DFP officials.</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 with NDPBs and</p>			<p>and OBC updated to FBC in advance of DETI Casework meeting on 29 July 2015. Further legal advice received from Energy Division legal advisors on Gas to the West LoO and grant related issues, and further interaction with the developers is planned to finalise the LoO.</p> <p>Assessing and addressing the implications of and requirements for the future operation of the Non Domestic Renewable Heat Incentive Scheme.</p>	Nov 2015	
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>Cross Border Bodies.</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 and Cross Border Body has a fully functional Internal Audit function.</p> <p>Memorandums of Understanding in place for management of EU Programme expenditure (EU and National Funds).</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 2015.</p> <p>Fraud Policy and Fraud Response Plan reviewed and updated in July 2012.</p> <p>Participation in biennial National Fraud Initiative data matching exercise.</p> <p>Implementation of Tourism NI's Governance Action Plan monitored and reported on as a standing agenda item at Tourism NI SMT meetings, Tourism NI</p>			Additional EC compliance checks on NDPB and project expenditure.	Ongoing	ER (ESU)
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**DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015**

			<p>Board meetings, Tourism NI Audit Committee meetings and DETI/Tourism NI O&amp;L meetings. The majority of actions outlined in the plan have been implemented and the outstanding actions are currently being progressed by Tourism NI.</p>					
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

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> Eleven (commencing 25 November 2014)							
Risk Appetite - Minimal			CONTROLS IN PLACE			Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
RISK	Inherent Assessment					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 EU expenditure targets.	High	High	<p>Monthly cost centre reports produced.</p> <p>Expenditure profiled monthly.</p> <p>Monthly financial reporting to Departmental Board.</p> <p>Regular budget monitoring meetings with Invest NI and Tourism NI with additional meetings to deal with urgent issues being scheduled as necessary.</p> <p>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> <p>Monthly reporting to the Departmental Board on the numbers applying for and</p>			Medium	High	<p>Ongoing monitoring of expenditure by NDPBs/Divisions and Finance Branch to get early sight of issues and implement remedies if possible.</p> <p>2015-16 budgets agreed. Ongoing monitoring will be implemented of outcome of VES versus Departmental reductions in 2015-16.</p> <p>Programme of engagement with HODs/G6 to</p>	Ongoing throughout 2015-16	ER (Finance HRCS)

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>the outworking of the Voluntary Exit Scheme.</p> <p>Monthly reporting to the Senior Management Team on the workforce position.</p> <p>Bi-Monthly HR Business Partner Reports to the Board which include the staffing position.</p> <p>Regular Resourcing Group meetings to assess workforce position and consider priorities.</p> <p>Gas to the West developers have requested a single (c£25m) end of project grant payment in 2017/18 instead of staged grant payments.</p>			<p>examine priorities and assess staffing requirements going forward to ensure ongoing delivery of paybill reductions iro staffing.</p> <p>Implement centrally agreed redeployment measures to secure staff for priority posts and/or reduce staff numbers based on Savings Plan.</p> <p>DFP approval has been granted for the payments arising from new installations in the Non-Domestic Renewable Heat Incentive Scheme between 29 October 2015 and 31 March 2016. DFP has still to consider the case for retrospective approval for new</p>		
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

						commitments under this scheme from 1 April 2015 to 28 October 2015. £11.5 m additional AME cover secured for 2015-16.		
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

<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>					
	<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>			
5. The £175m loan and package provided in connection with the Presbyterian Mutual Society is not repaid and as a consequence public expenditure pressures will be created for the Department and the NI Block.	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	<p>A high level review of Plan to 2020 has been completed.</p> <p>Discussions have been held with Joint Supervisors on actions arising from the review.</p> <p>Regular meetings of PMS Steering Group to continue to monitor delivery of the Plan.</p>	Ongoing.	ER (BRD)

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

<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><u>Number of Board Meetings at this Level:</u> Eleven (commencing 25 November 2014)</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	High	<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>Revised UK-wide Protective Marking Scheme was introduced across NICS Departments wef 2 April 2014. E learning rolled out across DETI.</p> <p>Business Continuity Management regime in place covering Netherleigh and all non-HQ buildings. Internal Audit undertook a follow up review of previous Business Continuity Audit findings. A report was received in December 2014. All recommendations have been</p>	Medium	High	<p>New approaches being trialed / proposed to streamline approval process and improve compliance with FOI/EIR response deadlines.</p> <p>ICO wrote to DETI on 8 October 2014 expressing concern about timeliness compliance rates and asking for further details. A response was</p>	<p>Monitored on a regular basis. Key issue is timeliness of issue of responses Stats published by OFMDFM show that in Qtr 3 2015, DETI issued only 22% of responses within the</p>	ER (HRCS)

DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

			<p>implemented.</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. Agreed actions have now been completed.</p> <p>Secure File Transfer Protocol in place between Energy Division and System Operator for Northern Ireland (SONI) for management of all records relating to security of electricity supply considerations.</p>			<p>issued on 11 November 2014.</p> <p>A second letter was received from the ICO on 8 December, requesting updated position. A response was issued on 8 January 2015.</p> <p>At ICO's request ICO senior officials met DETI IMU staff on 5 March. ICO advised that, at present, they are not putting DETI under formal monitoring, but will continue to watch the situation closely. A further update on compliance rates was sent to ICO at end April 2015.</p> <p>Whilst still low, compliance rates have improved over the first two quarters of 2015 (33% and 58%</p>	<p>FOI/EIR statutory deadlines.</p>	
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

						<p>respectively). Despite this improvement, it is still too early to justify reducing the risk likelihood.</p> <p>ICO scrutiny continues. In the last period, the ICO wrote to DETI, noting the low rate of compliance in 2014. They have requested further information on current caseload and compliance rates before deciding whether further regulatory action is required. This has now been provided and we await their response.</p>		
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

<b>Objective:</b>			<b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b>							
<b>B1 – To provide clear policy direction and targets, and the necessary resources to deliver those targets.</b>			<b>Number of Board Meetings at this Level: N/A</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>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>			
7. Non implementation of EU Directives and/or other relevant EU regulations leading to the imposition of penalties on the Department. Criticism of the Department for providing assistance which is not compliant with the EU's 'industrial' State Aid rules and/or for not replicating GB legislation in NI.	High	High	<p>LMU circulate details of EC Directives that require implementation.</p> <p>Stand alone website for the Competitiveness Programme with comprehensive guidance.</p> <p>Internal Audit system reviews.</p> <p>Memorandum of Understanding setting out requirements.</p> <p>Audit Authority checks.</p> <p>Managing Authority checks on compliance with MOU and spot checks on expenditure.</p> <p>Regular and ongoing training of those involved in the management of EU funds.</p> <p>Bi-lateral meetings with Intermediary Bodies focused on compliance issues.</p>			High	Medium	Circulation of relevant EC Directives when received from European Policy and Co-Ordination Unit, OFMDFM.	Ongoing	CS (Energy; Tourism, Telecoms and GSNI; ESU)

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>Management verification checks on Intermediary Bodies to include specific 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>Provision of a State Aid advisory service to DETI Divisions and NDPB's by European Support Unit (ESU).</p>			<p>ESU to undertake awareness raising activities to ensure aid providers are, aware of the 'industrial' State Aid rules. As required, ESU will offer aid providers with advice to assist them avoid State Aid being present or to obtain the necessary EC approval through the Commission's State Aid Notification Interactive System.</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</p>		<p>The following additional action is being taken by</p>		<p>Ongoing</p>

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>networks in the West.</p> <p>Following DSO and OLC clearance, the Regulations to effect changes to the electricity and gas licence modification arrangements were made on 5 January 2015 and came into operation on 6 February. The changes were required to ensure ongoing compliance with the Electricity and Gas Directives.</p> <p>Energy Division is progressing work to implement the extensive Energy Efficiency Directive 2012/27/EU.</p> <p>Regulations for Articles 9-11, 13 &amp; 15 came into operation on 25 July 2014.</p> <p>Regulations to transpose Article 14(10) made on 18 November and came into operation on 10 December 2014.</p> <p>UK-wide Statutory Instruments laid by DECC at Westminster in April and June 2014 – NI is included where required.</p>			<p>Energy Division:</p> <p>Continue to engage with DECC, NIAUR and DSO on a range of EU compliance issues. These include measure required for compliance with existing EU requirements relating to off shore gas storage Third Package Access (TPA) and obligations under and pursuant to Electricity and Gas Regulations and the Gas Security of Supply Regulation. Energy Division is also engaging with DECC to assess the implications of forthcoming EU requirements including changes to the Gas Security of Supply</p>	Nov/Dec 2015	
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

						<p>Regulation, potential security of supply legislation and emerging electricity and gas network codes.</p> <p>The Regulations include a duty on NIAUR to bring forward licence conditions / amendments in relation to the EED. Final decision paper on licence modifications from NIAUR delayed – the legislative power to make modifications has been extended to 24 November 2015. Further subordinate legislation will be made to review the Class Exemptions Order to reflect the requirements of the EED.</p>	<p>March 2016</p>	
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

			<p>Energy Division is working with EU colleagues to ensure state aid approval is granted for Phase 2 of the RHI non domestic Scheme. This will be taken forward in 2015.</p> <p>Detailed programme for delivery of wholesale electricity market Target Model requirements published by Regulators.</p> <p>Successful outcome to discussions with European Commission on derogation for Target Model compliance – derogation to 31 December 2017 approved by Commission and referenced in Capacity Allocation and Congestion Management Network Code.</p> <p>Initial meeting held with DG Competition to discuss I-SEM Capacity Remuneration Mechanism and State Aid notification arrangements 14 April 2015</p> <p>Work progressing to give effect to immediate obligations arising from CACM Regulation (designation of National Electricity Market Operator) completed and agreement with DECC on mechanism for allocation of UK single vote in respect of decisions to be taken by Transmission System Operators</p>			<p>Bring forward legislation to implement Phase 2 of the Non-Domestic RHI.</p> <p>Continue to work with DCENR, DECC and Regulators in a structured approach to EU.</p> <p>Engage with DG Comp, in support of State Aid clearance for proposed Capacity Remuneration Mechanism consider prenotification of proposed CRM.</p> <p>Support designation arrangements.</p> <p>Engage with DG Energy and DG Competition in relation to market design and capacity</p>	<p>Ongoing until implementation in Dec 2017</p> <p>April 2015 onwards</p> <p>By Nov/Dec 2016</p> <p>April 2015</p> <p>By end Dec 2015</p>	
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>Legal advice taken from DSO on wording of legislative change required for new market arrangements and timing of legislation (given ROI is implementing via primary legislation).</p> <p>NI response issued to DG Comp sector enquiry to Member States on use of capacity mechanisms in SEM / I-SEM</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 has not been fully transposed into Northern Ireland:</p> <p>Ministerial approval for development of 2(2) Regulations to transpose a number of Articles from the CCS Directive received on 19 November 2014.</p> <p>Implementation plan developed by MAPB and Project Steering Group in place. Progress has been made in the following areas:</p> <ul style="list-style-type: none"> <li>• Public Consultation complete;</li> <li>• Minister notified of outcome of consultation;</li> <li>• ETI Committee has approved SL1</li> </ul>			<p>remuneration mechanism</p> <p>Work with DCENR to agree required changes.</p> <p>Processes for drafting Subordinate Legislation to be followed once Executive approval obtained, this is required as the Regulations are cross cutting</p> <p>Engagement is ongoing with Private Office. Executive Secretariat and Legislative Monitoring Unit iro securing Executive</p>		
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

			<p>letters;</p> <ul style="list-style-type: none"> <li>• Executive Paper in progress; and</li> <li>• Final scrutiny of both sets of draft Regulations requested from DSO</li> </ul> <p>Ultimate compliance with the Directive continues to be constrained by a shortage of in-house expertise and will also continue to be impacted by the Subordinate Legislation processes.</p>			<p>approval.</p> <p>Target date for laying the Regulations was mid December 2015, however given executive approval had not yet been obtained; it is anticipated that Regulations will be laid in early Spring 2016.</p>		
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

<p><b>Objective:</b> To ensure disqualification orders are pursued against all directors whose conduct has been highlighted as a concern, within the 2 year statutory deadline.</p> <p><b>Category – Compliance – Legal / Regulatory</b></p> <p><b>Risk Appetite – Averse</b></p>			<p><b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b></p> <p><b>Number of Board Meetings at this Level: N/A</b></p>					
RISK	Inherent Assessment		CONTROLS IN PLACE	Residual Assessment		ACTION PLANNED	TARGET DATE	OWNER
	Impact	Likelihood		Impact	Likelihood			
8. Failure to file disqualification proceedings in compliance with the Department's approved prioritisation framework within statutory limits, and against those directors where evidence of misconduct has been identified.	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</p>	Medium	Medium	Business case for use of call-off arrangements to provide additional support has been approved by the Casework Committee. (Funding for the project will be provided through additional fee receipts and is not dependant on additional departmental resources being provided.) DSO advice is that outsourcing is not appropriate for the Department's investigation role for directors' disqualification and bankruptcy restriction orders. A project team has been assembled to take this project forward within the Insolvency Service and Gabriel Lynch from Central Procurement Directorate is providing guidance on the tender process. A visit to the Accountant in Bankruptcy in Scotland took place on 28 May	Dec 2015	ER (BRD)

## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<p>time.</p> <p>Legal advice and guidance provided by the Departmental Solicitor.</p> <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>2015 to learn from their experiences. TUS has registered a formal disagreement about the proposals and referred the matter to the Departmental Whitley Committee in line with formal processes. The target date has been revised to take account of the disagreement.</p> <p>MS and TUS have resolved the disagreement and a tender exercise has been launched for the provision of insolvency services with closing date of 22/11/15. If a suitable service provider is identified, as a result of the tender, a contract will be established in mid December.</p>		
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

		<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>A new system has been introduced to ensure that all investigation cases are regularly reviewed and reviews recorded to keep investigations focussed.</p> <p>In order to manage the excessive caseloads within IS in general, and to ensure statutory timeframes are met for disqualification and BRO cases in particular, the Branch has been developing 3 main approaches, Short term overtime has commenced which will focus on case closures to reduce existing caseloads – targets have been set over the final 2 quarters of 2015/16 to achieve an additional 300 case closures which represents around 25% of total closures for 2014/15. In addition training of staff and development of training materials including procedural manuals and guidance is being prioritised which will improve staff efficiency</p>					
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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

			<p>and effectiveness. A tender for establishing a framework for provision of insolvency services is also being established which will facilitate the outsourcing of some casework to the private sector and relieve pressure on staff across the branch, including Companies Section which is responsible for the initial identification of matters of unfitness by directors. This contract will be funded by using fees that are received by IS that are in excess of its budget. Numbers of Staff in the DDU have reduced as a result of one SO being reassigned to Companies section as a result of a VES vacancy and one SO has resigned. IS are in regular contact with DHR regarding the vacant posts to ensure they are filled as quickly as current circumstances allow and will be continuing to review the workflows and prioritisation process within the Companies section and DDU to ensure high priority cases are progressed with statutory deadlines. Furthermore as a result of the implementation of some provisions from the small Business Enterprise and Employment Act in NI, from 1 October 2015 the statutory time period for disqualification has now moved from 2 years to 3</p>					
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DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

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## DETI CORPORATE RISK REGISTER –APPROVED BY THE DEPARTMENTAL BOARD ON 17 NOVEMBER 2015

<b>Objective:</b> To ensure an orderly transition to the new Department for the Economy on its establishment.			<b>For risks with a residual assessment of High or Medium Impact and High Likelihood:</b>					
<b>Category – Operational and Policy Delivery</b>			<b>Number of Board Meetings at this Level: N/A</b>					
<b>Risk Appetite – Open</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>			
9. Insufficient consideration is given to the structures and workflows of the new Department for the Economy with the result that it does not function effectively from the date of its creation.	Medium	Medium	Senior Responsible Officer appointed.  Project Board established.  Full time project manager supported by project management team.  Workstreams established to take forward specific areas of work with monthly reporting requirements  Project and work stream plans nearing completion  Staff and stakeholder engagement commenced	Medium	Low	Gateway health check assessment to be carried out in October/November	Oct / Nov 2015	ER

**DEPARTMENTAL AUDIT COMMITTEE****TITLE: SIX MONTH ASSURANCE STATEMENT REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2015**

**Paper presented by: Terry Coyne**

**KEY ISSUES**

- At the time the report was produced, Energy Division's six monthly assurance statement was outstanding. Finance Division has highlighted the uncertainty around Invest NI's grant accruals inherent in accruals accounting. Energy Division is expected to provide an update on issues relating to the Renewable Heat Incentive scheme which were highlighted in its previous assurance statement relating to the six months to 31 March 2015.
- The Invest NI assurance statement refers to a number of issues including retrospective approvals, the European Sustainable Competitiveness Programme, the External Delivery Organisation inspection programme, annual accounts and the Report to those Charged with Governance, updates on suspected frauds and investigations, current litigation and HR issues.
- Tourism NI has referred to collaborative working with the wider public sector on tourism projects, the implementation of internal audit recommendations in relation to Familiarisation trips organised for international media, and the Hunter Review. Tourism NI has also provided an update on capital projects.
- No issues have been reported by CCNI or HSENI.

**ACTION REQUIRED**

To note position.

**TIMESCALE**

Any remedial work to be undertaken as soon as possible.

## DEPARTMENTAL AUDIT COMMITTEE

### SIX MONTHLY ASSURANCE STATEMENTS FOR THE PERIOD ENDING 30 SEPTEMBER 2015

1. At the time this report was produced, the process leading to the production of six monthly assurance statements was ongoing. The majority of six monthly assurance statements from Heads of Division and Heads of Unit have been submitted to the Heads of Policy and Management Services Groups. However, the assurance statement from Energy Division is outstanding. The following issues have been highlighted in the assurance statements completed to date.
2. Finance Division notes that Invest NI has significant closing grant accruals which are not verified until after the end of the financial year. There is always a risk associated with significant levels of accruals, particularly the risk that grant claims will not be received to plan or not deemed to be eligible after inspection. These closing grant accruals have the potential to cause significant problems in relation to possible underspending or overspending. Finance Division continues to work closely with Invest NI to monitor financial performance in year and to examine its future budgetary needs.
3. The Policy Group assurance statement for the six months to 31 March 2015 referred to forecast funding requirements for the Renewable Heat Incentive Scheme for 2015-16 and beyond and the implications for both the domestic and non-domestic schemes in terms of continuing at forecast current levels of demand. Although Energy Division's assurance statement is outstanding, it is expected that it will contain an updated reference to this issues.


### Non Departmental Public Bodies

4. The matters detailed in the following paragraphs were referred to in the six monthly assurance statements submitted by Non Departmental Public Bodies.

#### Invest NI

5. Invest NI has referred to a delegated DFP expenditure limit being exceeded in the provision of an R&D grant to Catagen Ltd. Retrospective DFP approval is being sought for the expenditure.
6. Invest NI has also referred to the commencement of its Innovation Vouchers scheme in advance of DFP approval being received. Invest NI reports that necessary approvals are now in place and lessons learned have been taken on board.



7. Invest NI has reported that future pay remits submitted for approval will include all staff eligible for the NICS pay settlement. Retrospective approval has been received from DFP to regularise expenditure in relation to staff that were incorrectly excluded from the pay remits from the period 2006-14.
8. Invest NI has highlighted potential State Aid issues relating to the administration of the Local Economic Development programme by Local Councils. Invest NI has initiated an exercise to determine the scope of the issues. The results will be subject to review and any expenditure deemed irregular will be removed from the programme.
9. The Invest NI statement has also highlighted an issue with the Design Service (partly funded by ERDF) relating to missing de minimis State Aid declarations from 12 companies. Support of £51K provided to the companies has been declared as irregular and withdrawn from the programme.
10. Invest NI has referred to the rolling inspection programme for External Delivery Organisations (EDO) to ensure adequate controls and sponsor body arrangements are in place. The 2015-16 programme will comprise four EDO inspections three of which will commence in September 2015. One EDO inspection relating to 2013-14 is outstanding, but fieldwork is complete.
11. Invest NI has confirmed that the NIAO audit of its financial statements was completed in June 2015. The accounts were unqualified. The final RTTCWG was presented to the Invest NI Audit and Risk Committee in September 2015 and recommendations are being progressed.
12. Seven final internal audit reports were received in the six month period and no significant issues were identified. Work is underway on the 2015-16 internal audit plan.
13. Invest NI has provided updates on three fraud cases. Two of the cases have been closed due to lack of evidence. The third relates to a whistleblower who alleged that an Invest NI client company had received an R&D grant which was based on falsified bank details. Sensitive investigative information redacted  
by the RHI Inquiry  

14. The Invest NI statement concludes by providing updates in relation to legal proceedings and HR issues.

## **Tourism NI**

15. Tourism NI has referred to the work it is undertaking to ensure that the wider public sector takes a strategic view when allocating funding to projects that support tourism. The statement also refers to engagement with local councils to explore the potential for co-funding tourism projects.
16. Tourism NI has reported that recommendations arising from the IAS report on Familiarisation Trips have been implemented and that a follow up review by IAS is being arranged.

17. Tourism NI has provided updates on the following:

- The HMS Caroline project is running behind schedule and additional costs are expected but their quantum is, as yet, unknown. The Tourism NI Chairman has written to the National Museum of the Royal Navy (NMRN) in relation to the project. NMRM has engaged Deloitte to determine the costs of the project and to prepare an updated business case. The project will now have to be reappraised and fresh approvals sought as necessary.
- The new Grant Management System, which incorporates automated controls and alerts, is now expected to be in place by March 2016.
- Delays have been experienced in the capital build for the Museum of Free Derry project. As a result it will not be possible for the full amount of ERDF funding to be drawn down by 31 December 2015. However, DCAL will meet the consequent shortfall in funding of £300K and the museum is due to open in June 2016.
- The Waterfront Convention Centre project is currently reporting a delay of around 13 days which will be likely to impact on the drawing down of funds by the EU funding deadline of 31 December 2015. The shortfall will be managed through the flexibility secured as a result of the October monitoring round. Agreement has been reached on the preferred operating model with a limited company being established, owned by the council.
- The project promoted by the Railway Preservation Society of Ireland is due to be completed in June 2016 and remains on target to meet ERDF expenditure deadlines.
- The Titanic Walkways project is experiencing delays with the planning process and expenditure is now not likely to be incurred until the 2015-16 financial year. The project is not expected to be completed until summer 2016.

18. Tourism NI continues to implement recommendations arising from the “Hunter Review” and has confirmed that significant progress has been made. The business case for the move to Linum Chambers (where it will be co-located with Invest NI) has been approved by the DETI Casework Committee and by DFP. Ministerial approval is being sought.

### **Consumer Council for Northern Ireland**

19. No issues have been raised by CCNI.

### **Health and Safety Executive for Northern Ireland**

20. No issues have been raised by HSENI.

**DEPARTMENTAL AUDIT COMMITTEE: 2<sup>nd</sup> DEC 2015**

**TITLE OF PAPER: FRAUD NOTIFICATIONS SCHEDULE**

**Paper presented by: Michael Woods**

### **KEY ISSUES**

- The attached report provides a summary of all fraud notifications received by DETI Internal Audit.
- As previously reported, Internal Audit has carried out a review of all fraud notifications on the Schedule and has identified nine notifications which can now be removed on the basis that appropriate follow up action has been taken and no further action is required. Since the last Audit Committee, 2 additional fraud notifications have been added to the Schedule.
- Internal Audit will continue to provide the Departmental Audit Committee with regular progress updates on all fraud notifications where further action is still required prior to being removed from the Schedule.
- Subject to Accounting Officer approval, it is intended that all fraud notifications which have been closed for 3 months or more i.e. where no further action is considered necessary, will be removed from the Schedule. DFP/NIAO will be updated as necessary.

### **DECISION REQUIRED**

- None.

### **ACTION REQUIRED**

- Departmental Audit Committee to note the current position of all fraud notifications listed on the Schedule and those identified for closure subject to obtaining approval as outlined above.

### **TIMESCALE**

- N/A

**Fraud Notifications Schedule**

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

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	Current Position / Recommended Action
<b>2010/11</b>										
DETI-FR 01/11	09/11/2011	GSNI	Officer mugged on business trip to South Africa. Had all possessions stolen including iron key. Only information stored was presentation. IT Assist informed on 14/11 and the information held on the iron key was deleted remotely.	Actual	01/12/2011	Yes	01/12/11* 06/12/11 formally	07/12/2011		*By phone.
<b>2011/12</b>										
DETI-FR 02/11	02/02/2012	DETI Audit Authority	Staff member mugged on business trip to Brussels. Handbag was stolen containing blackberry device which was remotely wiped.	Actual	10/02/2012	Yes	15/02/2012	15/02/2012		
DETI -FR 03/11	13/01/2012	DETI Minister	Minister's phone was lost between leaving Constituency Office in Enniskillen and returning to car in adjoining car park. A thorough search of the car park was carried out but nothing found. Device remotely wiped.	Loss/ suspected	15/02/2012	Yes	15/02/2012	15/02/2012		
DETI-FR 04/11	20/01/2012	Business Support Division	Officer mis-placed iron-key. Despite a thorough search it did not turn up so assumed stolen.	Loss/ suspected	26.01.2012	Yes	16.02.2012	16.02.2012		Found 21/2/12. DFP & NIAO informed 27/02/12.
<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. Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.
<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. Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.
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 were put in place and tested by Internal Audit. A further review of cash handling procedures was carried out in response to a further cash handling incident identified during 2014/15 (2014/14- DETI 02) refers. Internal Audit has made 8 recommendations to improve the system of control. A follow up review has been scheduled to be carried out in 2015/16. Internal Audit is satisfied that appropriate follow up has been action taken and therefore recommends that this incident is closed and removed from the register.
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. An update status was sought from Invest NI on 21st May 2015 and we have been advised that to date they have only contacted Invest NI about one trade mission and, in the end, didn't apply for support.

Fraud Notifications Schedule

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

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	Current Position / Recommended Action
<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	<p>A paper was presented to the CCNI Audit and Risk Committee in April 2014 outlining the actions that had been taken to address the incident. In addition to notifying the PSNI, the following IT actions were taken:</p> <ul style="list-style-type: none"> <li>• Full anti-virus network scan to ensure the incident was isolated;</li> <li>• Firewall filtering setting increased across the Consumer Council network;</li> <li>• Increased email content filtering;</li> <li>• Full anti-virus scans increased from weekly to daily;</li> <li>• Anti-virus scan level increased; and</li> <li>• Infected computer removed from the network.</li> </ul> <p>Consumer Council also engaged with Danske Bank and the following the actions were identified:</p> <ul style="list-style-type: none"> <li>• All bank passwords changed;</li> <li>• All Consumer Council authorised users issued with a reminder regarding the importance of on-line banking security protocols;</li> <li>• PSNI notified (crime reference number: 7 May 2014 777);</li> <li>• Weekly payment limits reviewed; and</li> <li>• The Consumer Council's Fraud Policy will be reviewed in light of the attempted fraud.</li> </ul> <p>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.</p>
2014/15 - Invest NI 01	04-Nov-14	Invest NI	Client's accountant raised concerns they had regarding the validity and accuracy of bank account screenshots provided to them in support of a claim for Invest NI Grant for R&D support. Based on an admission by the client that they had falsified the screenshot to show an initial investment in their company of £40,000, further inspection of duplicate bank statements provided by the client's bank highlighted income and outgoings discrepancies between the screenshots and statements.	(suspected) attempted	18.11.14	Yes	19.11.14	19.11.14	25.11.14	PSNI investigation is still ongoing.
2014/15 - DETI 02	28-Oct-13	Insolvency	On 28 October 13 there was a £40 discrepancy between our lodgement amount and the amount the Bank of Ireland credited to the account. On 27 March 14 a member of staff made up the £40 difference out of personal monies and lodged it to the BOI account.	Other - Human Error	28.11.2014	Yes	04.02.2015	04.02.2015	04.03.2015	Internal Audit carried out an investigation and made 8 recommendations to improve the system of control. A follow up review has been scheduled to be carried out in 2015/16. Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.
2014/15 - NITB 01	07-Jan-15	NITB - Dublin Office	Theft of Cash (€138) / Mobile phone (worth approx £400) and stamps (nominal value) from Dublin Office.	Actual	28.11.2014	Yes	22.01.2015	22.01.2015	04.03.2015	Dublin Office reported incident to Garda. Tourism NI are also currently seeking to relocate their East Point Office to a more populated and secure location within the East Point Estate. An investigation has been carried out by Tourism Ni however, a number of queries remain outstanding and an update position will be provided to Internal Audit shortly.
2014/15 - DETI 03	26-Jan-15	Intertrade Ireland	ITI received an email purporting to be from a colleague at ITI requesting a EURO payment of €13,650 to an account in London. When applying standard validation controls, it was established that the payment was not warranted.	Attempted	26.01.2015	Yes	04.02.2015	04.02.2015	04.03.2015	<p>In summary:</p> <ol style="list-style-type: none"> <li>1. There has been no loss of public funds</li> <li>2. Our IT system security has not been breached</li> </ol> <p>The incident was also reported to ActionFraud (UK National Fraud and Cybercrime Reporting Centre). (Ref NFRC150100911271)</p> <p>Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.</p>

DFE-394957

**Fraud Notifications Schedule**

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

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	Current Position / Recommended Action
<b>2015/16</b>										
2015/16 - DETI 01	20-Apr-15	H&W PLC	Bank picked up on this as a result of two cheques having the same cheque number. They contacted H&W officials to ask if they had issued two cheques with the same number. It was confirmed that this would not be possible – each cheque is pre-numbered. The bank then sent through copies of the cheques and H&W was able to identify the fraudulent cheque immediately as H&W plc only uses handwritten cheques whereas the fraudulent cheque used printed text.	Attempted	22.04.2015	Yes	08.05.2015	08.05.2015	01.06.2015	The bank has now passed all the details on to their Fraud Unit. Additionally, the bank's Handling Services Department will be monitoring the cheque activity on this account. No actual loss occurred.  Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.
2015/16 - TNI 01	27-Mar-15	East Point Business Park	Staff discovered that the office had been burglarised on returning to work after the weekend. The office had been ransacked and high value items taken including 4 tablet devices and a plasma.	Actual	27.04.2015	Yes	21.05.2015	21.05.2015	01.06.2015	The Guards intend to bring a prosecution against the East Point Employee responsible. Tourism NI are also currently seeking to relocate their East Point Office to a more populated and secure location within the East Point Estate.  Internal Audit is satisfied that appropriate follow up action has been taken and therefore recommends that this incident is closed and removed from the register.
2015/16 - DETI 01	10.09.2015	Tourism Ireland	An email appearing to come from the CEO requesting a funds transfer was a fake sent from an email address almost identical to the CEO's and in the correct TI format	Attempted	14.09.2015	Yes	Yes	Yes	29.09.2015	Guarda has been notified and warning issued about this particular type of fraud circulated to all staff.
2015/16-TNI 03	22.09.2015	Tourism NI - Finance Unit	Finance Manager received an email purporting to be from the Chief Executive requesting a wire transfer. Email was caught by the Tourism NI firewall and notified to the Finance Manager through the quarantined email notification.	Attempted	05.10.2015	Yes	14.10.2015	14.10.2015	02.12.2015	The incident has been reported to the PSNI and a staff communication has been issued to the organisation to raise awareness of such phishing attempts.
2015/16 - DETI 03	14.10.2015	Tourism Ireland	An email appearing to come from the CEO requesting a funds transfer was a fake sent from an email address which had been made to look like his email address.	Attempted	19.10.2015	Yes	23.10.2015	23.10.2015	02.12.2015	Warning about this particular type of fraud recently circulated to all staff as last attempt 4 weeks ago. As the funds were to be transferred to a bank branch within the country, the bank was advised about the nature of the account at the branch.

## MINUTES OF DEPARTMENTAL AUDIT COMMITTEE HELD ON 2 DECEMBER 2015 AT DETI, NETHERLEIGH

**Present:** David Beck (Chairman)  
Anthony Harbinson (Audit Committee Member)  
Claire Hughes (Audit Committee Member)

**In attendance:** Eugene Rooney (DETI)  
Trevor Cooper (DETI)  
Michael Woods (DETI)  
Iain McFarlane (DETI)  
Jackie Connolly (DETI)  
Terry Coyne (DETI)  
Tomas Wilkinson (NIAO)  
Deborah Lange (Invest NI)  
Carol Keery (Invest NI)

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

**Apologies:** Dr Andrew McCormick (DETI)

### PRELIMINARY

1. The Chairman welcomed everyone to the meeting. He thanked Deborah Lange and Carol Keery for attending on behalf of Invest NI. He also welcomed Tomas Wilkinson from NIAO who has replaced Colette Kane as DETI's Audit Director, and asked Tomas to convey the Committee's appreciation for the help and assistance provided by Colette over the years. The Chairman conveyed an apology from Dr Andrew McCormick who was unable to attend this meeting of the Departmental Audit Committee.

### POTENTIAL CONFLICTS OF INTEREST

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

### CORPORATE GOVERNANCE UPDATE FROM INVEST NI

3. The Chairman informed the Committee that Deborah Lange and Carol Keery were attending the meeting to provide the Committee with an update on governance issues in Invest NI. He referred to the Committee's particular interest in matters relating to the 2015 Programme of Work on

the European Sustainable Competitiveness Programme, which the Committee understood would be completed on time and with an error rate within tolerance.

4. Deborah Lange commenced her update by confirming that NIAO had issued its final Report to those Charged with Governance (RTTCWG) which had been discussed by the Invest NI Board Audit Committee. The RTTCWG contained five recommendations, only one of which was “priority one”. The “priority one” recommendation related to the methodology used by Invest NI to calculate grant provisions. The RTTCWG contained three “priority two” recommendations which related to a balance due by Invest NI to DETI (the point mirrors a point raised in DETI’s 2014-15 RTTCWG), the inclusion of balancing figures in Invest NI’s Cashflow Statement, and NIAO Access to Meridio. The “priority three” recommendation related to two corporate governance issues. Deborah confirmed that all recommendations are being addressed and will be implemented by the end of the financial year.
5. In relation to Invest NI’s risk management process, Deborah confirmed that the Invest NI Board Audit Committee reviews the corporate risk register in detail with a specific risk being discussed with the relevant risk owner at each meeting. Deborah informed the Committee that the Board Audit Committee closely scrutinises mitigating actions with any issues identified being brought to the attention of the Invest NI Board. She went on to confirm that the Invest NI Board Audit Committee takes the lead in the scrutiny of corporate risks with issues being flagged to the Invest NI Board as appropriate.
6. The Committee had been provided with a copy of Invest NI’s six monthly assurance statement covering the six months to 30 September 2015. Deborah referred to the breach of a delegated limit in an R&D project and confirmed that processes had been revised to ensure that there would be no re-occurrence. Deborah also referred to the launch of the Innovation Vouchers Scheme prior to DFP approval being received. The matter has now been resolved, with appropriate approvals now being in place, and lessons having been taken on board. The Chairman confirmed that there were no issues in the six monthly assurance statement of which the Committee was unaware. In response to an enquiry from the Chairman, Deborah indicated that she did not envisage any role for Invest NI in notifying companies of actual and attempted frauds and “scams”.
7. Carol Keery provided the Committee with details of the Invest NI projects selected for scrutiny as part of the sample for the 2015 programme of work on the European Sustainable Competitiveness Programme. Carol confirmed that a total 26 Invest NI funded projects had been selected. The Audit Authority has issued 16 final reports with 10 reports being issued in draft.



8. Carol confirmed that an issue had been identified in relation to the methodology used by a company in regard to completion of time sheets. Jackie Connolly confirmed that work was ongoing to rectify the issue and that the Audit Authority would be meeting with the company once all the requisite information was to hand. Potential issues had also arisen in relation to the tracking of EU funded assets in a sample of projects. Carol pointed to work undertaken on two other projects where the error rate had been reduced following interaction with Invest NI.
9. Carol referred to de minimis State Aid compliance issues in relation to the Local Enterprise Development sub-priority administered by Local Councils. Invest NI is working with Councils, the Audit Authority and the Managing Authority to resolve the issues.
10. Carol reported, and Michael Woods confirmed, that a systems audit of NI Screen had been undertaken. The findings of the audit will determine the eligibility of £5.85m of expenditure which has been recorded on the EU database but has not yet been drawn down from the Commission.
11. Carol informed the Committee that Invest NI is funding two Council led capital projects that had initially caused concern. In relation to the first project, Carol confirmed that the level of concern has declined as a result of the completion of Article 13 checks and the acceptance by the Council of procurement related penalties. In relation to the second project, Carol confirmed that Invest NI has had several meetings with the Council due to the number of changes that have been made to the project and confirmed no claims would be paid until agreement has been reached regarding the project's future shape.
12. The Chairman asked if Invest NI had concerns about Sterling / Euro exchange rate fluctuations which introduce an element of uncertainty into budgeting. Carol confirmed that exchange rate issues were potentially significant but advised the Committee that she took comfort from the number of projects being funded by Invest NI, which resulted in funding being drawn down over a longer time period thus smoothing exchange rate variations.

## **THE EUROPEAN SUSTAINABLE COMPETIVENESS PROGRAMME NI**

13. Jackie Connolly informed the Committee that 37 projects with a total value of approximately £35M had been sampled in connection with the 2015 programme of work. The projected error rate is currently greater than the Commission's threshold of 2% although it was likely to reduce. In this regard, Jackie confirmed she was meeting with Maeve Hamilton from the Managing Authority to identify options for reducing the error rate. Jackie confirmed that the European Commission's Auditors had been helpful and dates had been provisionally scheduled for holding video conferences with

the Commission. Anthony Harbinson noted and welcomed the processes which were in place to achieve a reduction in the error rate.

14. The Chairman thanked Deborah Lange and Carol Keery for attending the meeting and Deborah, Carol and Jackie left at this point.

## **DEPARTMENTAL RESTRUCTURING**

15. Eugene Rooney outlined progress on the restructuring of the Department which will culminate in the creation of the new Department for the Economy (DfE). He confirmed that departmental restructuring has its origins in the 2014 "Stormont House Agreement" with some "fine tuning" being introduced in the recent "Fresh Start Agreement". Legislation will be enacted by the Assembly to give formal effect to the changes. Eugene confirmed that this significant project, involving staff from DETI and DEL, is being progressed by 10 separate Workstreams reporting to a DETI/DEL project board chaired by Andrew. He informed the Committee that while there is now a high degree of certainty in relation to the functions to be performed by DfE, future responsibility for DEL's Employment Service still has to be finally determined.
16. Eugene confirmed that the project was subjected to a "Gateway"-type process. A health check review was undertaken in November 2015 which recorded an overall result of 'Amber' and made five procedural recommendations for taking the project forward. Eugene confirmed that nothing surprising had emerged from the review.
17. In response to an enquiry from the Chairman, Eugene indicated that no decision had been taken on whether or not there would be another Gateway review prior to creation of the new Department. Responding to a question from Anthony Harbinson, Eugene confirmed that the Gateway review was undertaken by external reviewers who also conducted reviews for Whitehall departments.
18. The Chairman sought assurance that all workstreams were underway and asked if any milestones have been missed. Eugene confirmed that all workstreams were underway and, in relation to milestones, indicated that the project was on track. He advised the Committee that the next milestone relates to shared services and requires the structure of the new Department to be confirmed by the end of December.
19. A discussion took place around the 2016-17 internal audit plan for the new Department and finalisation of the last sets of accounts for DETI and DEL. Anthony Harbinson recommended that as the majority of operational functions would be transferring in their entirety, audit plans should continue to focus on the areas of highest risk previously identified in DETI and DEL and noted that the current situation whereby Internal Audit

Service provides internal audit services to DETI and DEL is conducive to the transition. Tomas Wilkinson confirmed that NIAO would have to undertake audits of accounts produced up to the date that DETI and DEL are dissolved. The Committee noted that transitional arrangements would be put in place by DFP to ensure that accounts would be signed by an Accounting Officer.

20. Eugene Rooney concluded by confirming that the project board is alert to the opportunities provided by the creation of the Department for the Economy. In particular the creation of the new department offers the opportunity for a more joined up approach to be taken to economic development through the concentration of expertise in support for business and the development of skills.

### **APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

21. The minutes of the previous meeting on 29 September 2015 were approved and adopted.

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

22. The Schedule of Action Points arising from previous meetings of the Departmental Audit Committee was reviewed. The Committee noted that the majority of actions have now been finalised and can be removed from the Schedule.

### **INTERNAL AUDIT- PROGRESS ON INTERNAL AUDIT PLANS**

23. Michael Woods confirmed that internal audit plans for 2015-16 are on track. He also confirmed that there were no limited opinions for Invest NI or Tourism NI.
24. Michael informed the Committee that although the audit of the Domestic Renewable Heat Incentive (RHI) Scheme had commenced, he considered that it should be halted and an audit of the Non Domestic RHI Scheme should commence urgently in light of the issues that had arisen. Michael confirmed that the audit could be undertaken within existing resources as 10 days of efficiency savings had been identified and were available.
25. The Committee agreed with Michael's proposal. Michael undertook to write to the Head of Energy Division to explain the change of plan and to copy his note to the Committee.

**Action: Michael Woods to write to the Head of Energy Division regarding the change of audit plan and to copy his note to the Committee.**

## **NON DOMESTIC RENEWABLE HEAT INCENTIVE (RHI) SCHEME**

25. Stuart Wightman joined the meeting presented a paper outlining the history and current position in regard to the Non-Domestic RHI Scheme, including actions being taken to seek to secure appropriate approvals for expenditure in 2015-16 and beyond.
26. Stuart confirmed that officials in Energy Division have been working in conjunction with officials in DETI Finance Division and DFP to regularise matters. Approval for the Scheme has now been received covering the period from 29 October 2015 to 31 March 2016. Retrospective approval is currently being sought from DFP to cover the period from 1 April 2015 to 28 October 2015. Stuart confirmed that amendments to the Scheme involving tariff changes and the introduction of a cap on annual payments had been brought into effect in November 2015.
27. Trevor Cooper commented that there were lessons to be learnt in terms of the initial design of the scheme and the ongoing control of the scheme through regular reviews of tariffs. The Chairman asked if DETI's equivalent department in Great Britain, the Department of Energy and Climate Change, had more flexibility in terms of its ability to quickly change tariffs. Stuart confirmed that GB has more flexibility through automatic digression, with tariffs being adjusted in response to changing costs. In response to a question from Claire Hughes, Stuart confirmed that the Scheme had been successful in terms of the achievement of targets for its uptake.
28. The Committee went on to discuss the operation of the Scheme. In response to a question from Claire Hughes, Stuart confirmed that OFGEM (which administers the GB Scheme) reviewed and checked applications on behalf of DETI. Anthony Harbinson considered it important to ensure that lessons are learnt from the issues which had arisen in the operation of the Scheme. He also underlined the importance of ensuring that if a similar issue were to arise in the future, it would be identified at an early stage and remedial action taken. Anthony reiterated the Committee's view that the Scheme should be audited by Internal Audit Service at the earliest possible juncture.
29. The Chairman commented that he expected the internal audit process to identify any further issues with the Scheme. He considered that the Department is exposed until DFP approval for the period from 1 April 2015 to 28 October 2015 is received, and through entering into commitments over a 20 year period. Trevor Cooper informed the Committee that, following the Chancellor's Autumn Statement, DFP has now confirmed that

expenditure under the Scheme may be subject to an absolute cap in terms of AME available in any given year. DFP is engaging with HM Treasury to seek clarification on the effect of the Autumn Statement in terms of funding. A response is awaited. Eugene stressed the importance of settling the budget position.

30. Stuart confirmed that an options paper would be put to the Minister in terms of the future operation of the Scheme.
31. The Chairman requested that a substantive paper outlining the latest position be provided to the next meeting of DAC.

**Action: Energy Division to provide a paper regarding the current position on the Non-Domestic RHI scheme.**

32. Stuart Wightman left the meeting at this stage.

### **PRESBYTERIAN MUTUAL SOCIETY (PMS)**

33. Iain McFarlane outlined the current position in relation to the repayment of the loan provided to the Presbyterian Mutual Society. He informed the Committee that the 18 month business plan covering the period up to March 2017 has been received and is being reviewed by the Department in conjunction with its specialist insolvency advisers. Iain confirmed that a capital repayment of £14M was received in respect of the repayment due at the end of November which exceeded the scheduled £9m repayment by £5M.
34. Iain informed the Committee that work is ongoing regarding the year end accounts and that the Department has negotiated a reduction in supervisors' fees, with a discount of 5% being achieved for February and March 2015 and a 10% discount being achieved from April 2015 onwards.
35. In response to a query from the Chairman in relation to the prospects of recovery of the loan in light of the state of the property market, Iain confirmed that the carrying value of the property assets in the PMS accounts had been reviewed and this had resulted in their value being increased by £12M in the PMS Accounts.

### **DETI REPORT TO THOSE CHARGED WITH GOVERNANCE (RTTCWG) 2014-15**

36. Iain provided an update on the RTTCWG and confirmed that it contained four "priority two" issues. Two of the issues related to the Presbyterian Mutual Society, one related to Harland and Wolff, and one related to a CFER balance with Invest NI (this was also referred to in Invest NI's

RTTCWG). Iain confirmed that the Department has accepted all the recommendations and is working towards implementation.

### **SINGLE TENDER ACTIONS**

37. Trevor Cooper confirmed that in the first six months of 2015-16, seven Direct Award Contracts (DACs) totalling approximately £263K had been awarded. He informed the Committee that three of the DACs related to software contracts totalling approximately £186K.

### **CORPORATE RISK REGISTER**

38. Terry Coyne confirmed that following the discussion at the previous meeting of the Departmental Audit Committee, he had amended the Corporate Risk paper to reflect the Committee's views. The paper has now been divided into two main sections. The first section sets out risk management processes and the second sections shows the linkages between the Corporate Risk Register and six monthly assurance statements.

### **SIX MONTHLY ASSURANCE STATEMENTS**

39. Terry Coyne informed the Committee that the six monthly assurance statement process for the period ending 30 September 2015 was still ongoing and that Energy Division's statement hadn't yet been received. The Chairman expressed some disappointment in relation to the delay in the submission of the Energy Division statement given the issues that had arisen in the Non-Domestic RHI Scheme, and asked that the six monthly statements be circulated to Committee members when they were received.
40. The Chairman endorsed the format of the revised risk management paper. Anthony Harbinson also agreed with the revised approach and noted that the key to effective risk management was ensuring that a process existed that would identify the right risks at the right time.
41. In relation to Arm's Length Bodies, Terry Coyne referred to the increased costs identified by Tourism NI on the HMS Caroline project. A discussion took place around the level of project management experience within Tourism NI and the Committee agreed that the issue might be explored when Tourism NI representatives attend a future meeting of the Committee.

**Action: Provide Committee members with a copy of the DETI Six Monthly Assurance Statements.**

**Action: Discuss project management with Tourism NI representatives when they attend the next Committee Meeting.**

42. Anthony Harbinson left the meeting at this stage.

### **AUDIT COMMITTEE EFFECTIVENESS**

43. The Chairman confirmed that a meeting was due to be held on the following day (3 December 2015) to agree and finalise responses to the National Audit Office questionnaire on Audit Committee effectiveness. An update would be provided at the next meeting.

**Action: Provide an update on the review of Audit Committee effectiveness at the next meeting.**

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

44. Iain McFarlane provided an update on governance issues relating to Arm's Length Bodies. He confirmed that Tourism NI's Report to Those Charged with Governance had no priority one issues, four priority two issues and one priority three issue. All recommendations have been accepted by TNI management.

45. The CCNI is currently recruiting new Board members. New members are due to take up appointments from January 2016.

46. HSENI's annual report and accounts for 2014-15 were laid before the Assembly on 3 July 2015. HSENI's Report to Those Charged with Governance contained one priority two issue which has now been resolved. HSENI's internal auditors have completed field work for the six areas included in the 2015-16 internal audit programme. Four final and one draft report have been received, all of which contain a substantial rating.

47. No significant issues were raised in relation to InterTradeIreland and Tourism Ireland Ltd.

### **NIAO REPORTS**

48. Tomas Wilkinson provided an update on NIAO reports relating to both DETI and DEL (in view of the impending creation of the Department for the Economy). NIAO is currently undertaking a review of Invest NI's venture capital funds with a view to publishing a report in or around October 2016.

NIAO has also undertaken a review of DEL's training programmes and expects to publish a report in March 2016.

49. Tomas confirmed that the financial audit of the Insolvency Account has been completed and is awaiting certification by the C&AG. Tomas confirmed he would provide NIAO's strategy and plan for the 2015-16 Resource Accounts at the meeting of the Committee in March 2016.

**Action: Tomas Wilkinson to provide the Committee with NIAO's Audit Strategy and Plan for DETI's 2015-16 Accounts**

**FRAUD/THEFT NOTIFICATIONS**

50. Michael Woods provided the Committee with an update on fraud/theft notifications. In addition to the actual or suspected frauds detailed in the paper provided to the Committee, Michael referred to a suspected fraud perpetrated against [redacted]. The suspected fraud related to an event run some years ago by [redacted] to which [redacted] had contributed funding. Although the suspected fraud was perpetrated against [redacted], the PSNI has approached [redacted] with a view to an official or officials providing a witness statement. Michael undertook to provide the Committee with an update on developments.

**Action: Michael Woods to provide the Committee with an update on developments in relation to the suspected fraud involving a [redacted] event to which [redacted] had contributed funding.**

**NATIONAL FRAUD INITIATIVE**

51. Terry Coyne informed the Committee that there were 146 data matches. Four matches related to payroll and have been investigated by DETI HR. There were 142 creditor matches. 16 recommended matches have been investigated with nothing being found. Other matches were investigated on a sample basis with a further 77 matches being sampled. Nothing was found. Two matches, relating to creditors with duplicate addresses, are currently being investigated and it is anticipated that the NFI exercise will be complete by the end of December.

**GUIDANCE ISSUED**

52. Terry Coyne confirmed that guidance relating to Treasury Minutes responding to Westminster PAC reports had been issued in October 2015. Guidance had also recently issued on the Public Accountability Process



including updated protocols on commenting on matters under consideration by the Assembly Public Accounts Committee.

**FORWARD LOOK AT BUSINESS OF NEXT MEETING**

53. The Chairman asked those present to note that the next meeting will be held on 2 March 2016. He also confirmed that Tourism NI should be invited to the next meeting.

**Action: Secretariat to invite Tourism NI to the next meeting.**

**ANY OTHER BUSINESS**

54. The Chairman closed the meeting and thanked everyone in attendance and their staff for the work they had undertaken.